UNITED STATES
INTERNATIONAL TRADE COMMISSION

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 (FINAL)

REVISED AND CORRECTED

Pages: 1 - 285
Place: Washington, D.C.
Date: Thursday, January 07, 2016

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THE UNITED STATES
INTERNATIONAL TRADE COMMISSION


Main Hearing Room (Room 101)
U.S. International Trade Commission
500 E Street, SW
Washington, DC
Thursday, January 7, 2016

The meeting commenced pursuant to notice at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable Dean A. Pinkert, Vice Chairman, presiding.
APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

Vice Chairman Dean A. Pinkert
Commissioner Irving A. Williamson
Commissioner David S. Johanson
Commissioner F. Scott Kieff
Commissioner Rhonda K. Schmidtlein

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Amelia Preece, Economist
Charles Yost, Accountant/Auditor
David Goldfine, Attorney/Advisor
Douglas Corkran, Supervisory Investigator
APPEARANCES:

Congressional Appearances:
The Honorable Phil Roe, M.D., U.S. Representative, 1st District, Tennessee
The Honorable Sean P. Duffy, U.S. Representative, 7th District, Wisconsin
The Honorable Reid J. Ribble, U.S. Representative, 8th District, Wisconsin
The Honorable Richard M. Nolan, U.S. Representative, 8th District, Minnesota
The Honorable Bruce Westerman, U.S. Representative, 4th District, Arkansas

State Government Appearance:
The Honorable Dennis M. Davin, Secretary of Community and Economic Development, Office of the Governor of Pennsylvania

Opening Remarks:
Petitioner (Joseph W. Dorn, Counsel)
Respondents (Shara L. Aranoff, Covington & Burling LLP)
In Support of the Imposition of Antidumping and Countervailing Duty Orders:

King & Spalding LLP
Washington, DC

and

Stewart and Stewart
Washington, DC

on behalf of

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW")

Domtar Corporation

Finch Paper LLC

P.H. Glatfelter Company

Packaging Corporation of America

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

Robert Melton, Vice President of Business Papers and Strategic Accounts, Domtar Corporation

Jack Bray, Vice President of Manufacturing Operations, Domtar Corporation

Katie Zorn, Director of Marketing, Business Papers, Domtar Corporation

David McGehee, President, Mac Papers, Inc.
APPEARANCES (Continued):

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

Dr. Seth T. Kaplan, Senior Economic Advisor, Capital
Trade, Inc.

Judith Lassa, Consultant, BOISE Paper, a division of
Packaging Corporation of America

Paul LeBlanc, Vice President, BOISE Paper, a division
of Packaging Corporation of America

Douglas Franz, Supply Chain Manager -- Production
Planning, BOISE Paper, a division of Packaging Corporation
of America

Leeann Foster, Assistant to the International President
& Associate General Counsel, USW

Joseph W. Dorn, Counsel

Stephen A. Jones, Terence P. Stewart, Elizabeth J.
Drake - Of Counsel
APPEARANCES (Continued):

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

Mayer Brown LLP
Washington, DC

and
Covington & Burling LLP
Washington, DC

on behalf of
Asia Symbol (Guangdong) Paper Co., Ltd.
GreenPoint Global Trading (Macao Commercial Offshore) Limited

APRIL Fine Paper Macao Commercial Offshore Limited ("APRIL")
Alex Ismail, Chief Executive Officer, Liberty Paper
Roger Webb, International Paper Products LLC
Rick E. Moore, Vice President - Fine Paper,
International Paper Products LLC
Sunil Sud, Head, Pulp & Paper Sales, APRIL
Laurie A. Clark, President and CEO Satuit Consulting, Inc.

Bruce Malashevich, President and Chief Executive Officer,
Economic Consulting Services

Duane W. Layton, Matthew J. McConkey, Jing Zhang, Shara L. Aranoff and James McCall Smith - Of Counsel
APPEARANCES (Continued):
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Washington, DC
on behalf of
Suzano Papel e Celulose S.A. ("Suzano")
  Tom Tarpey, Manager of Sales, Suzano
  Susan G. Esserman, Christopher G. Falcone and Nathan W. Cunningham - Of Counsel
Cassidy Levy Kent (USA) LLP
Washington, DC
on behalf of
Portucel, S.A.
  Portucel Soporcel, N.A.
    Mike Dutt, General Manager, Portucel Soporcel, N.A.
    Jonathan M. Zielinski - Of Counsel
APPEARANCES (Continued)

Sidley Austin LLP
Washington, DC

on behalf of
Paper Australia Pty. Ltd. d/b/a Australian Paper and Paper Products Marketing Pty. Ltd.
Paper Products Marketing (USA), Inc.
    Jim Peters, President, Paper Products Marketing (USA), Inc.
    Richard L.A. Weiner, Rajib Pal, and Justin R. Becker - Of Counsel

Closing/Rebuttal:
Petitioner (Elizabeth J. Drake, Stewart and Stewart)
Respondents (Duane W. Layton, Mayer Brown LLP)
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MR. BISHOP: Will the room come to order?

VICE CHAIRMAN PINKERT: Good morning. On behalf of the United States International Trade Commission, I welcome you to this hearing on Investigation No. 701-528-529 and 731-1264-1268 involving certain uncoated paper from Australia, Brazil, China, Indonesia and Portugal. The purpose of the final phase of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury by reason of imports from Australia, Brazil, China, Indonesia and Portugal that are sold at less than fair value and by reason of imports that are subsidized by the governments of China and Indonesia.

Documents concerning this hearing are available at the public distribution table. Please give all prepared testimony to the Secretary. Do not place it on the public distribution table. All witnesses must be sworn in by the secretary before presenting testimony. I understand that parties are aware of time allocations but if you have any questions about time, please ask the secretary. Speakers are reminded not to refer to business proprietary information in their remarks or answers to questions.

If you will be submitting documents that contain
information you wish classified as business confidential
your request should comply with Commission rule 201.6. I
would like to request that all witnesses and counsel state
your name for the record before delivering testimony and
responding to Commissioner questions. This helps the court
reporter to know who is speaking at any given point. Mr.
Secretary, are there any preliminary matters?

MR. BISHOP: No, Mr. Chairman.

VICE CHAIRMAN PINKERT: Very well. Will you
please announce our first Congressional witness?

MR. BISHOP: The Honorable Reid J. Ribble, United
States Representative, 8th District, Wisconsin.

VICE CHAIRMAN PINKERT: Welcome Representative
Ribble.

STATEMENT OF THE HONORABLE REID J. RIBBLE

REPRESENTATIVE RIBBLE: Good morning. Thank you
Vice Chairman Pinkert and members of the Commission for the
opportunity to testify before you today in support of the
domestic uncoated paper industry and its workers.

As you know, I represent Northeast Wisconsin,
which is home to a robust forest products industry that
employs over fifty-four thousand people. Our paper
manufacturers are among the most efficient in the world.
Our workforce is well-trained and have a strong work ethic.
Moreover, our companies continue to invest in themselves to
compete in a changing global economy. But even the most
efficient producers cannot prosper when the rules of trade
are being broken.

As I said when I appeared before you two years
ago in another trade case, I'm a deep believer in trade but
I believe just as strongly that countries ought to play by
the rules that they have agreed to with other nations
without force and of their own choosing. When companies
dump their products on our market or receive government
subsidies as is the case here, they are not playing by the
rules that they agreed to.

My comments today are in support of a case
brought by Domtar Corporation, Finch Paper, Glatfelter
Company, the Packaging Corporation of America and the United
Steel Workers to obtain relief from rapidly increasing
imports of certain uncoated paper products from five
nations. As you may know, five paper mills in Wisconsin
Manufactured these uncoated paper products including the
Neenah Paper Mills in Appleton and Neenah, Wisconsin. Each
of these mills has a significant economic impact in their
community employing hundreds of workers.

I urge the Commission to vote in the affirmative
when you make your final determinations next month on
whether these companies and their workers have suffered
material injury from the dumped exports from Australia,
Brazil, China, Indonesia and Portugal and the subsidized
exports from China and Indonesia. I believe that government
subsidies are an incredibly inefficient and
market-distorting and are unfortunately a standard policy in
many countries.

Moreover, the dumping of products into the United
States market below the sale prices in these five countries
does further harm to the U.S. uncoated paper sector. I
believe that the data from your December prehearing staff
report makes the case for an informative decision in the
anti-dumping cases on imports from Australia, Brazil, China,
Indonesia and Portugal and in the countervailing duty cases
on imports from China and Indonesia.

On the dumping side, the largest distortions are
coming from China. The department of Commerce has already
made a preliminary determination of Chinese dumping margins
of ninety-seven to one hundred and ninety-three percent.
The other preliminary dumping margins are as high as
forty-one percent for Australia, thirty-three to forty-two
percent for Brazil and up to fifty-two percent for Indonesia
and thirty percent for Portugal.

Additionally, the subsidy margins of six to one
hundred and twenty-six percent for China and a forty-three
to one hundred and thirty-one percent for Indonesia cause a
double hit on U.S. Producers of certain uncoated paper.
Taken together, these numbers demonstrate that imports from these five nations are nowhere close to fair market pricing. Recent data from this Commission indicates a significant surge in imports of certain uncoated paper products from these five nations, a seventy-two percent increase between 2012 and 2014. At the same time, overall U.S. demand for the product declined 5.6%.

I want to thank the Commission for the chance to highlight the importance of a successful resolution of this case. The uncoated paper industry in my State of Wisconsin and across the country is fortunate to have U.S. Antidumping and Countervailing Duty Laws available to seek relief from egregious foreign trade behavior. I urge you to avail the industry and its workers of that relief with an affirmative final determination based on U.S. Department of Commerce and International Trade Commission data. Thank you for the opportunity to testify this morning.

VICE CHAIRMAN PINKERT: Thank you, Representative Ribble. Are there any questions for the representative? If not, we will let you go and thank you very much for coming and testifying today.

REPRESENTATIVE RIBBLE: Thank you, Mr. Pinkert.

MR. BISHOP: Our next Congressional Witness is the Honorable Phil Roe, United States Representative, First District, Tennessee.
VICE CHAIRMAN PINKERT: Welcome Representative Roe, you may begin when you are ready.

STATEMENT OF THE HONORABLE PHIL ROE

DR. ROE: Thank you Chairman Pinkert and members of the International Trade Commission. Good morning and thank you for allowing me to testify here today. My name is Dr. Phil Roe and for the last seven years I've had the distinct honor of representing Tennessee's first Congressional District in the United States House of Representatives. As a representative, one of my highest priorities has been advancing policies that encourage economic growth and job creation in east Tennessee.

Downtown Kingsport, Tennessee has hosted a paper mill on the banks of the Holston River since 1916. Today, one hundred years later that paper mill is now owned by Domtar and is an important cog in the economic engine for the Tri Cities. Three hundred thirty-five men and women make some of the finest, uncoated, free sheet paper in this state-of-the-art facility. The mill has some of the newest, most modern equipment of any mill in North America. This includes the only sulfur-free pulping process on the continent making the operation compatible with nearby neighbors, which happens to be my Congressional Office. My office is not two hundred yards from the front door and they are great neighbors.

Locals at the mill refer to the sole paper
machine in Kingsport as the K1 machine. The machine is capable of producing four hundred and fourteen thousand tons of printing and writing paper every year. Much of the paper produced in Kingsport is transferred a mile or two to a converting facility where large roles of paper are converted to reams of sheeted paper, suitable for printers and photocopiers. I'm extremely proud of the nearly four hundred workers that are located in these two sites in my district.

Domtar is one of the ten largest employers in Kingsport and has an annual direct economic impact of more than two hundred million dollars. When applying commonly used economic multipliers, the true impact of this facility becomes extremely significant throughout our region. I'm very concerned, not only for my constituents but more broadly the entire Domestic Industry when foreign producers exploit trade practices to the detriment of U.S. Workers.

As I understand it, the case before the ITC covers a critical segment of U.S. paper production that is involving uncoated, free-sheet paper that one would find in photocopiers, direct mail, office printers and more. I'm here today to urge you to make your earlier preliminary injury determinations against paper producers in Australia, Brazil, China, Indonesia, and Portugal final. I strongly support free trade but we must insist on a level playing
field that trade must not only be free but fair.

Two years ago, I was in China, I was standing in Beijing and thought "here's a country with a 1.4 billion people." This country has slightly over three hundred million people and guess what? We produce more goods and services as they do. We can do that if the trade is fair, but not unfair. It is clear that the value of imports from producers in countries covered by this trade action significantly increased between 2012 and 2014. The preliminary determination imposing countervailing duties against producers in China and Indonesia and antidumping duties against producers in Australia, Brazil, China, Indonesia and Portugal has helped to even out the playing field and allow for free and fair trade to resume. That's why I am such a strong supporter of having the preliminary determinations made permanent. Americans can compete and thrive in the global marketplace where trade is free and fair.

Across the United States, tens of thousands of workers in the Domestic Paper Industry have been displaced and there's no question that unfair trading practices have been a major contributor to this displacement. I urge you to look at the facts uncovered in this investigation and ensure workers in Tennessee and elsewhere have the opportunity to compete freely and fairly by issuing your
final determination. I find it ironic that forty-three years ago next month, as a young soldier I went to Southeast Asia, spent thirteen months of my life, and during that time post-World War II my father was losing his union job to Mexico because of trade practice. I find that very ironic forty-three years later being here.

I want to thank you for addressing this important issue and I look forward to your communications as these proceedings move forward. Thank you.

VICE CHAIRMAN PINKERT: Thank you representative Roe. Are there any questions for the Representative? If not, I want to thank you very much for testifying today and we will let you go. Thank you very much.

MR. BISHOP: Our next Congressional witness is the Honorable Sean P. Duffy, United States Representative, 7th District, Wisconsin.

VICE CHAIRMAN PINKERT: Welcome Representative Duffy and you may begin when ready.

STATEMENT OF THE HONORABLE SEAN P. DUFFY

REPRESENTATIVE DUFFY: I want to thank the panel and good morning Vice Chairman Pinkert and members of the Commission. I appreciate the opportunity to appear before you today on an issue that is critical, not only to my district but to the whole state of Wisconsin as you earlier heard from Congressman Reid Ribble.
Papermaking jobs are some of the best manufacturing jobs in the United States. These are jobs with good wages and great benefits. Growing up in Wisconsin, the path from high school to the mill is very well worn. These jobs allow many Wisconsinites to raise a family and to live out the American dream. These men and women who rely on these jobs, what they never counted on was the impact of foreign governments and foreign producers, some half a world away having an impact on their jobs.

The expectation was that our government would be there to offer protections from importers that weren't playing fairly by the rules. As you may know, papermaking is a considerable economic force in my home state. In fact, the Badger State ranks number one among all the states in the country in terms of pulp and papermaking capacity. The industry provides an excellent-paying job in predominantly rural areas. In some communities the paper mill is literally the lifeblood that sustains these small towns and communities throughout my District.

In my District, the Village of Rothschild is the site of a pulp and paper mill that is owned and operated by Domtar. Papermaking operations began there in 1909 and continue today, with the mill producing one hundred and thirty-eight thousand tons of paper annually. The facility employs four hundred hard-working Wisconsinites and boasted
an annual estimated economic impact of almost three hundred
million dollars. The downtown mill is the largest private
employer in Rothschild and one of the largest employers in
Marathon County where Rothschild is located.

The primary product that Domtar produces at the
Rothschild facility is known as uncoated free sheet. It's
an industry term for printed paper, which I am holding here
today and I know you all are familiar with, it's an industry
term for printed paper that is used every day in our office
copiers and printers and commercial printing operations and
in direct mail and in other applications. Demand for this
type of paper has been declining over the past several
years, due mainly to competition from electronic devices.
We're all using smart phones today and it reduces the demand
for paper.

But with the constant evolution of these
communication devices, this type of competition is
inevitable and the Domestic Paper Industry is taking steps
to deal with that new competition. What U.S. Producers like
Domtar cannot deal with though is unfair competition in the
form of illegal, subsidized and dumping products coming into
the U.S. Markets from foreign companies. Decreasing demand
makes U.S. companies particularly vulnerable to unfairly
traded imports like we've seen in this case.

I'm here today to ask that you make final
affirmative injury determinations in these investigations.

In 2008, my community witnessed firsthand the impact of closure of a Domtar mill in Port Edwards, Wisconsin where five hundred workers were laid off. Every pocket across my state has been impacted. I don't want to see that happen again to other Wisconsin mills and towns because the U.S. Government didn't enforce our trade laws. Just as a side note, we look at the impact that paper mills in Wisconsin have on our community. But it's not the community where that paper mill is located as I think the Commission is well aware, we have a forest products industry that spreads across our whole state where men and women work in the woods harvesting timber and providing product to paper mills. So a paper mill has a direct impact on the community at large where that mill is located. The impact across the state for one hundred miles away impacts small communities where men and women are in the woods providing product to that mill and so the economic impact and the job loss impact is substantial well beyond the closure of a Wisconsin paper mill.

The United States and Wisconsin's Paper Industry has suffered financial losses and lost thousands of jobs as a result of persistent patterns of unfair trade across all segments of the Industry. Along with foreign producers that have unrestricted access to the open markets of United
States, even while some of these producers defraud our
government and cause injury to Domestic Producers by dumping
undervalued products can't be allowed to continue. The
International Trade Commission and the U.S. Department of
Commerce has each conducted a thorough investigation of the
facts in this case. Based upon this analysis, Preliminary Injury Determinations were found to have
impacted the Petitioners. Accordingly, Countervailing Duties were imposed against producers in China and in
Indonesia and Antidumping Duties were imposed against producers in Portugal, Indonesia, Australia, China and
Brazil. I understand these duties have helped to keep unfairly subsidized paper from reaching the U.S. shores,
thereby serving to level the playing field for Domestic Producers in Wisconsin and throughout the country.
The ITC has the ability to make a real difference for the Pulp and Paper Workers in the 7th District of
Wisconsin, Wisconsin as a whole and the Country as a whole. There would be no reason to allow unfair trade to take a
further toll on this Industry. On behalf of the four hundred workers that rely on the good-paying jobs at the
Rothschild paper mill in my District and the hundreds more that provide the product to that mill, I strongly urge you
to keep these duties in place. I want to thank you for your time and your careful consideration of this case. Thank
VICE CHAIRMAN PINKERT: Thank you, Representative Duffy. Are there any questions for the representative? If not we will let you go and we really appreciate you coming in and testifying today.

MR. BISHOP: Our next Congressional Witness is the Honorable Richard M. Nolan, United States Representative, 8th District, Minnesota.

VICE CHAIRMAN PINKERT: Welcome back, Representative Nolan and you may begin when you're ready.

STATEMENT OF THE HONORABLE RICHARD M. NOLAN

REPRESENTATIVE NOLAN: Thank you. My name is Richard Nolan, Congressman from the 8th district of Minnesota and as I know some of you know, Mr. Williams in particular, I spent the better part of an adult lifetime in International Trade. Your Commissioner Williams and I used to run into each other at various major trading centers around the world, so I come to you as not only a representative of the people from Minnesota but someone who has some considerable experience in International Trade.

In fact, I was the, for a fair amount of time, a chairman of the world's largest private sector trade association's trade policy committee. So from both a private sector policy perspective, from a practical application of buying and selling goods around the world,
together with one responsible for the policies at a
Congressional level, I want you to know what those
experiences are and they've been considerably helpful in
understanding the implications of all this.

Mr. Chairman, with your permission, I would like
to ask that my written statement be included as is and then
for the sake of time I will just paraphrase here some of
what I think some of the more salient and important points
here.

VICE CHAIRMAN PINKERT: Certainly.

REPRESENTATIVE NOLAN: Thank you, Mr. Chairman.

So let me just start by saying I'm here in support of the
Steel Workers, Paper Corporation of America, the other paper
producers and the companies in U.S. Paper Industry who have
brought these important trade cases before the Commission
with regard to certain uncoated paper imports from
Australia, Brazil, China, Indonesia, Portugal. The illegal
dumping that has taken place, putting product in the market
at prices far below their own market prices and their own
production costs and putting a severe, severe problem on the
American Producers.

I know you all agree that our American workers
and companies can produce as effectively and efficiently as
anyone in the world if you're given a level playing field.
So I want to go on record of in favor of imposing
countervailing duties on the products from these five nations. My District is right in the heart of wood fiber industry in Northern Minnesota and it also includes the Minnesota Iron Range both of which have been decimated by illegal trade dumping as had been determined by preliminary declarations by the Department of Commerce and by this Commission as well.

In that regard, I've actually sponsored legislation to impose a five year moratorium on steel imports. The preliminary indications are that tariffs by commerce have been recommended in excess of two hundred percent on imports from China and I certainly urge you at this time to give careful consideration to that as well although I know that's not the subject here at the moment.

For all those who are advocates of free trade as we've just witnessed by my colleagues here who testified before me, everyone insists that it has to be fair and that's why these trade agreements have enforcement mechanisms in place but it's no secret to those of us who have been in the business as well as those who've observed it from a Representative's point of view that many of these nations have just a multitude of ways of getting around the enforcement mechanisms. You know, to change the definition or the classification of the product or move it to another country, give it another name and thus you see this
continuing flood of dumping in the U.S. Market.

So, as you may or may not recall, it was in 2001 that President Bush used Section 201 of the Trade Laws to impose some very stiff tariffs and penalties on steel. I believe it was section 19 of the World Trade Agreements that also allow for countries to impose tariffs and duties, not just in the case of illegal dumping but if a determination has been made that what's happening is detrimental to a particular important business or industry for a country.

For those who favor free trade or oppose the trade agreements, the one thing we all agree on is whatever it is, it's got to be fair and you have the very tough and difficult job of seeing to it that it is fair and that the terms of the agreement are enforced and rightfully so. Because unless we do that, I mean it's a serious threat to our not only our national economy but to our national security and represents a serious threat to our workers, the companies, the communities that surround them as the other witnesses have just indicated.

There are a number of other legislative efforts underway. I have also cosponsored the Trade Enforcement Improvement Act, which was sponsored in the Senate by Senator Franken and Klobuchar and that would strengthen some of the Antidumping and Countervailing Duty laws and also make duty evasion by foreign countries more difficult. So
Free Trade does not appear to have worked very well under the current system, I mean some fifty thousand American Manufacturers have gone out of business, millions of people have lost their jobs.

Since 2002, my information tells me that more than one hundred and twenty-six mills have closed and approximately two hundred and twenty-three thousand good paying industry jobs have gone away here in this country, including thirty-eight hundred jobs in Minnesota alone, towns like Brainerd and Sartell and Duluth and International Falls and Cloquet where massive layoffs have occurred and/or companies have been shut down.

The simple truth is that trade policies that we have, it's just got to do a better job of enforcement. I know the laws in that regard need to be strengthened but I want you to know that I am grateful to this Commission for their hard work and the dedication and the efforts that you have made to make sure that these trade laws are enforced and doing everything you can to put an end to these illegal practices.

As you know, the so-called certain uncoated paper products in question today include uncoated paper, copier and printer paper and standard sizes as well as uncoated paper for commercial printing and a wide variety of sizes and I am proud to note that this paper is manufactured by
U.S. Steel Workers and the Paper Corporation of America in my District in the Town of International Falls, Minnesota. You may know it as the coldest spot in the Nation, which it almost always is.

I recall one of the network newscasters was up there and it was like fifty below zero and they asked them, they said "How do you deal with this terribly cold weather?"

He said "well, you know, it's all about layers. You have some underwear and some wool pants and some snow pants and hats and insulated boots and all kinds of shirts and everything". The newscaster says well "I suppose if you get all that on, you're pretty warm?" He says "No, no, you're still colder than hell."

(Laughter)

REPRESENTATIVE NOLAN: Since that town was incorporated, we've had a paper mill there and the progress of that town and the survival of that town quite frankly has always been dependent upon that paper mill there. That's true as the other witnesses have said of the many towns in America. So it's not just a company, it's not just jobs. It's not our ability to sustain the production of important and valuable products in this country. It's also about the survival of communities for which paper production and forest products industries have been an inextricable part of their lives forever and it's mindful of the fact that we are
rich in these natural resources.

In the case of the iron range, it's the taconite, it's the ore, it's the steel and in this case here it's the forest products industry. We have vast, wonderful forest; great natural resources and they are badly needed throughout the world and we have to make sure our producers have been given a fair market. Today, the Paper Corporation of American employs five hundred and eighty people. It continues to be the largest employer in the town.

In recent years, they've had to shut down two of the four main lines or machines and laid off several hundred workers in the process because of this illegal dumping. There is probably another thousand jobs in the little community of six thousand that are related to the jobs from the mill, so this is a big deal, this is a big deal for us. We've seen this rapid rise in unfairly traded imports and we just simply can't allow the investments that great corporations like the Paper Corporation of America make and the workers who go to work every day to be the victims and to be disrupted by this egregious illegal dumping.

As you noted in your own preliminary report, the facts are first of all that the demand for uncoated paper fell by 5.6% in no small measure because of the nonmarket practices of many of these countries around the world, like China which are not drive by the traditional market.
principles that we live by. You've seen this overproduction and while the demand fell by 5.6%, the imports by these five nations jumped seventy-one percent here in this country.

Clearly, this is an unmistakable trend line for this factor and sadly, worst of all, the market share of foreign producers has nearly doubled since 2012 from 9.6 to 17.4% and this increase came at the direct dispense of Domestic Producers who lost 7.5 percentage points of the market share over that same period of time. One cannot help but be greatly disturbed, more than twenty-five hundred Americans have lost their jobs in the industry since 2011, four American plants have closed and others have significantly reduced their capacity.

Some of the other colleagues spoke to the dumping margins so I won't go into that but let me just say that I'm delighted that a coalition of steel workers and companies like Domtar and Fincher and Glatfelter and the Paper Corporation of America and U.S. Steel workers are coming together and I want to express my appreciation for you, that you have carefully reviewed the evidence and issued a preliminary affirmative decision in March of this year that began to impose duties and appreciate that your colleagues over at Congress have made preliminary determinations of dumping and subsidization with their final determinations due shortly.
In my view of the record before the Commission in these final investigations will support an affirmative final decision. Again, let me conclude by saying I appreciate the opportunity to testify and urge all due speed in arriving at a final determination. Thank you again for your work and the opportunity to testify before you here today.

VICE CHAIRMAN PINKERT: Thank you, Representative Nolan. Are there any questions for the representative?

(No response.)

VICE CHAIRMAN PINKERT: I just wanted to get a clarification on International Falls. Is that related to Frostbite Falls in --

[LAUGHTER]

VICE CHAIRMAN PINKERT: -- in any way?

REPRESENTATIVE NOLAN: No, but it's just down the road from Embarrass.

[LAUGHTER]

VICE CHAIRMAN PINKERT: All right. Well, thank you very much for testifying today. And you may -- you may go at this point.

REPRESENTATIVE NOLAN: Thank you very much.

MR. BISHOP: Our final Congressionally witness is the Honorable Bruce -- Bruce Westerman, United States Representative, Fourth District, Arkansas.

VICE CHAIRMAN PINKERT: Welcome, Representative
STATEMENT OF THE HONORABLE BRUCE WESTERMAN

REPRESENTATIVE WESTERMAN: I'm Bruce Westerman, member of Congress from the Fourth District of Arkansas.

Good morning, Chairman Pinkert and members of the International Trade Commission and thank you for this opportunity to appear before the Commission today on a matter that's of great importance to the Fourth Congressional District of Arkansas, as well as the rest of our country.

It's a real pleasure for me to be here and to testify on behalf of an issue that I'm passionate about because our forest products industry, our forestry and timber segments are an important part of our economy and they're especially important to my Congressional District, to my state.

Since 1968, the city of Ashdown located in Little River County in southwest Arkansas has hosted a pulp and paper mill. The proud tradition of making paper and paper products in Ashdown continues today with Domtar owning and operating an integrated pulp and paper mill. From Ashdown finished paper is sent to customers across the United States with some Ashdown products shipped to international customers.

I have visited the Ashdown mill on a number of
times and have always been amazed by the size and the scope
of the facility. Given my linkage to the forest products as
a professional engineer and forester, I perhaps have more of
an interest in what goes on at the mill than many others.
But I know that many people in Arkansas remember the day
when the number 64 paper machine, the Ashdown Express, began
operations in the mid-90's. It was said at the time that
this new paper machine was among the biggest, fastest, and
most efficient and productive machines on the face of the
earth.

In 2011 Domtar announced the permanent shutdown
of a smaller paper machine, Ashdown 61. That was because of
declining market conditions and increasing imports of
uncoated paper.

Such closures are always tough on small
communities like Ashdown. These mills are often the life
blood of a small town and when we lose good-paying jobs,
it's a hardship for the whole community and has far-reaching
ripple effects.

More recently, forces have combined that have
caused Domtar to announce the curtailment of paper making on
the number 64 machine. In December of 2014, Domtar
announced that the number 64 machine would be permanently
converted from manufacturing fluff pulp and material that is
used as the absorbent material in baby diapers and adult
incontinence products. With the announcement came the news that nearly 100 of my constituents would lose employment at the mill. Domtar pledged to try to absorb many displaced workers as retirements and resignations. But nevertheless, this region will feel the pain from losing 100 of some of the best manufacturing jobs in Arkansas.

Machine number 64 was specifically designed to produce uncoated, free-sheet paper. That is its highest and best use. But now that imports have captured such a significant share of the U.S. market for uncoated free-sheet, Domtar decided that it could no longer go on producing paper because it could not find customers or sell profitably.

While we are relieved that Domtar found a way to repurpose this machine, it comes at the expense of 100 jobs. Additionally Domtar will have to make significant expenditures to convert the machine to fluff production. And it will receive lower margins that it could have earned making the paper that the machine was designed for.

Unfair trading conditions from international competitors have had a profound impact in my district. I credit Domtar for doing what they have done to lessen this impact, but this is little consolation to the sandwich shop owner, or the transmission shop owner who has seen customers disappear.
Reduced production is detrimental to Forest Hill because it interrupts management practices. These ripple effects are much further reaching than just those 100 jobs that are impacted at the mill. I'm here today on behalf of the more than 900 Ashdown employees to ask that the preliminary determinations of dumping by producers in Australia, Brazil, China, Indonesia, and Portugal and the preliminary imposition of countervailing duties against producers in Indonesia and China be made final. The issue of unfair international trade is not just impacting Domtar and the other petitioners, but indeed has negatively impacted all segments of the industry. As producers in the country cited earlier, dumped their products on our shores, some at subsidized prices, domestic producers have seen their market share erode away. The Fourth Congressional District has lost paper production at several sites over the recent past. Allowing foreign producers to have unrestricted access to the open markets of the United States while some of these producers are knowingly defrauding us by dumping undervalued products is inexcusable. Vice Chairman Pinkert and members of the Commission, this issue is personal to me, not only because it affects constituents in my district, but I spent my
engineering and forestry career designing forest products manufacturing facilities. I have a deep understanding of the technologies and processes used not only in the U.S., but around the world. And I visited a considerable number of foreign facilities as well as hundreds of our domestic facilities.

The U.S. is the leader in technology and has invested billions in assets. In some manufacturing processes, the cost of timber can account to up to 60 to 70 percent of the total production costs. We have the safest and most environmentally friendly facilities in the world. We manage our timber in a sustainable manner. We have some of the highest trained employees in the world. We are producing productively and efficiently. We are good stewards and we're doing it right.

The point I want to make is this, if anyone is stealing U.S. market share in this industry, while shipping their products halfway around the world to reach our markets, then something is not fair and someone is playing by a different set of rules. Whether it's subsidized timber, lax environmental standards, or subpar labor standards, there is an unfair advantage and American workers and businesses pay the price.

Where there is smoke, I encourage you to please go find the fire.
The ITC has the ability to make a real difference for pulp and paper workers in the Fourth Congressional District of Arkansas. Please keep the antidumping and countervailing duties in place. Our domestic paper industry needs the International Trade Commission to do the right thing by ensuring that producers from around the globe abide by the same rules as producers here in the homeland.

Thank you for this opportunity to testify and I will be happy to answer any questions.

VICE CHAIRMAN PINKERT: Thank you, Representative Westerman.

Are there any questions for the representative?

(No response.)

VICE CHAIRMAN PINKERT: If not, we'll let you go and thank you very much for testifying today.

REPRESENTATIVE WESTERMAN: Thank you.

MR. BISHOP: Mr. Chairman, that concludes our congressional witnesses for the day.

Secretary Davin of the Office of the Governor of Pennsylvania will arrive later this morning.

VICE CHAIRMAN PINKERT: Thank you, Mr. Secretary.

Before we begin with opening remarks, it's come to my attention, Mr. Dorn, that this is likely to be the last of your many appearances before the Commission which stretch back over the last several decades. I'm told all
the way back to 1976. You've come before us in cases involving at least 20 countries and representing many clients and industries from wooden bedroom furniture to gray Portland cement, plastic bags, steel, paper, sinks, raspberries, magnesium, and cookware, and I'm sure others as well.

I know well from both sides of this dais, your dedication to craft, the high quality of your preparation and advocacy, and the courtesy you extend as a matter of course to all of your colleagues, whether they're on your side, on the other side, or even on the investigating side.

I'm sure I speak for my colleagues in thanking you for the gentlemanly way that you have conducted yourself before this Commission. I wish you a long and happy retirement. May the college sports gods look kindly upon the UNC Tar Heels and may you enjoy many fruitful hours of fandom, fly fishing, and family fun.

(Appause.)

VICE CHAIRMAN PINKERT: Mr. Secretary, let us now proceed with opening remarks.

MR. BISHOP: Opening remarks on behalf of Petitioners will be given by Joseph W. Dorn, Counsel for Petitioners.

OPENING REMARKS OF JOSEPH W. DORN

MR. DORN: I just want to thank Vice Chairman
Pinkert for those very kind remarks. It's been a highlight of my career to appear before this Commission. I've always appreciated the courtesy of the Commissioners. It's one of my favorite fora to have ever practiced in and I really appreciate your courtesy and paying attention to me and not being too hard on me all these years. Thank you very much.

May I begin?

VICE CHAIRMAN PINKERT: Proceed.

MR. DORN: Good morning. Joe Dorn for Petitioners. This case is about rapidly increasing imports of certain uncoated paper from Australia, Brazil, China, Indonesia and Portugal. Imports from all five countries are dumped and imports from China and Indonesia are also subsidized.

Three key conditions of competition make this industry especially susceptible to injury from unfairly priced imports. First, certain uncoated paper is a price-sensitive commodity like product. Twenty-pound, letter-size copy paper captures a very large share of the competing sales at issue. That paper is perfectly interchangeable regardless of source. As a result purchasing decisions are largely based on price.

Contrary to the claims of Brazil and Portugal, paper from all subject countries is fungible and competes head to head in all channels of distribution.
Second, this industry is highly capital intensive. A new pulp and paper mill would cost over a billion dollars. Paper machines operate 24/7 in order to minimize per-unit fixed costs. Thus, U.S. producers have a strong economic incentive to meet lower import prices to avoid lost sales and underutilized capacity.

Third, the industry is suffering from a long-term secular decline in demand. U.S. consumption declined by 5.6 percent from 2012 to 2014, and by 1.5 percent from interim '14 to interim '15.

Applying the statutory factors in the context of these conditions of competition, the domestic industry is materially injured by reason of subject imports.

First, the volume of imports and the increase in the volume of imports are significant. During 2014 imports from the subject countries equaled 83 percent of imports from all countries and 17 percent of U.S. consumption. They increased by over 70 percent from 2012 to 2014 and increased their share of U.S. consumption from 9.6 percent in 2012 to 17.4 percent in 2014. Subject imports would have continued to increase in interim 2015 had U.S. producers not reduced prices to avoid further lost sales and had preliminary duties not been imposed.

Second, subject imports had very negative price effects. They undersold the domestic-like product in 62
percent of the quarterly pricing comparisons. The purchasers confirmed that subject imports were lower priced. Not a single purchaser indicated that imports from either Brazil or Portugal were priced higher than the domestic-like product.

Purchasers also indicated that U.S. producers reduced their prices to meet the lower import prices. Subject imports both depressed and suppressed U.S. prices. U.S. producers' prices declined from the first quarter of 2012 to the third quarter of 2015. In addition, the industry's ratio of COGS to sales revenue increased from 2012 to 2014 and again from interim '14 to interim '15.

With increasing costs and reduced supply from the closure of International Paper's mill at Courtland, Alabama, U.S. producers attempted to raise prices in 2014 to recover from recent price depression. Subject imports, however, did not match the price increases. Instead, they used their lower prices to grab an additional 5.6 percentage points of market share from 2013 to 2014.

Contrary to Respondents, subject imports did not increase in 2014 due to insufficient U.S. papermaking capacity. It's important to understand that the industry's paper machine capacity is flexible and far exceeds its sheeting capacity. It can be used to make sheeter rollers for certain uncoated paper or web rollers for various other
paper products. Thus, the industry's capacity limitation is its sheeting equipment, not its paper machines. The industry had ample sheeting capacity and papermaking capacity to supply the market in 2014.

Third, subject imports had a severe adverse impact on the domestic industry's operations and financial results. From 2012 to 2014, the domestic industry lost 7.5 percentage points of market share and suffered substantial declines in production and capacity utilization. The industry's operating income plunged by 39 percent from 2012 to 2014. Forced to lower prices in 2015 to stem the loss in market share, the industry's operating income fell an additional 20 percent from interim '14 to interim '15. The rapid increase in lower-priced imports also accelerated the industry's disinvestment in U.S. production assets and separation of U.S. workers. The value of total assets fell by 10 percent and employment of production workers fell by 18 percent. In absolute numbers, by 1,259 workers from 2012 to 2014.

Because this industry is already injured, there is no need for the Commission to assess threat. With the rapid increase in imports, the significant underselling, the excess capacity in the subject countries, and the government subsidies from China and Indonesia -- all in the context of declining U.S. consumption -- make clear that future injury
is imminent.

In conclusion, the Commission should reach affirmative determinations in each of these investigations. We thank the staff for putting together the prehearing report. We look forward to our dialogue this morning.

Thank you very much.

VICE CHAIRMAN PINKERT: Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be given by Shara L. Aranoff, Covington and Burling.

VICE CHAIRMAN PINKERT: Welcome back to the Commission, Ms. Aranoff. You may begin when you're ready.

OPENING REMARKS OF SHARA L. ARANOFF

MS. ARANOFF: Thank you, Mr. Chairman. And happy New Year to you Mr. Chairman, Commissioners and staff. I'm Shara Aranoff from Covington and Burling, counsel to APRIL and I'm speaking right now on behalf of all of the Respondents.

As you've heard and read in the prehearing briefs, the domestic industry has shuttered a significant amount of uncoated paper capacity during the POI. What Petitioners have glossed over is that domestic producers have been periodically closing and converting millions of tons of papermaking capacity since at least 2007, years before subject imports played any meaningful role in the
U.S. market.

Why is domestic capacity declining? Because U.S. demand for uncoated paper is in secular, long-term decline.

Now, we know that ITC Commissioners still like their paper briefs. But no one disputes that people are using less and less paper as they turn to digital media to store and distribute information.

U.S. demand for uncoated paper has been declining by 3 percent a year on average for the last 15 years. To address this reality, domestic producers have adopted a well thought out strategy of reducing uncoated paper capacity and repurposing their valuable pulp resource for products for which they see long-term growth potential like fluff pulp.

Petitioners claim that subject imports have exacerbated the effects of declining demand on the domestic industry. But that's simply not what the record shows. The capacity of an individual papermaking machine is quite large and it can't be shut down in stages. So each time the domestic industry closes down a machine, or converts it to another use, domestic capacity declines in a big chunk. Case in point is the period from late 2013 through early 2014 when the domestic industry removed over a million tons of capacity, most significantly International Paper's Courtland mill closure in 2014 and that reduced domestic capacity by a whopping 10 percent in a matter of months.
The result is predictable periodic shortages in the market thanks to the mismatch between slowly declining demand and sudden large drops in supply. Closures are announced well in advance and they leave purchasers scrambling for supply.

After ten years of periodic closures, purchasers know that they just can't count on the domestic industry to guarantee them the supply they need when they need it. So real shortages in the short-term and the well-founded perception that future shortages are likely pulls imports into the market.

Subject suppliers are simply responding to the shortage, that's why between 2013 and 2014 when the domestic industry eliminated over a million tons in capacity, and subject imports reached their highest level, domestic shipments of subject imports increased by only 226,000 tons.

If you look at documents developed by the domestic producers in the ordinary course of business throughout the POI and in fact for years before that, and we're talking about SEC filings, investor calls, press releases, they're all in attachments to our prehearing brief, they all tell the same story, that the domestic producers are slowly and deliberately removing capacity from this declining market and they're putting it to use where demand is growing. It's only after they filed this case that they've tried to disown all those statements and tie
declining production and capacity to subject imports.

So what should the Commission do to choose between the domestic industry's two stories? Well, what the Commission always does, which is look at the data in the record. And here is what the data show.

An industry that is suffering no adverse price effects attributable to subject imports, an industry operating at very high capacity utilization, an industry reporting profits that are extremely robust by any reasonable measure. So, yes, production, capacity, and employment, they're all down. But these are not signs of material injury by reason of subject imports. The record makes absolutely clear that the domestic industry's plan to reinvent itself is actually working splendidly. Nor is the domestic industry threatened with material injury by reason of subject imports because subject producers lack the capacity and incentive to significantly increase exports to the U.S.

Uncoated paper demand is growing in Asia, Latin America, and other emerging markets that are the focus of Respondents' business strategies. While periodic supply shortages created by the domestic industry's business strategy have pulled some imports into the U.S. market, it would make no economic sense for Respondents to make the enormous investments required for new papermaking capacity
if their goal were to push significant additional volume
into the U.S. market.

And remember that letter and legal-size paper are
unique to the U.S. To the extent that subject producers
have any available papermaking capacity, it's costly to
convert sheeting equipment from international sizes like A4
to letter and legal and there's no business case to make
that investment when the U.S. market is declining.

Respondents look forward to elaborating later
this afternoon on why the Commission should reach negative
determinations in these investigations.

Thank you.

VICE CHAIRMAN PINKERT: Thank you.

MR. BISHOP: Mr. Chairman our State Government
appearance has arrived. I would like to announce the
Honorable Dennis M. Davin, Secretary of Community and
Economic Development, the Office of the Governor of
Pennsylvania.

VICE CHAIRMAN PINKERT: Welcome, Secretary Davin.

You may begin when you are ready.

STATEMENT OF THE HONORABLE DENNIS M. DAVIN

MR. DAVIN: Good morning. Thank you. Thank you,
Chairman Pinkert, and members of the International Trade
Commission.

My name is Dennis Davin and I serve as the
Secretary of Community and Economic Development for the Commonwealth of Pennsylvania. I am pleased to be able to appear before you on behalf of Governor Tom Wolf today in support of an important certain uncoated paper trade enforcement case brought by the United Steelworkers, Domtar Corporation, Finch Paper, Glatfelter Company, and the Packaging Corporation of America.

The data which you and the Department of Commerce collected in 2015 showed that this coalition of workers and companies deserves relief from the dumped and subsidized exports from Australia, Brazil, China, Indonesia, and Portugal.

When you gather in February for your final determination, I urge a vote in the affirmative on the question of whether these companies and workers have suffered material injury from the increasing exports from five nations.

Governor Tom Wolf supports free and fair trade for this important segment of the Pennsylvania forest products industry. The forest products industry in Pennsylvania overall employs 80,000 people, including 10 percent of our manufacturing workforce. Over 3,000 businesses across the state in every country generate $5.5 billion in revenue, according to the Pennsylvania Forest Products Association.
Clearly this is an important industry to our state, and unfair trade in any sector, like certain uncoated paper, is problematic and must be corrected.

In addition, the United Steelworkers are headquartered in Pittsburgh, Pennsylvania, and the Governor appreciates their trade enforcement leadership in key manufacturing industries like steel, paper, and tires. Their tireless efforts to level the playing field and enforce the basic rules of international trade through antidumping and countervailing duty trade cases has helped save thousands of jobs in Pennsylvania.

And the USW represents hundreds of certain uncoated paper workers at the Glatfelter plant in Spring Grove in York County, Pennsylvania. The Glatfelter plant's central role in the economy of Spring Grove is typical of the role that paper plants play in small towns across America.

Spring Grove has about 2,000 people and has depended on this plant for its livelihood since its 1853 founding. Glatfelter has owned the plant since 1865, making a long-term commitment to a community that is seldom seen today.

The Spring Grove Borough Website notes that since 1865 the growth of the Borough has reflected the growth of the Glatfelter Paper Mill. Spring Grove today is a
one-industry town where the Mill dominates the Borough's economy, economic and community life.

Clearly, unfair foreign trade that could undermine the economic health of this plant should be addressed both for the 900 workers at the plant, and the employees at the shops, restaurants, schools, and across the community in York County whose jobs depend on the plant.

As you know, the certain uncoated paper segment critical to the future of Spring Grove includes printed paper and uncoated copier paper in standard sizes as well as uncoated paper for commercial use in many sizes.

Luckily, the analysis from your prehearing staff report issued in December, combined with earlier Commerce Department data makes a compelling case for relief from dumped certain uncoated paper product from Australia, Brazil, China, Indonesia, and Portugal. And the data uncovered pertaining to the countervailing duty cases on imports from China and Indonesia is also very strong.

Dumping of product in our country at below sales prices in these five nations and their overall production costs undermines our certain uncoated paper companies and workers.

Many governments provide massive market distorting subsidies to key sectors, and it seems that China and Indonesia are doing just that. The detailed preliminary
dumping margins determined by Commerce were significant in all these cases. All were problematic to the U.S. producer, starting with 41 percent for Australia, 33 to 42 percent for Brazil, 0 to 52 percent for Indonesia, and 30 percent for Portugal. And the dumping margins for China were enormous at 97 to 193 percent.

The countervailing duty margins for China and Indonesia showed significant government subsidies, large enough to do real harm. These numbers from these two nations created a double whammy for the U.S. industry at 6 to 126 percent for China, and 43 to 133 percent for Indonesia.

Erosion of U.S. company market share is the predictable result of these egregious foreign dumping and subsidies in the certain uncoated paper sector. Unfortunately, foreign producers almost doubled their market share from 9.6 to 17.4 percent between 2012 and 2014.

In fact, certain uncoated paper imports from these five nations skyrocketed 72 percent between 2012 and 2014. And, as foreigners increased U.S. market share, overall U.S. demand for uncoated paper actually fell 5.6 percent between 2012 and 2014.

Unfair foreign trade practices should not be allowed to exacerbate a general trend toward lower demand for paper in the Internet era. Overall, U.S. shipments,
production, market share, and employment in this vital sector have all declined between 2012 and 2014.

Since 2011, four American certain uncoated paper mills have shuttered, and capacity has been reduced to five other plants. During that time, more than 2,500 jobs have been lost to plants in devastated smaller communities across the country.

We have to address the trade woes that foreign producers of certain uncoated paper have created before other communities like Spring Grove, PA, are further adversely impacted.

As you know, companies and workers together responded to the growing crisis in the certain uncoated paper sector with the January 21st, 2015, filing of trade cases against the imports from five nations in question at the ITC and the Department of Commerce to restore balance.

Governor Wolf is proud to support their efforts today. Again, on his behalf I have tried to demonstrate the merits of their case and urge this Commission to rule in favor of relief in a position of duties in February.

Thank you.

VICE CHAIRMAN PINKERT: Thank you, Secretary Davin. Are there any questions for the Secretary?

(No response.)

VICE CHAIRMAN PINKERT: If not, we will let you go
and we really appreciate your testifying today.

MR. DAVIN: Thank you, very much.

MR. BISHOP: Would the panel in support of The
Imposition of Antidumping and Countervailing Duty Orders
please come forward and be seated.

Mr. Chairman, all witnesses on this panel have
been sworn in.

VICE CHAIRMAN PINKERT: Thank you.

(Pause.)

I want to welcome this panel to the ITC. You may
begin when you're ready.

STATEMENT OF RICHARD L. THOMAS

MR. THOMAS: Good morning. My name is Dick
Thomas. Since 2007 I have worked at Domtar as Senior Vice
President of Sales and Marketing. I am responsible for pulp
and paper sales and the marketing of all pulp and paper
grades produced at our mills.

Domtar is the largest producer of uncoated
freesheet paper in North America. We produce that product
in both sheet and roll form. Our eight U.S. paper mills
produce sheeter rolls which we then convert into certain
uncoated paper on our sheeting and packaging lines which are
located at two of our mills and at an offsite plant.

Our paper mills also produce uncoated freesheet
paper for sale in rolls to commercial printers. Consistent
with the Commission's practice, I will refer to these rolls as web rolls, because all of our paper making capacity can be used to make sheeter rolls. Our capacity for making certain uncoated paper is our sheeting capacity, not our paper-making capacity.

Well over half of Domtar's revenues are derived from sales of uncoated freesheet paper. Historically, this business has been a solid EBITDA margin business. During the Period of Investigation, however, dumped and subsidized imports caused severe damage to the certain uncoated paper portion of Domtar's U.S. operations on uncoated freesheet paper.

U.S. demand for writing and printing papers has been declining over at least the last decade as electronic media have become more pervasive. But the rate of decline for certain uncoated paper has been less than that for uncoated web rolls. Thus, Domtar has sought to allocate as much of its capacity as possible to certain uncoated paper where there's been less decline in demand.

The increase in Subject Imports, however, has prevented us from doing that. In response to the decline in demand, Domtar and other U.S. producers have been reducing papermaking capacity over the last decade to balance supply with demand, as is clear from published reports.
forced the industry to significantly accelerate its
disinvestment in papermaking and sheeting assets. The many
closures of paper mills and machines during the POI are well
documented in the record.

Although Domtar had closed a paper machine in
2011, we nonetheless had to take substantial market down
time during the Period of Investigation due to increasing
imports.

In addition, due to the impact of Subject Imports
we were forced to make a significant capital investment to
give our Marlboro Paper Machine the capacity to produce less
profitable lightweight base stock for thermal paper, in
addition to the 20-pound sheeter rolls the machine was
designed to make. The machine is still used in part for
sheeter rolls, but we cannot keep it fully utilized making
only sheeter rolls.

Respondents have taken great liberties in
pointing to statements and earnings calls made by Domtar's
CEO, John Williams. None of these statements, however,
specifically pertain to Domtar's U.S. operations for
uncoated paper—for certain uncoated paper.

Moreover, Respondents have failed to note that
various statements made by Mr. Williams regarding the
adverse effect of imports. For example, in the fourth
quarter of 2014 earnings call, Mr. Williams stated: There's
no doubt--and I'm quoting, stated, "There's no doubt that
certain market conditions have been challenged by the
increase in imports, and we had to make some price
adjustments in certain channels during the quarter."

Post-hearing we will point out additional
statements that Respondents have failed to disclose. The
fact is that as early as 2010 Domtar identified intense
competition with imports as the number one risk factor for
our certain uncoated paper business. Domtar continued to
identify imports as the most important risk factor during
2012 through 2015.

Respondents also totally mischaracterized the
cause and impact of International Paper's September 2013
announcement that it would close its paper mill in
Courtland, Alabama. What is most striking about this
particular closure is that IP's mill in Courtland housed one
of the newest, largest, and most competitive uncoated
freesheet paper machines in the United States.

The combination of sharply increasing imports on
top of a small but steady decline in demand apparently led
IP to conclude that it must close that mill to align its
supply with demand for its products.

Thus, as the Department of Labor concluded,
increasing imports materially contributed to the decision to
close the Courtland Mill. That is also the conclusion of
With an improving economy, increasing raw material costs, and the September 2013 Courtland announcement, Domtar issued price increases in October of 2013, and in February of 2014. We were able to increase prices modestly in the first half of 2014. It soon became clear, however, that Subject Imports were not following the price increase, and as a result were rapidly increasing their sales at the expense of Domtar.

The imports undercut our prices, took significant sales volume and market share, and stymied the anticipated price recovery. Subject Imports increase over 41 percent from 2013 to 2014, and gained over 5 percentage points of market share in just one year.

Domtar was forced to retreat from most of its price increases in the second half of 2014. We could not afford to continue losing sales volume because we must have high operating rates to cover our enormous fixed costs.

As a result of the sharp increase in lower-priced imports, U.S. prices for cut-size paper fell to levels prevailing before the Courtland closure was announced.

Domtar had ample excess capacity for producing uncoated--certain uncoated paper in 2014. We had unused converting capacity at that time of nearly 500,000 tons. We also had ample paper machine capacity that was either
unutilized or was being used to produce far less profitable web rolls that could have been diverted to produce sheeter rolls.

Domtar expected to increase our sales volume as well as our prices in the wake of reduced supply following Courtland's shutdown. Thus, as we began 2014 Domtar had no reason to anticipate they would have any need to shut down any capacity in the reasonably foreseeable future.

Domtar, however, received virtually no benefit from the Courtland closure because low-priced Subject Imports continued to surge. Rather than increasing sales volume in the wake of Courtland's closure, Domtar actually lost sales volume in 2014. By attempting to increase prices, Domtar lost substantial market share to lower-priced Subject Imports.

In addition, we had to roll back our announced price increases in the second half of 2014. The price increases we realized in the first half of 2014 did not come close to 2011 prices, but we could not risk any further loss of market share.

Our loss of volume to Subject Imports and our need to roll back price increases due to Subject Imports resulted in our 2014 decision to announce--

UNIDENTIFIED SPEAKER: "December" 2014.

MR. THOMAS: Sorry, December 2014, to announce the
cessation of production of uncoated freesheet paper on Paper
Machine A-64, and to shut down two converting lines at
Ashdown.

If Domtar had not lost volume to increasing
imports and had achieved sustainable price increases in the
wake of Courtland's closure, we would have had no need to
shut down production on Paper Machine 64, or the two
converting lines in 2016.

Having lost substantial market share to Subject
Imports in 2014, Domtar had no choice but to lower prices in
2015 to prevent further lost sales. By lowering prices, we
were able to regain some lost volume during Interim 2015,
which we desperately needed to keep our paper machines
running.

On the other hand, by meeting the import prices
we suffered lower prices and lower profits. Having decided
to reduce paper machine and converting capacity at Ashdown
as of 2016, we considered strategies to mitigate the adverse
impact on the company.

We determined to repurpose Ashdown Paper Machine
64 to make fluff pulp so that we preserve some earnings,
albeit sharply reduced, from this significant asset. We
took a large write-down on property, plant, and equipment,
and we had other significant closure costs.

We also had to make a significant investment to
convert the paper machine to make fluff pulp, a product that is less profitable than a fully utilized machine making certain uncoated paper.

Thus, as a result of Subject Imports, we incurred significant capital outlays to achieve lower returns. This is a good example of what I said at the staff conference. Whenever you repurpose a paper machine to make some other product, you generally spend a lot of money to earn a lower return. And that's the best-case scenario resulting from the illegal trade we have experienced.

Even worse are closed facilities and more lost jobs.

Thank you.

STATEMENT OF JUDITH LASSA

MS. LASSA: Good morning. My name is Judy Lassa. I am a consultant for Boise Paper, a division of Packaging Corporation of America. I served as Senior Vice President of Boise after its acquisition by PCA in the fall of 2013 through my retirement in October of 2015. I was Boise's Chief Operating Officer at the time of its acquisition by PCA in 2013. I have worked in the paper business for more than 30 years.

Boise manufactures certain uncoated paper on four paper machines in the United States. Two are at our mill in International Falls, Minnesota, and two at the mill in
Jackson, Alabama. Both facilities are integrated mills from pulp production through paper making and sheeting.

Dumped and subsidized imports have directly harmed our paper business. In the fall of 2013, we had to permanently shut two of our paper machines at International Falls. Those machines produced certain uncoated paper as well as other uncoated paper.

The closure reduced our paper production capacity by 115,000 tons and forced us to eliminate 265 jobs. While Boise employed more than 1,400 production workers in our certain uncoated paper business in 2012, today it has less than 900. Unfortunately, it was simply no longer economical to keep these machines running in current market conditions.

The constant pressure on prices from rising imports was part of the reason we had to shut those machines in 2013. Contrary to what Respondents have claimed, these closures were not part of a strategy to repurpose our assets to shift to higher margin products.

The two machines that we shut at International Falls were not shifted to production of any products at all. These machines were simply shut down, representing a loss of assets and investment for Boise, for its workers, and for the community of International Falls.

Our facilities that make certain uncoated paper also make uncoated web rolls, which is a different product.
Web rolls are sold to be printed and converted in roll form before their final use, unlike certain uncoated paper which is sold in sheets and printed or used in sheet form.

In general, as long as the sheeting capacity is available it is much preferable to produce certain uncoated paper, rather than web rolls, on a given machine that can produce both. Web rolls are much less efficient to manufacture because they are produced in smaller runs and require more frequent changeovers.

Certain uncoated paper, by contrast, can typically be produced in much longer, more efficient runs because it is produced in larger volumes to more uniform specifications. There are also constraints in terms of the numbers of winders available to handle web rolls, which are much narrower than wide sheeter rolls used to produce certain uncoated paper. A mill can produce more certain uncoated paper than web rolls with the same winder capacity.

Finally, certain uncoated paper undergoes the added step of sheeting which adds value to the product. In short, with our existing paper making capacity certain uncoated paper is a much more profitable product to make an web rolls. The only constraint we face in producing higher volumes of certain uncoated paper is our sheeting capacity and demand in the market that isn't captured due to unfairly traded imports.
Our facilities that produce certain uncoated paper are highly capital intensive and require significant investment to maintain. The pricing pressure imports have caused has prevented us from making important capital investments.

In 2013, as we were coming to grips with the need to close two of our machines at International Falls, we proposed an upgrade to other equipment that is dedicated to the production of certain uncoated paper. Unfair imports had taken 2 percentage points of market share from domestic producers from 2012 to 2013. This was on the heels of market share gains already made by imports from 2011 to 2012. And it was accompanied by domestic prices being severely depressed by these imports.

The prehearing report shows that prices for the high-volume pricing product one in the Commissioners' Questionnaires fell by $54 per ton from the first quarter of 2012 to the last quarter of 2013. These facts made it impossible to justify the additional investment at International Falls.

Since PCA's acquisition of Boise in late 2013, any capital investments in the certain uncoated paper business have been focused on efficiency and reducing costs, not on upgrading production capabilities or increasing capacity.
The prehearing report shows that the domestic industry overall saw its unit costs of goods sold increase over the period even as prices declined in response to rising volumes of low-priced imports.

If orders are not imposed on these imports, the cost price squeeze will only worsen and more jobs will be lost. Paper mills must operate at high levels of capacity utilization because of the capital intensity and resulting high fixed costs.

The willingness of Subject Foreign Producers to flood our market flow from capacity additions abroad such as in Portugal, China, and Indonesia, and weakening internal demand in other countries such as Australia and Brazil.

It is American plants that have paid the price of plant and machine closures due to increasing dumped and subsidized imports. These closures have had devastating consequences for the workers, their families, and the communities that depend on these facilities.

Thank you.

STATEMENT OF LEEANN FOSTER

MS. FOSTER: Good morning. My name is Leeann Foster and I am an Assistant to the International President and Associate General Counsel at the United Steelworkers. One of my responsibilities is to oversee collective bargaining for USW members in the paper industry.
The USW is the largest industrial union in North America with more than 850,000 members. The paper industry is our largest sector.

The paper industry has always been part of my life. My father worked at our local box plant in Cedar Rapids, Iowa, for 45 years; and I worked at the plant to put myself through school.

I have seen first-hand how generations of families depend on the U.S. paper industry. The industry's good wages and benefits have built and sustained communities across the country for decades.

The USW represents workers at seven of the nine domestic producers identified by the Commission staff. The flood of unfairly traded imports since 2012 has taken an enormous toll on our domestic industry and its workers.

In all, seven uncoated mills have been closed or have shut down machines since 2012, directly destroying thousands of jobs. For each of these jobs lost, six other jobs are lost as well because of the powerful impact of the industry in the economy in local rural communities.

Our Union had members at six of these seven mills. While overall demand for uncoated paper has been declining over the long term, it is the rapid rush of imports into the market and their aggressive price undercutting that has pushed our industry over the brink.

Then came 2013. Imports jumped by a massive 144,000 short tons in 2013, an increase of more than 27 percent from the previous year. Rampant underselling continued to drive down prices. In February, Harbor Paper, the largest employer in tony Hoquiam, Washington, closed the mill that was the center of economic life, impacting 175 workers.

In September, Boise was forced to shut down two paper machines at its International Falls, Minnesota, mill, eliminating 265 jobs. The mill is the lifeblood of the town of less than 6,500 people.

In November 2013, International Paper started to close down its largest uncoated mill in Courtland, Alabama. More than 1,100 jobs were lost. As with most U.S. paper mills, the mill had been the largest employer in the county. The same month, Georgia Pacific closed an uncoated paper machine at its Crossett, Arkansas, facility, cutting more than 20 jobs.

Despite the massive reductions in capacity that imports had already caused, at the end of 2014 Domtar
announced that another machine at its Ashdown, Arkansas, mill would cease producing uncoated paper in 2016--125 more jobs lost.

These machines and mills have been forced to close because of the surge in unfairly traded imports. Most of these mills apply for and receive trade adjustment assistance, TAA. As you know, to qualify it is not enough for jobs to be lost while imports increase. The Department must also find that increased imports contributed importantly to the job loss.

Thus, a simple correlation between imports and job loss does not suffice for certification. In fact, the Department has denied petitions where imports have increased. The Department also conducts its own research of the domestic industry import trends and other market factors.

The TAA Certification of Courtland is a case in point. The Certification cites information and the company's response. Its survey of IP customers and its own market research is all confirming that imports contributed significantly, or importantly to the closure.

The uncoated paper industry and its workers have suffered from unfairly traded imports for too long. We urge the Commission to give U.S. paper workers the lifeline they so desperately need by making an affirmative determination.
Thank you.

STATEMENT OF JACK BRAY

MR. BRAY: Good morning. My name is Jack Bray. I am the Vice President of Manufacturing Operations for Domtar Corporation. I supervise 11 Domtar production facilities that are part of our pulp and paper division. I have worked for Domtar and its predecessor company for 16 years. I have over 35 years of experience in the pulp and paper industry and have held a variety of manufacturing positions for four different paper companies.

The production of certain uncoated paper is highly capital intensive. A greenfield pulp and paper facility such as Domtar's Kingsport mill, shown on Slide 2, would cost approximately 1.2 billion today. As shown on Slide 3, paper machines are massive, football-field sized pieces of equipment that run continuously day and night.

The run rates of the machines cannot be reduced significantly or the paper will not form correctly. Moreover, the number of shifts cannot be reduced in response to poor market conditions, because the machines cannot be turned on and off without incurring significant cost and risking damage to the equipment.

As a result, maintaining high-capacity utilization rates and maximizing the efficiency of the paper machines are critical to our bottom line. At the end of the
paper machine, the paper is collected on spools in large reels which can reach weights exceeding 30 tons. The reels are then cut into narrower rolls of paper that are either in widths and diameters required for our sheeting operations, or are shipped as web rolls directly to customers.

The sheeter rolls are processed on sheeter and packaging line in separate facilities that are located either at the paper mill or offsite. Sheeter lines, like those shown on Slides 4 and 5, can simultaneously split up to six rolls at a time to the desired width, typically 8 inches, and length.

The sheeter lines cut the sheets to length and package the sheets in 500 sheet ream quantities, place the packed reams in cartons and stack the cartons on pallets ready for shipment.

Domtar's U.S. paper mills are designed to produce certain uncoated paper. We maximize efficiency by producing high-volume runs of sheeter rolls to make copy paper. The long run times of sheeter rolls reduce downtime on our paper machines. Shorter runs to produce lower volumes of alternative paper products reduce operating efficiency and increase costs.

A lack of orders forced us to take temporary paper machine downtime and resulted in significant added cost. When lost sales volume is consistent and significant,
we are forced to take extended downtime on our paper
machines and either reduce the run time of our sheeters or
close them temporarily. If the lost time persists, we must
make permanent capacity reductions by closing down paper
machines and sheeters.

During the period of investigation, the increase
in subject imports in the context of declining U.S. demand,
forced Domtar to make less efficient and less profitable use
of its paper-making assets. We increased production of less
profitable products such as web rolls, because we could not
fully utilize our paper-making capacity for sheeter rolls.

In addition, we utilized a program for exports
that led to spot sales where domestic demand was lost due to
imports. Finally, we took unscheduled market-related
downtime across the system when there was a lack of orders.
From 2013 to 2014, as subject imports increased over 40%,
the market related downtime of Domtar's paper machines
increased three-fold, from 40 thousand tons to 123 thousand
tons.

We also had to reduce the run rates in all of
our sheeting operations in response to increasing subject
imports. The capacity utilization of our sheeters fell
sharply from 2012 to 2014, to levels that are not
sustainable. For example, at our Ashdown facility, we
were forced to reduce sheeting operations in 2013 from a
five-day schedule to a three and a half-day schedule.

Even after shutting down two of our five sheeters at Ashdown in 2014, we were forced to return to a three and a half-day schedule by September, 2014. Not one of the remaining 12 sheeters in the Domtar system ran a full capacity in 2014.

Respondents argue that the domestic industry paper-making machines operated at maximum practical capacity throughout the POI, making the industry incapable of producing more certain uncoated paper.

That is not true for Domtar, and based on the prehearing report, it is not true for the industry as a whole. As shown in the prehearing report, the domestic industry had 672 thousand tons of excess paper-making capacity in 2014.

In addition, paper-making capacity can be redirected from the production of web rolls and other paper products towards the production of certain uncoated paper. According to the prehearing report, the industry produced 3.6 million tons of out of scope products in 2014, virtually all of which could have been used to make sheeter rolls. Thus, the domestic industry had significant amounts of available capacity. Thank you.

STATEMENT OF ROBERT MELTON

MR. MELTON: Good morning. My name is Rob
Melton. I have been with Domtar for 21 years and I'm currently the Vice President of Business Papers, a position I have held since 2012. I'm responsible for sales and marketing of the company's business paper products.

Certain uncoated paper is primarily sold as office paper that comes in standard sizes, weights and brightness levels. Although I wish it were otherwise, sales of this product are based primarily on price, because office paper is essentially a commodity product.

Paper from any of the subject countries is interchangeable with each other, and with that from Domtar or other U.S. producers. This fungibility is driven by the fact that the product characteristics are highly standardized and brands of copy paper are largely the same. Any minor physical differences between the domestic like product and subject imports are irrelevant to the substantial majority of purchasers.

Accordingly, sales at all levels of trade are extremely price-sensitive. Domestic producers compete head-to-head against subject imports from every country in all geographic markets, channels of distribution and at all grades and price points. Lead time considerations are not an important factor, given that domestic producers and importers of subject merchandise have warehouses in all regions of the country.
Moreover, end users do not distinguish between paper produced by one producer and another. As a result, price is the primary consideration in purchasing decisions.

I want to address Portucel's claims that they produce a special high-quality paper used in high-end applications which they sell through different channels of distribution. This is simply not true.

We compete with Portucel and every supply chain across all product offerings. For example, as shown on Slide 6, a U.S. wholesaler recently issued a promotional flyer advertising Portucel's 8 x 11, 20#, 96 bright copy paper. This is the same promotional flyer that this company regularly publishes to advertise papers made in the U.S.A., Brazil and Portugal.

The product being advertised is not Portucel's branded Navigator product, but rather a white box version called Soporcel office paper. This brand and another white box brand called Copy Paper are Portucel's vehicle for moving higher volumes of copy paper into the U.S. market.

Most disturbing for us is that this is a 96 bright paper, which is selling well below the prevailing price point for 92 bright paper. Portucel sells copy paper to a paper merchant or wholesaler, who in turn sells to office supply retailers, both big and small. In fact, you will find Portucel paper offered for sale in all the major
Portucel competes with domestic manufacturers head-to-head every day across a wide variety of channels to market, as shown in Slide 7. And this is a flyer that was produced by a paper merchant listing a whole assortment of brands and products from all over the world, in which they were soliciting business from their customers, in this case, office supply dealers.

The next two slides, 8 and 9, show flyers offering U.S. product and paper imported from Brazil. As you can see, these products from the U.S., Portugal and Brazil are competing head-to-head in the same channel of distribution.

We also see a high level of competition from subject imports in our sales to big box stores. In front of you are three reams of 20#, 92 bright copy paper, all with identical packaging, one is identified as Made in the U.S.A., one in China and one in Indonesia. Also in front of you on the table, are two packages of 20#, 96 bright paper, again, identically packaged, but one is from the U.S., and the other from Brazil.

While folio paper is a smaller portion of the overall market for certain uncoated paper, it is an extremely important part of our business. Folio paper is a branded business for us. And we have three grades: husky,
lynx and cougar, which are sold to merchants and commercial
printers.

We have historically earned a solid return on
these products, but that return deteriorated significantly
during the Period of Investigation. Portucel and Suzano, in
particular, targeted this market segment and became
extremely aggressive with their pricing. As discussed in
Exhibit 8 to our prehearing brief, we have lost significant
business to these imports from Portugal and Brazil, with
large and small merchants in the northeast U.S.

Respondents are claiming that there were
widespread shortages caused by IP's closure of the Courtland
mill and that subject imports were pulled into the market in
2014 to supply customers that could not get paper.

Those claims are not true. While some paper
brokers and distributors who represent foreign manufacturers
speculated that shortages might occur, they did not and
would not. In fact, Domtar alone had sufficient
paper-making and sheeting capacity to fill any gap left as a
result of the Courtland closure. Thus, there was no need
for additional imports.

The imports, however, continued to increase and
took market share with low pricing. There were no non price
reasons why imports gained market share during the Period of
Investigation. It was all about price.
Domtar lost so much business to subject imports that we were forced to lower our prices significantly in late 2014 and 2015 to regain this market share. As a result, and as shown in Exhibit 16 of our prehearing brief, Domtar considered different pricing scenarios for 2015. We could either try to maintain pricing and forego significant volume and thus, market share. Or drop our prices to regain volume and market share. We chose the latter course as a last resort, and our profitability took a significant hit.

Finally, but for the flood of subject imports, Domtar would have made more profitable sales in the U.S. market, as opposed to less profitable sales in export markets. As noted in your prehearing report, the domestic industry shifted more production towards exports over the Period of Investigation, from 6.2% of production in 2012 to 8.3% of production in 2014.

In the wake of the Courtland closure and what should have been a vastly improved supply/demand balance, the export volume should have been sold in the higher priced U.S. market. Increasing subject imports prevented us from making this shift. Thank you.

STATEMENT OF PAUL LEBLANC

MR. LEBLANC: Good morning. My name is Paul LeBlanc. I am the Vice President of Boise Paper, a division of Packaging Corporation of America. I oversee PCA sales of
certain uncoated paper, as well as all other uncoated
products throughout the U.S. market. I have been with PCA
and Boise before that for over 10 years.

PCA produces and sells a wide range of certain
uncoated paper, including 8 x 11-inch white copy paper and
colored papers. We sell to paper merchants, wholesalers and
well-known retailers of office paper. The market for
certain uncoated paper is extremely competitive, and while
we work hard to provide differentiated value to our
customers, competition is largely based on price.

Certain uncoated paper is treated mostly like a
commodity product. The basic specifications in terms of
size, weight, brightness and smoothness are nearly the same
for the vast majority of products in the market.

We face price competition from imports, whether
directly or indirectly, every day and in nearly every one of
our customers. All of our customer source from more than
one supplier and they can and do switch suppliers.

Since certain uncoated paper from different
producers is very similar and interchangeable, it is fairly
easy for purchasers to switch suppliers with fairly short
lead time and no supply disruption. Large customers will
often have different suppliers producing the exact same
private label with no perceptible differences to the
consumer.
The margins by which imports undersell our product are significant. For example, as detailed in my declaration in our prehearing brief, PCA has encountered persistent underselling of our high-bright products by Portucel since 2012. In fact, one of our major customers is offering a Portucel product that has essentially identical features and benefits to one of our own at prices that are 19% to 41% below the prices at which they offer our product.

The rising volume of low-priced imports accelerated in 2014. The timing of the surge was particularly harmful to the domestic industry. For Boise paper, for example, having shut down two machines in 2013 and having suffered significant price erosion since 2012, we worked to reduce the price depression we had experienced through announced price increases in 2014.

When International Paper decided to close its mill in Courtland, Alabama in September of 2013, we were hopeful that the supply/demand balance would improve and prices would recover. However, the additional 230 thousand tons of aggressively priced imports that flooded the market in 2014 prevented the company from achieving the rebound in prices we had sought.

Respondents claim that they have gained market share at our expense, not because of widespread price undercutting, but because of other competitive advantages.
they enjoy. They claim they can satisfy demand for
high-bright paper, but Boise and other domestic producers
also offer high-bright paper. The only problem is that we
cannot achieve reasonable pricing on these products due to
aggressive import competition.

Respondents claim they can serve customers on
the West Coast with shorter lead times than domestic mills.
But we also have a substantial portion of our sales devoted
to customers in the west coast, and we have warehouses there
to serve these customers. The vast majority of our sales
are from inventory and the average lead time for our sales
is just a few days.

Conversely, respondents claim we are shielded
from import competition due to certain competitive
advantages we enjoy. We do everything we can to explain the
value of our product to our customers, our Best in Class
service, our full line of products, our direct marketing to
end-users. But these benefits, as important as they are,
cannot immunize us from import competition.

A number of foreign producers have also
developed their own brands and ranges of products. While we
offer environmental certified paper to customers that demand
it, paper with the same environmental certifications is also
available from many of the subject foreign producers.

And while certain uncoated paper is available in
a range of brightness levels with different opacities,
shades and other characteristics, this does not
differentiate domestic product from subject imports.

Most importantly, when they price their products
as aggressively as they have, over the period of this
investigation, it creates pricing pressure throughout the
market for all types of customers, all types of products,
and from unbranded products to private-label and branded
products.

Finally, respondents have claimed that the
domestic industry has been unable to supply its customers
and that these shortages drew in needed import volumes.
Nothing could be further from the truth. We did not
voluntarily close our machines at International Falls in
2013 in order to deprive our customers of paper. Subject
imports increased by a 144 thousand short tons from 2012 to
2013, despite a decline in demand of nearly 100 thousand
short tons.

And these imports were priced so low they drove
down the prices we were able to charge. It was these
unfairly traded imports that drove industry capacity
closures, not the other way around. Thank you.

STATEMENT OF DAVID McGEHEE

MR. McGEHEE: Good morning. My name is David
McGehee. I am the President of Mac Papers. Our company's
headquarters are located in Jacksonville, Florida, and we
are the largest merchant distributor of fine papers,
envelopes and graphic supplies in nine southeastern states.

I have worked in the paper business for over 40
years. We currently employ 975 fulltime employees, our
sales total about $590 million a year and we ship more than
275 thousand tons of paper annually. Our company has 22
branch office warehouse locations, as well as 19 mini Macs,
which are paper stores for walk-in customers.

Uncoated paper is an essential part of our
business, accounting for approximately 30% of our annual
fine paper shipments by volume. We sell both cut-size copy
paper and folio sheets. Most of the uncoated sheet that we
sell is shipped direct from our warehouses to our customers,
who consist primarily of commercial and noncommercial
printers, educational institutions, government entities and
other businesses.

Imports from subject countries are
interchangeable with what we buy from domestic producers.
And our customers are mostly indifferent about whether they
buy imported or domestic product. In my experience, all
domestic and imported paper meets the industry's quality
requirements. Thus, for a merchant company like ours, the
most important consideration is the price.

I have never heard from any customer asking for
product made from Eucalyptus pulp, nor do they demand paper with more of a blue-white shade, high brightness paper for standard office or home applications or paper with an environmental certification.

I understand the Portucel and Suzano claim to produce paper that is brighter, smoother, stiffer and with greater opacity than domestically produced paper. That is not correct. At Mac Papers, we buy certain uncoated paper from a variety of U.S. suppliers that have exactly the same brightness levels and other characteristics as copy and folio paper from Portugal and Brazil.

Imports from Brazil and Portugal are sold at much lower prices than domestically produced product. For example, the Soporcel opaque produced by Portucel is priced in the mid to low $50 a hundred weight, while the comparable Lynx product from Domtar's priced in the mid $60 a hundred weight.

Our customers are mostly indifferent about having access to matching cover stock when buying folio offset paper. First, many jobs don't require cover stock. Second, this only applies to opaque paper and not regular offset paper. Third, if a cover stock is needed, it can be purchased from another supplier.

Moreover, Portucel offers a wide array of cover stock to match its Soporcel folio offerings. Imports have
disrupted the market for certain uncoated paper and have caused uncertainty and volatility in our business. Our preference is to buy from U.S. paper producers when we can, but imports from subject countries are routinely priced below the prices charged by U.S. producers.

In a market where price is paramount, the margins of underselling by subject imports have been too significant to ignore. As a result, Mac Papers has required our U.S. suppliers to reduce their prices for both cut-size and folio paper to keep us competitive with other merchants supplying subject imports. Thank you.

STATEMENT OF TERENCE P. STEWART

MR. STEWART: Good morning. Terry Stewart, Stewart and Stewart. I want to talk about conditions of competition as reviewed in our prehearing brief. Certain uncoated paper is a commodity like product that competes on the basis of price, as you've heard this morning.

Not surprisingly then, as reviewed on Slide 10, certain uncoated paper is highly interchangeable, regardless of source as confirmed by the prehearing report. Each of us at the hearing probably uses this product on a nearly daily basis in our office or at home.

8" x 11 inch, 20# multi-purpose copy paper, the single largest part of the U.S. market, whether from domestic producers or from any of the subject countries is
perfectly interchangeable for use on office copiers and
printers for most purposes. Thus, not only U.S. producers,
but the large majority of importers and purchasers agree
that subject imports and the domestic like product are
always or frequently interchangeable.

Slide 11 reviews the importance of price and
purchasing decision. Price is the most often cited top
three purchasing factor by purchasers. While quality and
availability are also in the top three purchasing factors,
all of the major suppliers that issue in these
investigations offer a quality product that is readily
available in the U.S. market with 73% of domestic product
and roughly two-thirds of subject imports sold from
inventory.

Indeed, U.S. and subject imports were comparable
in the vast majority of the 30 purchase factors with the
exception of price, where imports were noted to be lower
priced. The use of eucalyptus pulp by subject imports is
not viewed as important to the vast majority of purchasers.

A second condition of competition is the capital
intensity of the industry as reviewed in Slide 12. There is
no dispute that new pulp and paper mills are extremely
expensive, running more than a billion dollars. There is
also agreement amongst the parties that such equipment must
run continuously.
When more capacity is added abroad than there is demand for, there is a powerful incentive to ramp up exports to keep the facilities running at or near capacity. That is exactly what has happened during the POI with the resulting surging imports of the U.S. market.

But U.S. producers also must produce at or near capacity, leading producers to either match prices on the downside to maintain volume, shift volume to less desirable products, take very expensive downtime or face closing machines or mills. The record shows U.S. producers have done all of these things during the POI.

Respondents arguments to the contrary are without merit. As our witnesses have testified today and as reviewed in our prehearing brief and in Slide 13, domestic paper machine capacity for certain uncoated paper is flexible, and companies have the ability and the economic incentive to make as much sheeter rolls as they can use to produce certain uncoated paper.

This is a critical fact essentially ignored by those in opposition. Indeed, the industry's paper-making capacity have facilities making sheeter rolls for certain uncoated paper, far exceeds the industry's sheeting capacity. This confirms that sheeting equipment, not paper-making equipment, is the limitation on the domestic industry's capacity to produce certain uncoated paper.
A third condition of competition reviewed in Slide 14 is the long-term decline in demand over the last ten to fifteen years. But the rate of decline in demand for certain uncoated paper is slower than for other paper products such as web rolls, that can be made in the same paper-making equipment. This means that there should be more capacity available for certain uncoated paper.

The U.S. is not alone in facing long-term declines in demand. The same phenomena is occurring in other developed countries. While demand has been growing in developing countries, the rate of growth has slowed significantly in recent years leading to the substantial excess capacity abroad, which has forced those countries to look for export homes.

Despite the claims of our opponents, the fact the U.S. mills have closed or repurposed many machines and mills during the POI are all signs of serious injury to the domestic industry. As reviewed on Slide 15, even where a machine or mill is repurposed and most machines and mills covered during this POI have simply closed, this is still a sign of injury to the domestic certain uncoated industry.

Repurposing entails substantial capital investments to achieve a lower return than was available from the assets' original design. The surge in unfairly traded imports creates the need to close or repurpose
facilities, classic signs of material injury, a topic Joe Dorn will now address.

STATEMENT OF JOSEPH DORN

MR. DORN: In assessing material injury, the Commission must cumulate imports from all subject countries (Slide 16). Only a reasonable overlap in competition is required, and that overlap is abundantly clear on this record. In fact, only Portugal has contested cumulation for material injury. But Portugal also sells 20 pound letter-size copy paper in direct competition with all other suppliers.

Applying the statutory criteria, the domestic industry was materially injured by reason of subject imports during the POI. First, the volume of subject imports and the increase in the volume of subject imports were significant, especially in the context of declining U.S. consumption.

Looking at Slide 17, you'll see that during 2014, imports from the subject countries equaled 83 percent of imports from all countries and over 17 percent of U.S. consumption, clearly significant. Subject imports increased by over 70 percent from 2012 to 2014. The imports increased their share of U.S. consumption from 9.6 percent in 2012 to 17.4 percent in 2014, again very significant increase.

As subject imports gained 7.8 percentage points
of market share from 2012 to 2014, the domestic industry
lost 7.5 percentage points of market share. Subject imports
would have continued to increase in interim 2015 had U.S.
producers not reduced prices to avoid further lost sales and
had preliminary duties not been imposed.

Respondents argue that subject imports were
pulled in the U.S. market in 2014 by the inability of the
domestic industry to meet demand after IP closed the
Courtland mill. The prehearing report discusses supply
constraints, but none were reported by U.S. producers for
2014.

In addition, the data you have do not come
anywhere close to supporting Respondents' arguments. If you
look at the slide there, the bar on the left, that shows the
increase in subject imports from 2013 to 2014, about 226,000
tons. In 2014, however, the domestic industry had over 1.4
million tons of excess sheeting capacity, and it had a
boatload of paper making capacity to support that sheeting
capacity.

As you'll see there on the slide, the industry
had over 672,000 tons of excess paper making capacity, and
an additional 3.6 million tons of switchable paper making
capacity. It's very important to understand that point,
because it totally undercuts the other side's argument that
imports were required to supply demand in 2014. Not true.
In fact, all the increase in subject imports from 2013 to 2014 could have been supplied by Domtar alone.

Second, the subject imports had very negative price effects. To begin with, subject imports undersold the domestic like product in 62.5 percent of quarterly pricing comparisons. At the very least, the mixed pattern of underselling and overselling demonstrates a highly competitive market. As explained in our brief, the Commission should complete the gap in the record caused by Respondents' requested change to the definition of pricing Product 3, the only folio product you surveyed. In the preliminary phase, the record showed extensive underselling for the two folio pricing products.

In any event, not a single purchaser indicated that imports from either Brazil or Portugal were priced higher than the domestic like product. Three of eleven purchasers said that imports from Portugal were priced lower than the domestic like product, and the other eight said they were comparably priced.

All nine U.S. producers certified in the responses to the questionnaire that they reduced prices to avoid losing sales to subject imports. Eight of the nine reported they rolled back announced price increases to avoid losing sales. The U.S. producers' statements are corroborated by the responses to the purchasers'
In fact, I do not remember another case where the major purchasers so clearly confirmed that subject imports caused market prices to fall. The purchasers identified U.S. producers as the upward price leaders, and they identified subject importers as the downward price leaders.

They indicated that imports from all subject sources were lower priced than the domestic like product. Purchasers also confirmed that U.S. producers reduced their prices to meet the lower import prices. As noted in the prehearing report, purchasers indicated that when U.S. mills had tried to increase prices, they instead had to reduce prices below their original level.

Purchasers further indicated that U.S. producers had to reduce their prices to get large orders. In fact, 17 of 25 purchasers said that competition from subject imports substantially or moderately lowered the prices that they paid. Thus, the subject imports both depressed and suppressed U.S. prices.

From the beginning to the last quarter of the POI, U.S. producers' prices declined by 8.4 percent for Pricing Product 1 and by 9.5 percent for Pricing Product 2. In addition, the industry's ratio of COGS to sales revenue increased from 2012 to 2014, as detailed on the slide, and
from interim '14 to interim '15. This is a classic sign of a cost price squeeze.

Moreover, as you've heard from our witnesses, the 41 percent increase in subject imports from 2013 to 2014 suppressed prices far below where they should have been in the wake of reduced supply following the closure of the Courtland mill. Some purchasers admitted in their responses that when the U.S. producers announced price increases in 2014, they turned to subject imports to get better prices.

Third, the subject imports had a severe adverse impact on the domestic industry's operations and financial results. From 2012 to 2014, the industry lost 7.5 percentage points of market share. As shown on Slide 23, the magnitude of the industry's loss of market share in 2013 and again in 2014 correlates almost precisely with the subject imports' gains in market share in those years.

As shown on Slide 24, subject imports adversely impacted the industry's operations. Paper making capacity, sheeting capacity and production all declined. Capacity utilization also declined, notwithstanding the Courtland closure. The large increase in subject imports in the context of declining demand caused the domestic industry to take significant market-related down time and to produce less profitable web rolls at the expense of more profitable sheeter rolls.
The increase also materially contributed to the adverse market conditions that caused U.S. producers to shutter capacity and separate workers during the POI. Subject imports had an adverse impact on U.S. workers. 1,259 jobs were lost from 2012 to 2014 based on your record. Employment fell 18 percent. Workers separated at seven establishments during the POI were certified for TAA benefits.

Finally, subject imports had a severe adverse impact on the industry's financial results. From 2012 to 2014, net sales dropped by $586 million. Cash flow went down by $325 million. The industry's operating income fell by over a quarter of a billion dollars, or 39 percent, from 2012 to 2014. Forced to lower prices in 2015 to stem the loss in market share, the industry's operating income fell an additional 20 percent from interim '14 to interim '14 (sic).

For these reasons, the Commission should find material injury by reason of imports. Thank you.

STATEMENT OF STEPHEN A. JONES

MR. JONES: Steve Jones for Petitioners. Mr. Secretary, could I have a time check please?

MR. BISHOP: You have six minutes remaining.

MR. JONES: Thank you very much. Portucel and Suzano seek decumulation if the Commission makes its
determination based on threat. Neither Respondent, however, has a valid decumulation argument. The record that has been compiled in this final phase overwhelmingly contradicts their positions.

First, as shown in Slide 27, the statutory criteria for cumulation are satisfied in these investigations. In addition, all subject imports compete under the same conditions of competition and are likely to do so in the imminent future. As shown in Slide 28, imports from all subject countries exhibited the same trends in volume market share and averaging at value from 2012 to 2014. There are no outliers.

Typically, where the Commission decumulates in a threat case, there is clear evidence of attenuated competition between imports from the subject countries. For example, there may be significant differences in the volume or price trends, product mix or export orientation between one or more subject countries and the others.

Usually, multiple attenuating factors need to be present before the Commission will decumulate. In this case, there are no indicia of attenuated competition between the subject imports.

Portucel relies heavily on purported difference in pricing. As shown in the prehearing report at Table 2-11, however, a minority of purchasers reported that other
subject imports were "superior" to imports from Portugal with respect to price. That is, most purchasers do not view imports from Portugal as having higher prices than other subject imports.

The pricing trends for imports from Portugal are comparable to all other subject imports. Again, Portugal is not an outlier in this regard or in any regard. The volume trends for Portugal are comparable to all other subject imports as well.

Imports from Portugal increased and gained market share during the POI just like all other subject imports. As Mr. Stewart testified, as shown on page II-34 of the prehearing report, a substantial majority of importers and purchasers reported that Portucel's paper is always or frequently interchangeable with both the domestic like product and other subject imports.

As Mr. McGehee testified, eucalyptus pulp is not important to purchasers, and that's also reflected in the purchaser questionnaires and the public prehearing report. There is extensive overlap with respect to customers and channels of distribution.

As the Commission correctly noted in the preliminary determination at 14, "The record does not corroborate the arguments that subject imports from Portucel are characterized by distinct channels of distribution."
That preliminary determination was correct and has been corroborated by the record in the final investigation.

As shown on Slide 30, Suzano's case for decumulation also fails. As shown in the prehearing report in Table II-11, purchasers reported that imports from Brazil are comparable to all other subject imports with respect to price. The volume and pricing trends for imports from Brazil are comparable to the trends of all other subject imports.

There are no differences that are meaningful to purchasers with respect to type of pulp or environmental certification. In the preliminary determination at 13, the Commission addressed this issue and correctly found that any differences in environmental certification are insufficient to distinguish Brazil from other subject imports.

Like Portugal, a substantial majority of importers and purchasers reported that imports from Brazil are always or frequently interchangeable with other subject imports, and that imports from Brazil are not distinguishable from other subject imports with respect to channels of distribution.

Because the industry has already experienced material injury caused by subject imports, there should be no need for the Commission to assess threat of injury. If it does, however, as shown in Slide 31, application of the
statutory factors to the record demonstrates that the
industry is also threatened with material injury.

    I'll make just a few quick points about the
record on threat. First, as shown in Slide 32, the foreign
producer response rate in these investigations is very poor
with respect to China and Indonesia. Several major
producers and exporters of the subject merchandise did not
respond to the Commission's questionnaire.

    Thus, the capacity and unused capacity data are
understated, and the Commission will be forced to rely on
the facts otherwise available. As shown in Slide 33,
however, even the incomplete record shows a significant
amount of available capacity to increase exports to the
United States.

    As shown on Slide 34, there have been
significant capacity expansions in China and Indonesia
during the POI. As shown in Slide 35, increased exports
from China and Indonesia will force subject producers to
increase exports to the United States due to increased
competition with China and other markets.

    Finally, our last slide shows the established
distribution networks operated by the subject producers and
their affiliates in the United States that will facilitate
increased exports to the United States in the future without
relief. The rapid increase in imports, persistent
underselling, excess capacity in the subject countries and
government subsidies in China and Indonesia all in the
context of declining consumption make clear that future
injury is also imminent if duties are not imposed to offset
the unfair pricing and illegal subsidies. That concludes
our presentation. Thank you.

VICE CHAIRMAN PINKERT: Thank you, and I want
to thank all of the witnesses for coming today and taking
time away from their work and their businesses to help us to
understand these issues. This morning, I will begin the
questioning. I assure you that's a purely random
assignment.

But this panel has testified in let's just say a
few different ways that you had additional capacity in 2014
and that there was no need for a surge of imports into the
U.S. market. But was there a perception in the marketplace
on the part of purchasers that they needed to turn to
imports because they were not going to be able to get what
they needed from the domestic industry?

I say that because the mere fact that there was
that capacity doesn't show that purchasers understood that
there was that capacity in the U.S. market.

MR. DORN: Well, if I could just start on that,
if there was, you know, if they really thought that, they
would have been willing to pay a price premium, right, to
bring in imports. But that's not what happened. They
turned to the imports because they were cheaper. The U.S.
producers unilaterally of course, independently, several of
them announced price increases, and that's when the brokers,
the importers, you know, turned to the imports, because they
were cheaper.

In fact, some of the purchasers said that, you
know. They talked about yeah, when capacity closed at
Courtland, U.S. producers raised their prices. So therefore
we turned to the imports in order to avoid the price
increases. So it's a price phenomenon, not a shortage
phenomenon.

MR. THOMAS: If I may, this is Dick Thomas and
as the largest producer, we did a fair amount of analysis on
just what that closure meant in terms of tons, speaking of
Courtland as well as the other couple that happened around
the same time, and we armed our people with a document to
basically explain to customers why they shouldn't expect a
shortage.

So we knew that that number would sound like a
big number, and we were pretty confident that some of the
brokers who were bringing in imported paper would kind of
use that as a selling point. But we went to our customers
across the board and explained to them that we had lots of
other products that were discretionary in our system. We
had lots of sheeting capacity and that we could take care of
-- fill the void if you will.

VICE CHAIRMAN PINKERT: Anybody else on the
panel want to comment on that issue?

MR. McGEHEE: If I could, David McGehee. We are
a merchant. We purchase a lot of uncut and free sheet and
we purchase product from International Paper. Available
capacity has not been an issue. When IP announced the
closure of Courtland, I mean they assured us there would be
no disruption of product available, and we know within the
industry there's plenty of capacity.

VICE CHAIRMAN PINKERT: Thank you. Now in
regard to the arguments about price suppression, if you
focus on that period from 2013 to 2014, the COGS to sales
ratio actually declined during a period when there was a
surge in subject import market share. I know it's a
technical question, you may want to answer it in the
post-hearing, but does that undercut the arguments about
price suppression?

MR. DORN: I guess you're using the decimal
places, Mr. Vice Chairman, because if you round up, there
was no change from '13 to '14. Eighty-four percent and
eighty-four percent. So you're talking about a tiny change.
What's important, we think, is to look at the change from
2012 to 2013, when the imports increased. The COGS to sales
ratio went from 79.6 percent to 84.3 percent.

And as you've heard, with the Courtland closure, what the U.S. producers were trying to do is to regain some of that lost margin, so to speak, try to restore some of the pricing before the price depression. So yes, they did increase prices particularly in the first half of 2014, and they had to come back down in the latter half.

But all that did is keep the same 84 percent ratio, and then in 2014, even though they got a little increase in prices, they lost a lot of market share in 2014. So as you've heard from the witnesses and some of the confidential information that Domtar supplied, in the fourth quarter of 2014 they had to reduce prices to stem the loss in market share, and you'll see that the COGS to sales ratio went up again in interim '15.

So their argument's based on a decimal point from '13 to '14. I think if you look at it in the context of what's going on over the entire POI, it really doesn't make any sense.

VICE CHAIRMAN PINKERT: Please.

MR. STEWART: Terry Stewart. Let me just add to Joe's comments. Between 2013 and 2014, you had a huge contraction in capacity reduction and production, loss of jobs, and the industry was trying to do that in an effort. Individual companies were trying to do that in an effort to
restore a semblance of balance between supply and demand, because in these large fixed cost operations, you have to run and as company witnesses can testify, they picked up products that were extraordinarily unprofitable for them to handle, to try to keep the capacity going as opposed to taking down time.

One would have expected with a much smaller footprint that you would have a much better COGS than you achieved. So the -- from the other side, when you're grasping for straws, you look for whatever sounds like it might fit your scenario. This is a small decline in the COGS, but it's a huge increase in COGS from 2012 or from 2011, when the cases -- the period that was originally looked at.

The industry had been fighting serious price erosion that had occurred because of the large increase in imports before 2014 and that got exacerbated in 2014 when what would normally have happened with the rebalancing of supply and demand, a correction in the pricing levels was basically thwarted, and then you see that it extends into 2015.

VICE CHAIRMAN PINKERT: So let's stay with the price suppression issue for a moment, and let's look at it over the course of the POI, rather than just that period from 2013 to 2014. One of the issues that we have to
grapple with when there's an argument about price suppression is whether the prices could have gone up to meet the increased costs during a period of declining demand.

So even if you -- if you acknowledge that the COGS to sales ratio is going up, and even if you acknowledge that the unit costs are going up, could the industry in a period of declining demand have increased prices to cover its costs?

MR. DORN: Well I think -- Joe Dorn for Petitioners. I think you don't just look at demand when you're thinking about the market prices. You also look at the supply side. I think what the witnesses have tried to emphasize is there was a change, a very significant change on the supply side with the Courtland closure.

The drop in demand was far, far less than the drop in -- than supply. So the supply balance shifted in favor of the domestic industry in terms of the ability to raise prices. As the witnesses have testified, you know, they put out announcements. They got some small but not sufficient realization of those price increases in the first part of the year, and then they had to roll back the price announcements towards the latter part of the year, when they saw the magnitude of the imports coming in and taking market share.

VICE CHAIRMAN PINKERT: Mr. Stewart.
MR. STEWART: Yes, thank you Mr. Chairman. It's also the case that economic literature identifies gradual reduction in capacity in situations of secular decline as a typical strategy that companies and industries pursue, exactly to avoid devastating declines in operating margins.

So the industry had been, you know, you look at a particular window of time in a case. The opposition has attempted for selective purposes to go way back in time, to look at longer time periods. What you would find in this industry over a longer time period is that there were efforts to keep things in sync. When you do that, you may get price declines for a period that recover over time and you have that kind of a seesaw type of an operation.

It was every expectation with all of the closures that had occurred that you would have had a restoration of a better balance and hence the ability to get better prices in the marketplace. That obviously was thwarted by the increased imports.

VICE CHAIRMAN PINKERT: Dr. Kaplan, briefly.

DR. KAPLAN: I think one of the questions you could ask yourself is but for a nearly ten percent increase in market share, could have the domestic industry raised prices? So you have to look at the price suppression effects that you're talking about in the context of a very large increase in market share, which decreased demand for
the domestic product much more than any secular decline did.

So that's where the price suppression comes, and it's fully on the increase in market share from imports. That demand would have gone to the domestic industry, because the capacity was available to supply it, as testified by the witnesses.

VICE CHAIRMAN PINKERT: Thank you very much. I'm going to turn the questioning over to Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, and I want to express my appreciation to all the panelists for coming today and offering their testimony. I'm going to -- my first question is going to be for Mr. McGehee and Mac Paper, because you're the one purchaser on this panel.

The Respondents are saying, and the way I sort of read their testimony, the industry didn't -- couldn't manage its supply to its customers well enough so that when it cut back on production, there would be enough for all of its customers. That's kind of -- that's what they seem to be saying and therefore the imports came in.

The domestic industry is saying we knew the cutbacks were coming, cutbacks in production or domestic supply, and therefore we thought there was an opportunity to raise prices, which said maybe they didn't understand the market well enough to know how fast the imports would come
in to undercut that.

Since you're a purchaser, what's your view of this? In other words, kind of describe what happened. Maybe just point to how long it takes, the ordering time, how long do people order, how long does it take to supply, you know, say for imports to come in and get the customers, and see if your knowledge of all of that can help answer this question.

MR. McGEHEE: I'll do my best. For some time, availability of product has not been issue. Long backlogs have not been an issue. We knew capacity plant closures were coming. I mean we sat around and talked who's next. Is it going to be in the Southeast, Midwest, whatever? But as far as supplying paper for us, there's been zero disruption as far as availability of product domestically.

COMMISSIONER WILLIAMSON: Excuse me. Did you anticipate that the domestic producers were going to try to increase price in light of this?

MR. McGEHEE: The price increases in late '13-early '14, in my opinion, were based on trying to get recovery of pricing, not elevate it to new highs. Not even close. The market had already softened, I mean had declined, and we were going out telling our customers we've got increases and this is just trying to recover what we've lost over the last couple of years.
COMMISSIONER WILLIAMSON: But being a very astute observer of the market, did you anticipate that that strategy was going to work for the producers, given the imports that are floating around?

MR. McGEHEE: We've never seen imports on uncoated paper come in at these type discounted prices. We've experienced it with coated for sure, but not uncoated, I mean to this disruptive type level.

COMMISSIONER WILLIAMSON: And in order for that to happen, there has to be a certain amount of supply, you know, inventory of imported product in the market. Given the ordering time and lead times and all that, is that true, or can you just -- can they just flood real fast? I'm just trying to understand the dynamics.

MR. McGEHEE: Well for us, I mean being in ports, we don't know what the offshore manufacturers' excess inventory may be. We don't know what their sales representative/brokers may be charged with so many additional tons coming in to the United States.

We don't know that, but it has come to our attention where representatives from offshore manufacturers would come in and say we've got an abundance of tons. We can make you a deal, and a lot of that's spot buys. And again, the pricing is very disruptive.

COMMISSIONER WILLIAMSON: By spot buys, how much
time are we talking about? Is it going to be I'll give it
to you tomorrow, I'll give it to you in a week?

MR. McGEHEE: Yes sir, yes sir. They've got it
on the water, they've got it on the port and they, to my
knowledge, have built up more inventories domestically.
Availability has not been a problem, if that answers your
question.

COMMISSIONER WILLIAMSON: That's getting there.
Maybe some of the others can add in here.

MR. THOMAS: Mr. Williamson, Dick Thomas.

COMMISSIONER WILLIAMSON: Sure, go ahead.

MR. THOMAS: Just one comment to maybe help you
draw the picture you're trying to draw and I think I
understand it. There was lots of notice on this large
closure at Courtland. It was announced middle of September.
The last two machines didn't close until early February. So
the lead time really wasn't an issue, and I think what David
was trying to say is typically an importer will find ways to
warehouse paper in key cities, key markets and so forth.

It's really getting that first order delivered,
right, where you've got to fill that pipeline. In this case
on that Courtland closure, there was plenty of time to do
that. So I hope that helps.

COMMISSIONER WILLIAMSON: Okay, and I guess
post-hearing, if there's any documentation to go along with
that in terms of what people knew about the inventories
about -- warehouses of the suppliers.

Sure. We'll be happy to provide you whatever we can.

COMMISSIONER WILLIAMSON: Okay. I think Miss --
I have my chart here. The person next to Mr. McGehee,
sorry.

MS. BYERS: Byers.

COMMISSIONER WILLIAMSON: Ms. Byers, yes.

Sorry.

MS. BYERS: That's play. Bonnie Byers for
Petitioners. I just want to -- you can also refer to the
slide that's up on the screen right now. There are
established importers for every single one of the major
exporters, and many of them have warehousing in the United
States.

So the whole notion of how quickly could you get
product that's from the subject countries is, you know, it's
very easy to do that because they've got facilities here.

COMMISSIONER WILLIAMSON: Okay. Does anyone --
Stewart.

MR. STEWART: Thank you, Commissioner. I'm just
going to point that in the prehearing staff report, they do
review percentage of merchandise moved by subject importers
as well as the domestic industry from inventories here in
the U.S. You'll see that the number for subject imports is around 63, 64 percent. Domestic, as I stated in my testimony, was a little over 73.

So the vast majority of product is here in inventory, available within several days, is what the staff report, based on the questionnaires from the importers and domestic producers documented.

COMMISSIONER WILLIAMSON: Thank you. Yes, Mr. Melton.

MR. MELTON: Yeah, Rob Melton. I'd like to make the point in September of 2013, when IP announced the closure of the mill, we had a number of internal discussions about the timing of a price increase and whether it was appropriate or not. As Mr. Stewart pointed out, there's a bit of a cycle in a declining market, really the only time you get pricing power is when supply comes out.

So we were looking to recover pricing that we had lost over the past year or two. At the same time to your point, imports had already started to flow in, and in fact in September of 2014 my notes show that they were up about 25 percent, either kind of year over year.

Our discussion internally was we were confused by that, based on the competitive knowledge we had of their cost structures and kind of what their netbacks would be. We felt like maybe they had capped out, because it wasn't
making economic sense to us. At the time, of course, we
didn't understand the subsidies and the dumping that was
occurring, that really led to the flood of imports.

Further, as Dick Thomas pointed out, we were
very active with our customer base, reassuring them that
there was enough domestic supply of certain uncoated paper
to meet their needs. So it was not an uncommon thing in our
industry to have capacity shut, to have, you know, customers
ask is there going to be enough paper and for the past, you
know, decade there has been. So this case was no different.

COMMISSIONER WILLIAMSON: Okay. Was there any
difference in the category of sort of end user or purchaser
that contributed to this? Like do the big box stores, is
that where most of the volume went or was there some other
category? I have no evidence of either way, but I'm just
throwing that out, as I'm trying to sort of understand this
better.

MR. MELTON: Rob Melton. It's really across all
channels and how it ends up in those channels is a big
difference. Some of the channels, big box, will buy direct.
Other manufacturers will sell through a broker or a paper
merchant into the big box channel. But really imports are
across all channels in the market.

COMMISSIONER WILLIAMSON: Okay.

MR. LEBLANC: Paul LeBlanc with PCA. We see,
you know, similar activity with the imports. So we would validate what Rob from Domtar was saying. It is across all customers and all channels that we sell to as well.

COMMISSIONER WILLIAMSON: Okay, good. Okay, well my time is about to expire. Thank you for all those answers. If there's anything you can think of post-hearing in terms of documentation that supports, I guess, you can say one theory or other. So I'm just trying to -- sort of understanding the mechanics of what, how this all happens is useful. So thank you.

VICE CHAIRMAN PINKERT: Let's turn the questioning to Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Vice Chairman Pinkert, and Mr. Dorn I did not realize until today that this is apparently the last time for you to appear before the Commission. I'd like to state that I've always enjoyed my interactions with you. Looking back, I once attended an event for trade lawyers, for young trade lawyers and one of the speakers there mentioned that one of the best parts of practicing international trade law is that the trade bar is on the whole composed of very pleasant lawyers, and you've always been one of those.

You'll be missed around here at the bar. You've been at the Commission. You've been a dean in the trade bar for some time now, and I'll miss interacting with you. That
being said, I wish you the best in the next stages of your life.

MR. DORN: Thank you very much. I appreciate those kind words.

COMMISSIONER JOHANSON: Certainly. Moving on, one of the first questions that came to my mind in this investigation was that the whole issue of different sizes for paper use here in the United States and abroad, I think as some of you all know, when you travel abroad, at least for me as soon as I go let's say to Europe, I always think the paper is way too thin, and I get back here and the paper looks really fat.

So I know there's differences between the United States and most other countries of the world. How costly is it to convert from one size of paper to the other on sheeting machines and have you all done this before at your facilities?

MR. BRAY: Yeah. This is Jack Bray with Domtar. If you already have the equipment on hand, which does happen at some sheeters, it's not very costly at all. It's really just the down time and the labor to do it, and it's about a 12 hour event.

If you do have to go out and buy the equipment to change over to different sizes, it's usually about a six month lead time, roughly 500 to 600 hundred thousand
dollars, and the down time again is pretty minimal to get there.

COMMISSIONER JOHANSON: All right. Thanks for that response, for answering that basic question. Yes, Mr. Stewart.

MR. DORN: Can I just add -- could I add one thing on that?

COMMISSIONER JOHANSON: Yes.

MR. DORN: I think that 500 to 600 hundred thousand sounds like a fairly sizeable number in the abstract. But you have to keep in mind that we're talking about a billion dollars in assets, you know, for a pulp and paper mill. So the incremental cost, you know, of being able to expand your bandwidth to increase capacity for a different product, in the context of that base asset, it's not very large. It's minor in relation to the total assets.

MR. STEWART: Terry Stewart. I was simply going to add that in the questionnaire responses, you have information from all of the foreign producers who responded as to the capacity, current capacity that they have to make letter size versus the international standard.

So there is data that's in -- that's available in the record that would show you how much capacity there is for those companies who did fill out questionnaire responses in the file.
COMMISSIONER JOHANSON:  All right. Thank you for your responses. When I was looking at Table 3-1 of the staff report, I was struck that for a product that you all argue is a commodity-like product, there are a large number of domestic producers. Granted, there are a number of different sizes of these companies in terms of their shares of the overall market.

But I was wondering why are there so many producers in so many different locations in the United States for this product?

MR. BRAY:  Jack Bray with Domtar. So if I understand your question, it stood out to you that there are a lot of different producers in a lot of different locations and why is that the case?

COMMISSIONER JOHANSON:  Yes, yes.

MR. BRAY:  Well, I guess the pulp and paper industry has a very long history, okay. First of all, it's been around for quite some time and we have -- obviously the industry has flowed to where the natural resources are. It is a natural resources-intensive industry and originally these mills started as smaller operations back historical it was smaller-scale equipment.

Then this equipment has grown as a result of GDP growth and so forth. So it's really just been kind of organic. It's a very mature industry, very organic and it's
just grown over time and flowed to where the resources are. As of the last couple of decades, that's been in the Southeast primarily.

COMMISSIONER JOHANSON: Yes Mr. Stewart.

MR. STEWART: I think it's also the case that in the staff report, there is reference to a RISI summarization that says the top four companies account for 97 percent of capacity. So I don't know that that would suggest that there are so many producers. Other companies may be more in certain niches. But four companies for 97 percent is a pretty concentrated industry.

COMMISSIONER JOHANSON: Right. That actually sounds about normal for many industries, but thank you for your responses. Respondents contend that the age of the domestic industry's equipment has limited the industry's practical capacity. What is your response to this argument, and this is found at page 36 and 238 of their brief.

MS. LASSA: Judy Lassa for PCA. In our experience, we have a couple of machines that are, you know, older and in fact one of our machines at International Falls is 100 years old.

COMMISSIONER JOHANSON: I'm sorry, how old?

MS. LASSA: 100. But you have a basic steel frame there and there are many different things you can do to reconfigure those paper machines. So if you want to add
more capacity, there are different things that you can do. So the age of it does not, you know, does not stop you from adding capacity or becoming more efficient.

COMMISSIONER JOHANSON: Yes Mr. Stewart.

MR. STEWART: I think it's also the case that certainly in PCA's situation and Boise's situation in answering the questionnaire, the questionnaire has you identify your practical capacity as you run your equipment. So regardless of the age, new, mid-age, older age, whatever upgrades, etcetera, what is your practical capacity as your equipment exists.

So speculation by others as to whether or not a company's equipment can operate at some theoretical number isn't what the questionnaires ask for and isn't what was supplied in the questionnaire responses.

So the data I believe that the Commission has before it represents, at least in PCA's case, what their actual practical capacity is, and to the extent that that is higher than what their production is, that means that there's additional capacity in addition to the shifting that was talked about during the testimony.

MR. BRAY: This is Jack Bray with Domtar. Even though there are some older machines in the system, the technical age of the Domtar system is reasonably young given industry standards. But I think the key here is that even
older, more mature equipment can run at very high rates, particularly if they're making uncoated free sheet copy paper.

When they're forced to make other products, there are sometimes inefficiencies. But if you make what they were designed for to begin with, certain uncoated paper, the efficiencies go way up, and that's built into the capabilities that you see in the prehearing report.

COMMISSIONER JOHANSON: Yes Ms. Byers.

MS. BYERS: Hi, Bonnie Byers. I just would point out too that one of the machines that was closed at the Courtland facility was widely recognized to be one of the largest, newest and most efficient uncoated paper making machines in the United States at the time that it closed.

COMMISSIONER JOHANSON: All right. Thanks for your responses. Respondents have argued that the market for uncoated paper is growing almost everywhere in the world except for the United States. Petitioners contend, on the other hand, that there's contraction in global demand. Who is right and what are your predictions going forward? Ms. Byers.

MS. BYERS: Global growth has been reported by RISI to be stagnating. For example, there's been global growth over the past couple of years that has ranged, you know, in the four or five percent globally. In 2016, they
predict that the growth rate in the world generally is going
to be 0.8 percent.

That only equates to about 200,000 metric tons.

If you compare that, for example, to just the capacity
that's coming on line in China and Indonesia in 2015 and
2016, which is 1.3 million tons, you can see that the new
capacity is going to swamp any kind of increase in global
demand.

If you look at it region by region, the growth
in Asia is decelerating very rapidly. They had a growth
rate of about 6.1 percent during the period 2000 to 2012
according to RISI. This has fallen to about two percent in
2013 and 2014, and is only going to be 1.4 percent per year
going forward.

So they way overestimated the amount of demand
that was going to be in Asia. Similar trends in Latin
America. Demand there has been stagnant, will grow probably
about one percent in 2016, and demand in Europe has been
falling at about a rate of 1.5 percent since 2007 and will
continue to decrease over the next ten years.

COMMISSIONER JOHANSON: All right, thank you Ms.
Byers. My time has about expired. I appreciate your
responses.

VICE CHAIRMAN PINKERT: Commissioner Kieff.

COMMISSIONER KIEFF: Thank you very much Mr.
Vice Chairman, and I join my colleagues in welcoming back such a gracious and deep expert advocate to our practice in this -- in the Respondents' counsel, and in welcoming back and bidding only best wishes to Petitioners' counsel. We are so enhanced in our community generally and in the work of the Commission when we have such great counsel on both sides. That is a treat.

Let me, if I could, ask -- start with just some, maybe a minor question. But I want to try to see if it can help us find a difference, get some traction, decision-making traction. This is a selfish question. So both Mr. Dorn and Mr. Stewart have pointed out a difference in the decline in demand for paper and a decline in demand for web. Am I right in noticing that you've both pointed that out?

If that's right, could somebody just expand a little bit more on how you think that difference should drive our thinking in the case?

COMMISSIONER KIEFF: I recognize that's largely a legal question and I do greatly appreciate the factual witnesses coming but I hope it's to ask this somewhat legal question.

MR. DORN: I think in terms of how it affects how you look at the case?

COMMISSIONER KIEFF: Yes.
MR. DORN: I think it would be useful to have the witnesses talk about the factual predicate as well but I'll begin. I think that our main point was the other side is saying that we're trying to get away from producing certain uncoated paper that the U.S. Industry doesn't want to produce. There are lots of other more valuable things to produce. It's all over their brief, right. It's not true.

The equipment's sweet spot is making sheeter rolls for certain uncoated paper and the fact is, as the witnesses can explain, demand for the use of web rolls is falling faster than demand for sheeter rolls. We all came with paper today. We did not just come with our I-Phones. So as the economy has been recovering and more office workers are doing what we do, that's blunted the demand decline for certain uncoated paper. But it hasn't for books which are made from web rolls or for envelopes which are made from web rolls, and for other applications.

Our point is that if it weren't for imports of the uncoated paper, you would see a shift toward more production of sheeter rolls, more production of certain uncoated paper and less production of web rolls. There are virtually no imports of the web rolls, but there are imports of certain uncoated paper. But as witnesses have said, to keep their paper machines going they have had to produce more web rolls than they should be producing to make what
kind of products, Dick?

    MR. THOMAS: Dick Thomas here. As an example, as far afield, if you will, as making bag stock for like a Wendy's hamburger bag, well these machines I guarantee you, none of them were designed to do that so it's a lightweight packaging product but the machine can make it. It makes it at a tremendous loss in profit compared to its baseline and its potential if it's making certain uncoated.

    Again, the machine runs better. You've got more staying power in the certain uncoated because the growth rate is slower and you've got the ability to run longer runs as Jack said in his testimony so everything about that machine, and sweet spot is a good term to use. That's what they were designed and set up to run.

    COMMISSIONER KIEFF: Alright, I've noticed that Dr. Kaplan is anxious. Sorry, I didn't mean to cut you off but just very briefly Dr. Kaplan...

    DR. KAPLAN: I know this issue will arise again so take the next question.

    COMMISSIONER KIEFF: So, please Ms. Lassa.

    MS. LASSA: So for PCH, similar to what... this is Judy Lassa with PC. Similar to what Dick just talked about, we had had to run more web rolls on our equipment as well. Again, it's declining faster. It's less efficient to run, it's higher cost and certainly we would like to be
running the certain uncoated product not only for the fact
that it's more profitable but also that it is declining
less.

COMMISSIONER KIEFF: Okay, that's all very
helpful. Let me ask a very one hundred thousand foot
question, and again maybe more legal, but what if it turns
out the opening statement of your opposing counsel is one
hundred percent factually correct in the sense that there is
a narrative to it about what she thinks is happening. She
thinks in effect folks are buying from importers, motivated
largely by desire to smooth out supply and avoid price
shocks. What if that's all true? Am I correct in
understanding that even if that were all true, you could
still win your case?

MR. DORN: No question about it, because it's
resulting in lost market share and price depression. We
don't accept the factual predicate for it.

COMMISSIONER KIEFF: I get that. I get that.

MR. DORN: But we do understand what you're
saying and agree with that.

COMMISSIONER KIEFF: Just one of the things I'll,
and obviously we, although our custom here is to discuss
with one side first and then the other side obviously we
hope everybody benefits by having both sides present during
each side's discussion and so for me one of the things I
often wrestle with is trying to suss out in my mind whether
the decision I have to make turns on my understanding of an
argument or my understanding of facts and it sounds to me
like although there is obviously factual disagreement, even
if the facts were as narrated by your opponent, you're
saying that that shouldn't drive a decision in favor of your
opponent?

MR. DORN: I think Terry and I agree on that.

COMMISSIONER KIEFF: So then, and obviously we
look forward to your opponent explaining why either there is
more significance to that than we are all getting at the
moment. What then, back to the factual disagreements, are
you, do you see as the factual disagreements that are most
outcome determinative to our thinking? Dr. Kaplan.

DR. KAPLAN: As an economic matter I think there
are two and I think the first one is whether there exists
capacity to supply the market.

COMMISSIONER KIEFF: And your colleagues, the
factual witnesses today have elaborated this morning, have
elaborated about the presence of that capacity.

DR. KAPLAN: And I think the Staff Report speaks
to it itself, the actual capacity table in the Staff Report
that's public shows an extraordinary amount of divertible
capacity. The other side has said "We cannot produce and
that's why imports are needed" on pages 4, 6, 7, 8, 12, 13, 14,
15, pages 24 to 38, page 52, page 53, pages 55 and 56, page 57 and page 59. It is fundamental. It is a bedrock of their argument that we can't produce more and that's factually incorrect.

The second bedrock of their argument if there is switching is that we are producing a lower-profit item and would prefer to go to a higher profit item. That has been demonstrably shown to be incorrect by every industry witness before you and we'll supply information later. Those two factual things there and those both being wrong, their case does not...

COMMISSIONER KIEFF: Succeed in your view? So I, just recognizing the limits of time I just want to wrap up my time by inviting for the afternoon discussion your counterparts to highlight either why they're right on those facts or while this is an unfortunate detour and there are other more salient facts that they see as outcome determinative or why we're missing the legal significance, but that's my effort to join the issues. I pass the baton. Thank you very much.

VICE CHAIRMAN PINKERT: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Thank you. First, I'd like to thank all the witnesses for being here today and also echo my colleague's comments in thanking Mr. Dorn for your service here at the Commission and to the Trade Bar in
general and you will be missed around here. I wish you well. So I would like to pick up with this chart that Dr. Kaplan referred to, Table 35 in the Staff Report which is about this question of capacity and capacity utilization and make sure that I understand this. I guess it's reflected also on slide 20 if you want to put that up from the Petitioner's slides.

So this amount of switchable capacity at 3.6 million short tons, I'd like to understand and it's broken down in the Staff Report between different products, web roll is a big product. There is another category called "other products". I would like to understand what that includes and then I'd like to understand how easy is it to switch from these products to making sheeter rolls, uncoated for sheeter rolls? Do the same people operate the machines when you do that? Is it expensive? How much time does it take, those types of things so I'm not sure who to start with. Ms. Lassa would you like to start?

MS. LASSA: Yes. So as far as switchability, we do have the flexibility to run the web rolls for sheeter rolls and most of our, all of ours have been uncoated rolls and not other products and maybe Domtar will talk about that. But as far as you know, how much time it would take to be able to do that, we are doing that now. We currently run both sheeter rolls and web rolls on all of our machines
currently so there is no switchover. There is nothing we
have to do. We are running both products on all of our
machines currently.

COMMISSIONER SCHMIDTLEIN: I see, okay. Anybody
else like to contribute? Mr. Thomas?

MR. THOMAS: Dick Thomas. Yes, thank you. Just
one point here and again, I know I'm repeating myself, but
these machines were designed to make certain uncoated paper
so if there's cost or some optimization involved it's with
making the other products. For them to go back is really
nothing. It's what they were designed to do. Then,
certainly the same operators would operate the paper machine
but then the rest of the process of course is off site and
those sheeters are there and they can either be run or not
run and so it's a simple matter of making bigger rolls, take
them over there and sheet them.

It doesn't affect the paper machine really at all
other than frankly make it run a bit better to make certain
uncoated. I hope that helps.

COMMISSIONER SCHMIDTLEIN: Yes.

MR. THOMAS: I definitely want to describe the
process.

MR. BRAY: This is Jack Bray with Domtar and yes
I agree with everything that's been said. It's actually a
very easy process to switch back to certain uncoated free
sheet. It is the same crews. I mean, how you staff, how
you manage your operating systems. Everything essentially
stays the same. Obviously there are quality parameters and
everything but the crews are working with it, you adjust.
It's a very easy switch. Obviously, as the record shows,
the sheeting capacity is there and I just want to echo what
Dick says.

We have a lot of experience with going back and
forth and in fact we have repurposed one of our machines to
make lightweight thermal paper products that can still make
copy paper. So we have a machine where we regularly switch
back and forth and we can see the impacts. The impact can
be up to 200 tons per day increase in throughput by going
back to copy paper on the machine and at a minimum a 1-2%
increase in efficiency.

COMMISSIONER SCHMIDTLEIN: And when you say it's
easier, are we talking about literally during the same day?
Does it take...

MR. BRAY: Yes. If we get the production
planning notice to go, we can make that changeover within an
hour on the machine and have it to the sheeters and that can
all be done same day, actually same shift.

MS. LASSA: Judith Lassa, PC. I totally agree
with what Jack just said. Again, we are running both of
those products interchangeably now on the same machine so it
is, you know, it's nothing to make the change and it happens
on a daily basis.

COMMISSIONER SCHMIDTLEIN: Okay. Mr. Dorn.

MR. DORN: The other side says we'd rather be
making more valuable products rather than certain uncoated
paper. Looking at the public version, so I don't get in
trouble here, but the coated paper, arguably you can call
that a higher value product. You have the confidential
version in front of you.

COMMISSIONER SCHMIDTLEIN: I have the
confidential version.

MR. DORN: You can see the tonnage there.

COMMISSIONER SCHMIDTLEIN: Yes.

MR. DORN: Then thermal paper, I think it's only
Domtar that would be making the thermal paper, right? You
know that product. You've heard testimony, that's not a
more valuable product, right? That's a less valuable
product, so that the Marlboro Mill, which Mr. Thomas
tested about, is better utilized making more profitable
product called sheeter rolls for certain uncoated paper
rather than thermal paper. Then you have web rolls and
those web rolls are used to make a number of products.

In terms of why you have this line item for other
products, these will be products that were made from web
rolls which assume that some folks might make forms and
things like that from the web rolls. You do that, right?
That would go in the other products category rather than in
the web rolls category. Web rolls I guess you would report
just as shipping rolls that you would send directly out to
another customer.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you. In
terms of the argument about the practical full-capacity,
maybe this has been covered already but do you want to
respond to that, this question about, well if you're running
at ninety-four or ninety-three or ninety-one that you're at
virtual full, you are at practical...

MR. DORN: We can get into that in terms of the
confidential data respect to Domtar's experience. The
questionnaire requires that you report your practical
capacity, not your theoretical capacity. So, to be
consistent with the questionnaire, that's the way Domtar
reported the data. So, Domtar can produce at one hundred
percent because it's practical capacity, it's not some
theoretical capacity. That's my understanding for PCA as
well, correct?

COMMISSIONER SCHMIDTLEIN: Okay, let me turn to a
question about the pricing products and the Respondents make
an argument in their brief that around page 25, where they
advocate that the Commission should use quarterly AUV data
to analyze whether or not there has been underselling
because of the amounts of subject imports in any one country in these products are so much smaller than the U.S. Product that they couldn't influence and so we shouldn't look at the pricing product data that's been reported. At least this is my understanding of the argument and if I've misstated it I'd be happy to be corrected by the next panel but that we should look at quarterly AUV data in determining whether or not there is significant underselling. Can you respond to that?

MR. DORN: I think that they don't like the results so they want to have you do a different methodology on it. It's very hard for us to respond to that in the public forum here.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. DORN: Terry, you might have something you want to say about this.

COMMISSIONER SCHMIDTLEIN: So I guess it really goes to the question of how do you respond to the argument that the disparity and amount between the U.S. Product, especially let's look at product one, where really the action is, and the amounts in any individual country is so big that that product coming in from any individual country couldn't influence the price of U.S. Product?

MR. DORN: Well I think from a legal matter, you should be cumulating the impact. I mean, I think that's
what Congress meant for you to do. You don't consider the impact of imports from any one country in isolation and on a cumulated basis there is clearly a significant price impact. The volume is very significant, 17.4% of the market in 2014, 7.5 percentage points of market share shift from 2012 to 2014, so, once you cumulate imports I think you've got to consider the imports from all sources. Is that responsive to your question?

COMMISSIONER SCHMIDTLEIN: Yes, I think so. If you'd like to go further into it, I would invite you to do that in the post-hearing.

MR. DORN: They have some different wrinkles. Sometimes they combine one and two and sometimes they use one, you know, whatever data point works. They do as good lawyers do, but I think we will be better off responding to some of that in the post-hearing where we can refer you to the precise data points.

COMMISSIONER SCHMIDTLEIN: To the confidential information, okay.

MR. DORN: I will say that on the price underselling, our clients do not believe that there is any overselling from any of the countries, so we have concerns about the data and we also have gone to great length to explain what's in the purchasers questionnaire as you have a rich record here. We've gone, starting with the largest
purchaser down to the next dozen or so, and talked about  
what each purchaser says about competition in the  
marketplace, and it's a rich body of evidence. We hope  
you'll pay close attention to that.

COMMISSIONER SCHMIDTLEIN: Thank you. My time is  
up.

VICE CHAIRMAN PINKERT: I just have a few follow  
up questions. You testified earlier that the operations of  
the Domestic Industry are capital intensive. But I don't  
know if you focus specifically on the sheet operations so I  
want to get your answer to that question which of course is  
raised in the Respondent Brief.

MR. DORN: I'm glad you asked that question.  
Let's think about steel. Do you think corrosion resistant  
steel is capital intensive? I mean based upon their  
argument, you say "no it's not" because you ignore the fact  
that you have equipment to make the cold-rolled steel, you  
have equipment to make the hot-rolled steel, you have  
equipment to make the slabs, you have equipment to make the  
raw steel. Similarly they're suggesting that you ignore the  
equipment required to make the pulp, to make the paper, to  
make the sheeted product.

So I don't think as a legal matter it makes any  
sense. In this industry I think every player is vertically  
integrated from pulp to sheeting equipment. There's nobody
out there just, I mean there are a couple of people doing

tolling but all your data is based upon integrated

producers.

VICE CHAIRMAN PINKERT: I get that you consider

the question to be misplaced, but is there an answer to that

specific issue that's raised. In other words, the capital

intensity of the sheet side.

MR. STEWART: This is Terry Stewart. Let me just

put things in perspective. Earlier, you heard from the

witnesses as to what the cost would be to permit sheeting of

different sizes to go to the U.S. Size if you were set up to

go international or to go international if you were set up

for U.S. and that number was half million - six hundred

thousand dollars. My understanding of the cost of a

sheeting line is that it's around fifteen twenty million

dollars, something in that neighborhood and we heard that

the cost of the entire mill is 1.2 billion dollars.

Those are the factual numbers that are out there

and as I read the Respondents submission, the six hundred

thousand to be able to make more letter size paper was an

outrageous expense that they would never go to but the

sheeting expense, which was, as I understand it, twenty

times as great, is an insignificant cost and shouldn't be

included with the cost of the mill in considering what the

overall cost of sheeted paper is.
VICE CHAIRMAN PINKERT: Dr. Kaplan, and then we will come back to you Mr. Dorn.

DR. KAPLAN: In reading the predicate for the argument on capital intensity, it's based on the notion that no more sheet or rolls can be made. That sheet or rolls are operating at one hundred percent and that's why they think the capital intensity of the sheeters matter. You've just heard evidence that there's and you see it on the slide, that there's massive divertible capacity and significant excess capacity. So the predicate of their argument about why they even think it's important is undercut by the facts and I'd be happy to discuss the relative capital intensities and the meaning of it in the post-hearing but I think it's kind of...

VICE CHAIRMAN PINKERT: Please do. But you think it's what?

DR. KAPLAN: Kind of a moot point based on their predicate about why you should focus on the capital intensity of the sheeters in the first place.

VICE CHAIRMAN PINKERT: Thank you. Mr. Dorn?

MR. DORN: I have nothing further. Thank you.

VICE CHAIRMAN PINKERT: How significant is branding in this industry? I understand that you are arguing that price is what really determines who gets the sale but is the customer typically aware of the branding?
MS. ZORN: Katie Zorn. Brand relevance and recognition is relatively low in the office papers market. There are brands available that come from both Domestic Producers and importers and the acceptance of brands is fairly broad in general. Those products that you see in front of you from Staples when consumers are asked are considered acceptable brands along with national brands or other brands that may just appear more reputable like some of the ones that we have seen on the slides.

So switching occurs often between brands and so even for those who do as part of their general purchasing behaviors prefer brands they may often switch or interchange between retail perceived brands or other well-known brands.

VICE CHAIRMAN PINKERT: Anybody else wish to comment on branding?

MR. LEBLANC: Paul LeBlanc, PCA. Our research and how we work with our customers is consistent with what we just heard from Katie. The way we go to market is in support of our customers so customers typically have a strategy of using multiple products to help them deliver on their goals around margin and sales and a breadth of portfolio, if you will. You heard from Mr. McGehee the breadth of products that they are selling that fits within the certain uncoated market and brands are part of that.

But, again, as Katie pointed out there is
tremendous interchangeability between whether they're buying
a Staples brand or what we would consider a mill brand or
we've even mentioned what was called white box earlier in
some of the testimony. Again, all those brands have low
awareness in general and high interchangeability.

MR. MCGEHEE: David McGehee. I would offer, we
wish brands had more value but more and more it's price.
It's price-related.

VICE CHAIRMAN PINKERT: Just to follow up on that
point for a second, when you say more and more can you focus
your attention on the period that we're looking at here, say
2013, 2014, 2015. How important is branding during that
period?

MR. MCGEHEE: For Subject Products, very little
if any.

MR. MELTON: I would like to point out, just
relatively speaking, brands are not a key purchase driver.
In fact, Domtar produces and owns the exclusive rights to
make the Xerox-branded paper, which is probably one of the
more recognizable names. We spend very, very little amount
to market and promote that brand. In fact, if you look at
our overall advertizing and marketing spend, we spend two
and a half times more on promoting paper-based
communications and really kind of the advocacy of paper
consumption than we do on our brand marketing in total for
certain uncoated products.

So, very small and it really is a small portion of our overall advertising spend total.

VICE CHAIRMAN PINKERT: Thank you. My last question touches on the Mittal case, but I don't want to get into what the best interpretation of that case is. I'd rather you tell me whether for purposes of that case we should consider these products to be -- or this product that I see in front of me to be a commodity product.

MR. STEWART: I think the -- I think the answer to that, Mr. Chairman, is that we have said that it's largely a commodity-like product. And so to try to avoid being in the same camp as our distinguished opponents, we'll try not to flip flop depending on the part of the issue we're talking about. And I think that even if you took the view that Bratsk Mittal required an examination of non-subject imports, non-subject imports here are very small. They're much more -- they're much higher priced so that the concerns that the Commission and the courts have had in terms of non-subject imports, whatever that might be, and however you choose to construe those cases, isn't applicable here even if you assume that this is a commodity product.

MR. DORN: One other factual point is that, the major non-subject supplier was Canada during the POI and
that's mainly a product coming in from Domtar. Domtar
would have no reason to bring in imports at injurious prices
and hurt its U.S. assets.

VICE CHAIRMAN PINKERT: Thank you. That's
helpful.

And with that I want to turn to Commissioner
Williamson.

COMMISSIONER WILLIAMSON: Thank you. Before I
start I want to join my colleagues and Mr. Dorn and commend
you for a very successful career. And Commissioner Pinkert
talked -- or Vice Chairman Pinkert talked about your
friendly atmosphere, your personality, and warm personality,
and I just want to give a personal mention or testimony to
that. Some time in the early '30s when -- early '80s when I
was at USTR, some 30 years ago --

[LAUGHTER]

COMMISSIONER WILLIAMSON: -- you came in and
talked about Mexican cement. I don't remember the details
really, but that was the first time I met you and I must
admit, I had a very -- I've always had a very pleasant
memory of that meeting. And so, the fact that some 30 years
later I still remember the first time I met you and how
effective you were and what a pleasant experience that was,
I think it's just a testimony to what others have said.

So I commend you and all the best in retirement.
MR. DORN: Well, thank you very much, really appreciate it.

COMMISSIONER WILLIAMSON: Ms. Foster, I was just wondering, do you have any specific information on how TA may have assisted workers in making transitions to other employment?

MS. FOSTER: I don't have any specific and certainly we could follow up. But in general it's very difficult for our members to achieve the kind of wages and benefits that they earn in a paper mill with a high school education on average after the loss of their jobs, after one of these shutdowns or closures.

COMMISSIONER WILLIAMSON: Okay. Thank you. I was just wondering because it's one of those times when that TA experience has been prominently mentioned.

I was just wondering, we've already talked a little bit about pricing information. And I was just wondering, some countries -- Brazil and Portugal show the opposite mostly overselling compared to where the other suppliers have been, you know, underselling. And I was wondering what explains the differences and how should the Commission take these differences into account in this analysis, if we should do so at all?

And if you want to do it post-hearing, you can.

MR. STEWART: Before we turn to the witnesses, I
think that Mr. Dorn had gone through that. There is a great deal of information in the record that contradicts that which you have in the pricing information on product -- on product one and two in particular. And there are concerns about product three in terms of the failure of -- there will be information on the record based upon things that happened in terms of the design of the question. So I believe that the Petitioners' view is that it is not the case that there was overselling by Portugal or Brazil in the market. That is confirmed by the questionnaire responses of the purchasers and it is confirmed by both the testimony of our -- of the purchasing witness here from Mac and also from the statements in the -- sworn statements in the prehearing brief of the Petitioners that review the competition that had been faced by Domtar and by PCA in the market against Portugal in particular.

COMMISSIONER WILLIAMSON: Okay. Thank you. Is there anything else on that, or --

MR. MELTON: I'm not sure I have a lot to add from a legal standpoint. I'm confused by that as well. The data seems inconsistent with my and Domtar's experience in the marketplace. As it relates to Portucel and Suzano really with all customers that we sell to, we're often told that our price is too high and we need to reduce to match them.
Mr. LEBLANC: Paul LeBlanc with PCA. We had similar experiences. We, you know, are competing against them every day and again our experiences are that our prices tend to be too high when compared to them.

COMMISSIONER WILLIAMSON: Okay. Thank you.

MR. DORN: If I may, just one other point. Putting aside underselling and overselling, this is confidential so I cannot mention the numbers. But if you look at Table V-8 at V-19, you have the trends in prices from the beginning to the end of the POI. And product one, of course, is the largest volume and I think it's telling to look at the price trends for the United States, Brazil, and Portugal on that table. I think that's telling.

And just to add a point to what Terry said about product three. We thought it was important to have a pricing product that covered Folio. I mean, Folio is, you know, not the major, it's a smaller portion of the market, but especially with respect to Brazil and Portugal, imports of folio have been very damaging. So we certainly wanted to have a folio product.

The problem we face is that there are lots of different dimensions of folio. So to cover folio broadly, you'd have to have a lot of different pricing products, but we came up with what we thought was the best representative pricing product, 23 by 35, 96 bright. And so that would be
sort of, you know, a proxy for what's going on, on the folio side. But after the fact, after we had proposed the definition, apparently respondents suggested adding "sold with matching cover." I can't go into the specifics, which are confidential, but that had an adverse impact in terms of the coverage for your pricing data with respect to product three, which is the only folio product. So we have a gap in the record there, and as we explained in our brief, we're hoping you would consider trying to fill that gap before you vote.

Thank you.

COMMISSIONER WILLIAMSON: Okay. Just briefly, could someone explain -- I never fully understood, what's the folio product used for? Why is it -- I mean, I know it's a very small share of the market, but I -- I just never really understood the significance of it.

MR. McGEHEE: Folio -- when you look at a commercial printer, eight and a half, eleven, you get eight out of a 23, 35-size sheet. So that can run at multiple ups with one pass through the press.

COMMISSIONER WILLIAMSON: Okay.

MR. McGEHEE: So folio and it's evolving with this digital age we're in, but folio to me is everything over 17 by 22.

COMMISSIONER WILLIAMSON: Okay. Thank you.
MR. McGEHEE: And printers use it for multiple images on one pass with the press.

COMMISSIONER WILLIAMSON: Okay. I understand now. Thank you.

Petitioners assert that the investigation suppressed cumulative subject import volume in the third quarter of 2015. And how -- this is at pages 28 and 29 of your brief, and I was wondering, how does this fact affect the Commission's analysis?

MR. DORN: Well, in terms of what happened in terms of interim 15, our main point is that the reason that we started to regain some market share in 2015 was because we lowered prices. And you've had testimony from the witnesses about doing that because it couldn't suffer further loss in market share. We have some confidential contemporaneous business records from Domtar which substantiates the decision they made and the analysis of what would happen in different scenarios depending on how they priced their product going into 2015. As Mr. Thomas testified, they decided to lower prices, but as a result they took a big hit on profitability. But they did stem the loss of market share.

So that explains, you know, some of the decline in -- or the fact that imports didn't continue to increase in 2015. But then if you look in one of your appendices,
you have the monthly import tables and you'll see a sharp
drop in volume of cumulated imports in the third quarter of
2015. So if you're looking on an interim '14, interim '15
comparison, that third quarter of 2015 after the duties were
imposed skews the comparison, so that's the point we're
trying to make there.

COMMISSIONER WILLIAMSON: Okay. Good. Thank you
for that explanation.

Mr. Thomas, just wondering, do you still intend
to convert your Ashdown facility's production of fluff paper
if the Commission reaches an affirmative determination? In
other words, would an affirmative determination change your
plans there?

MR. THOMAS: No. At this point, no. We do plan
to go ahead with that, but certainly we've planned and
really since even before the preliminary duties came out, we
planned for a scenario where the duties made it difficult
for the targeted countries to ship in here and do we have
the capacity to cover that, and we do, even without this
machine having gone out of the system. So that's been our
commitment from the get-go.

COMMISSIONER WILLIAMSON: Okay. Thank you. And
just my last question. Assuming Commerce reaches an
affirmative final determination of critical circumstances
for Portugal, what is your argument that these imports
warrant an affirmative determination from the Commission?

MR. STEWART: I think because of some of the
issues that are going on at Commerce, we would like to
handle that in the post -- in the post-hearing brief.

COMMISSIONER WILLIAMSON: That's fine. Good.
Okay. I want to thank the panel for their
answers.

VICE CHAIRMAN PINKERT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Vice Chairman
Pinkert.

Mr. Thomas, I would like to follow up on the
question of Commissioner Williamson on the plant in Ashtown,
Arkansas. And I think this question is different than what
he asked. Given the opportunity to increase shipments of
uncoated paper in the wake of the capacity reductions by
International Paper and BOISE, why did Domtar decided to
convert a large, uncoated paper machine in its Ashtown plant
into a fluff pulp line?

MR. THOMAS: So this decision would have probably
been made ultimately anyway, but much further down the road
but for the continued increase in imports. So we had
identified that as a machine that ultimately in a slowly
decreasing demand world we would have targeted at some point
in the future. So I would rather not here in public talk
about when that was in our strategic plan as a potential.
But it was much further out, if you will.

And of the difficult choices of lots of good papermaking equipment because, you know, we've in some cases shut down that which, you know, wasn't competitive globally, and that question came up earlier. So forgive me that tangent. But in a stable of very good papermaking equipment, that's the one that could be converted because it had the right fiber behind it which is softwood, and it had the right size to compete in the fluff market as a dryer. So, again, I hope I'm addressing the crux of your question.

COMMISSIONER JOHANSON: Yes.

MR. DORN: If I could just add to that? As Mr. Thomas testified in his direct, at the start of 2014, there was no plan to close that paper machine. Because at the beginning of the 2014, they were expecting to benefit from the reduced capacity from Courtland. They were going to increase the sales volume and going to increase their prices and there was no plan to close a paper machine at Ashdown. But given the continuing increase in imports in 2014, by December of that year Domtar made three decisions that were key. One is to join the Petitioners in filing this case. Second, they would have to repurpose that paper machine in 2016. And third, it was going to have to reduce prices substantially in 2015 in order to stem the loss in market share.
COMMISSIONER JOHANSON: Thanks for your responses.

I'd now like to turn to TAA which is something I've read about throughout my career, but I don't really have much background in it. How do you respond to Respondents' argument that the Commission should give little weight to the TAA filings that you present as evidence of impact of subject imports given the TEA laws, different standards on the impact of -- on causation?

MR. STEWART: This is Terry Stewart. Obviously the Commission has its own statutory standard to apply. But the argument that's made by the Respondents is that there's a conspiracy between producers and laid off workers to get them the few bones that TAA provides and that it basically is not fact based or is not based on a statutory standard.

The testimony that Leeann Foster went through goes through exactly what is required and what it is that Labor goes through. Labor does its own survey. If workers come in request TAA, they will send a questionnaire to the company to find out what the facts are there. They will get from the company who their customers are, and they will survey the customers to find out if the customers have shifted the imports in the relevant time period to make a determination, and then they do other surveys in terms of what the import statistics and other things look like.
So we found the comment in Respondents' brief to be offensive in the sense that it maligns another government agency's program which has a statutory basis and which has a factual record upon which determinations are based and so I don't normally -- I don't normally say bad things about my opponents, but I thought that that was a particularly weak argument to make. That somehow the fact that another government agency finds imports to be an important cause of separations is not something that is worth taking into account.

MR. DORN: Could I just add one point? I think the TAA application for the Courtland closure is particularly significant given the arguments the other side have said, you know, this didn't have anything to do with imports. That application includes information from the company, not just from the workers, supporting the fact that the imports contributed to the decision to close that mill.

COMMISSIONER JOHANSON: And out of curiosity, the foreign -- I assume foreign producers don't have any input into this process? I simply don't know.

MR. STEWART: My understanding of this as a general matter they don't. But you should understand that that's also true for the workers, the workers file an application, but they do not receive access to the information that is collected by the Department of Labor.
unless there's a negative determination and they go to court. So it's not -- it is a process that is generated by Labor on its own based upon an application.

MS. DRAKE: This is Elizabeth Drake. I'll just add, maybe we can put in the forms -- the survey forms that Labor uses post hearing and you'll see that they include a required signature under oath and under penalty of law very similar to what the Commission has on its own questionnaires both from the company, the employer itself, and from its largest customers.

COMMISSIONER JOHANSON: All right. Thanks, Ms. Drake and other witnesses.

And Mr. Stewart, I had just a follow up issue for you. You mentioned during your presentation that the demand for uncoated paper is declining, but the demand for other products, similar products such as books and envelopes, is declining at a faster rate. Could you maybe submit something in the post-hearing record to that effect?

MR. STEWART: There's information put out by the industry, publications that go through what the declines have been. I'd be happy to find that and put it in.

COMMISSIONER JOHANSON: Great. I don't recall that in the submitted materials, previously submitted.

Thank you.

MR. DORN: And, Commissioner, the reason for that
is very logical and perhaps it would be helpful to hear from
one of the witnesses explaining.

MR. THOMAS: Dick Thomas. Mr. Dorn touched on
this earlier, actually. And the range of applications that
you see other than -- you know, the other products, other
than non-coated and coated go to -- they're just not in as
much demand as, you know, copy paper and folio where it's a
more stable business in large part because of white collar
employment. So it seems like the more information we store,
it doesn't necessarily mean that we stopped using that type
of paper. So whereas lots of other applications -- there's
lots of other ways to kind of promote yourself, right, if
you're a company. You've got many more media choices today.
So I would just say that it's cut more deeply and more
quickly into those products, the alternatives because it
wouldn't really affect this product.

COMMISSIONER JOHANSON: Right. Mr. Melton, did
you want to add anything?

MR. MELTON: I was just going to give you two
examples that are real life. Books would be an example, so
e-books, and the growth of e-books as well as billing
statements. So, you know, you are constantly getting pushed
to switch to electronic statements versus mailed statements
and those are two --

COMMISSIONER JOHANSON: Right.
MR. MELTON: -- end-use examples.

COMMISSIONER JOHANSON: Okay. Yeah, we're all familiar with that. Although we still use a lot of paper here, I do know that.

MR. MELTON: Thank you.

COMMISSIONER JOHANSON: You're welcome.

I shouldn't say that, but we still use a lot of paper here.

[LAUGHTER]

COMMISSIONER JOHANSON: So anyway.

I was wondering, what role do non-subject imports play in the U.S. market? And how should we look at these in our analysis? And one reason I'm asking this is because I know Canada is a major producer of all sorts of forest products. We all know that very well here at the Commission. There have been a lot of cases involving Canadian forest products before. What's going on in Canada that it's not a bigger -- that -- that they're not being mentioned today?

MR. THOMAS: Dick Thomas here. We're the largest producer of these products in Canada by a wide margin. So we've got a very large facility that makes -- that has two state-of-the-art paper machines and makes almost exclusively this sort of product. So what you see coming in here is overwhelmingly a product that we're shipping in to our U.S.
customers just basically because the geography works, or the lead time works, or the order sequencing. So it's really part of network.

So as we look at taking the orders that we get and schedule them, it's kind of part of the same set of facilities to ship to them.

COMMISSIONER JOHANSON: But still, I'm kind of wondering what's going on with Canadian pricing? I don't know if we can get into that. But why would the product -- my understanding is the products in Canada are more expensive than perhaps the products sold in the United States.

MR. THOMAS: Your question is not about the trade flows.

COMMISSIONER JOHANSON: Right.

MR. THOMAS: About the relative pricing?

COMMISSIONER JOHANSON: Yeah. And I don't know if we can get into that or not. That might be more of a Commerce --

MR. THOMAS: I think we could follow up with some detail.

[SIMULTANEOUS CONVERSATION]

MR. THOMAS: -- if you don't mind.

COMMISSIONER JOHANSON: All right. Thank you.

My time is about to expire. Thank you.
VICE CHAIRMAN PINKERT: Commissioner Kieff?

COMMISSIONER KIEFF: Thanks. I think I just have -- I believe it's on.

Hello.

Is it on now?

Now, okay. It was powered on, but not screwed on. If I could just briefly follow up on Commissioner Johanson's colloquy with Mr. Stewart about TAA. Am I right in understanding you basically say that although you understand the distinction your opponent is making about different legal standards, you're point is that that's a distinction without a difference in the way we should think about this because you have provided more than adequate evidence in the record for the factors analyzed under TAA to be nonetheless perfectly relevant under out statutory injury factors; is that a fair statement?

MR. STEWART: Well, I think the TAA submissions were originally made back in the post-conference brief by Petitioners because they showed statements oftentimes by company officials that imports were an important factor in this location in closing of facilities or laying off of workers. That was the original purpose for which the TAA documentation was put forward. We have never put it forward as a substitute for the Commission to make its injury determination.
COMMISSIONER KIEFF: I see.

MR. STEWART: And --

COMMISSIONER KIEFF: So then just briefly following up on the how we think about our statutory injury factors as we sit here awash in this pool of collegial praise for grace and clarity and argument, I just want to ask gently, if I may, are you suggesting in your comment about offense that your opponent is not -- her conduct is in some way inappropriate in her style of argument?

MR. STEWART: Well, I wouldn't attribute it to any one particular person on the --

COMMISSIONER KIEFF: Well, sorry. Are you suggesting that anyone on your opponent's side has engaged in misconduct in presenting an argument?

MR. STEWART: No. That was a --

COMMISSIONER KIEFF: And is your feeling, authentic as it may be, a statutory injury factor?

MR. STEWART: No, it's not.

COMMISSIONER KIEFF: Okay. So I'm just trying to figure out what to do with the offense remark.

MR. DORN: Could I just add something in terms of your precise questions. I think what I would say is the TAA certifications are probative evidence.

COMMISSIONER KIEFF: Yes.

MR. DORN: Of the adverse impact of the imports
on the domestic industry and its workers in particular. We're not saying that's a proxy for your determination. You've got to decide whether there's enough probative evidence for us to get over the finish line. But it is probative evidence and it's probative evidence that you have cited in other decisions.

COMMISSIONER KIEFF: Got you. Look, thank you all very much and especially to the witnesses who have provided great, helpful answers, as I'm sure the afternoon witnesses will as well. Thank you all very much.

No further questions.

VICE CHAIRMAN PINKERT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Thank you. I just had a few follow-up questions, a little bit of odds and ends. In your brief, you talk about the survivor bias. And in the Respondents' brief they reply that it's really just a very small percentage of total production that was actually closed and so the data wasn't included. How do you respond to that?

In other words, I think the argument is, there's really not much of a bias. How do you respond to that? Is there a way for us to quantify it? How should we consider that?

MR. DORN: Well, I think there is some survivor bias. It's just a matter of the magnitude of it. They say
the magnitude is not that great in this particular case.
And I think we'd have to take a look at that. But there's
another way of saying there's survivor bias in terms of, you
know, companies are still here that closed paper machines.
Courtland is not here, but they closed a mill. The other
side, you know, talks about how profitable the industry has
remained. We think, in terms of the trends, the loss in
profits is tremendous.

But, you know, what would the profits be if the
industry hadn't laid off 1,259 workers? What would the
profits be if we hadn't disinvested by over $400 million in
assets and had that continuing depreciation? So the point I
would make is that there's sort of a survivor bias. It
shows that there's interconnectivity of all the factors and
that you have to consider them all together. You can't just
look at operating income margin in isolation. There are a
lot of things that were injuring the industry.

In fact, the over $400 million in lost sales
revenue. The 10 percent decline in assets. There's a big
drop in return on assets, from 2012 to 2014 even though the
denominator, the assets has gone down by 10 percent. So I
think you've got to look at the impact of the closures and
the paper machine shutdowns in talking about the overall
impact of the imports on this industry.

COMMISSIONER SCHMIDTLEIN: Along that line, I
would invite you all to respond to that argument in the
brief, or to answer the question how do you respond to the
argument about the other cases and the level of
profitability and, you know, where the Commission has come
out, and I guess what the EBITDA -- you know, the earnings
before interest tax and depreciation, like what the normal
or usual -- they make an argument about that as well. So
I'd be curious to see how you respond to that and you can do
that in the post-hearing brief.

MR. DORN: Yes, we might say something about it
in rebuttal today too.

COMMISSIONER SCHMIDTLEIN: Okay. All right.

Another question is, you've made the point a
couple times here about the effort to increase prices in
2014, but then had to roll them -- in 2014 -- yeah, and then
had to roll them back and so is there an inconsistency there
with the fact that on the AUV data -- AUV's went up from 13
to 14 for the U.S. industry. So does that suggest that you
were able to increase prices from '13 to '14, not as much as
you perhaps wanted to?

MR. DORN: Yes, I think that was the testimony.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. DORN: That they put out price increase
announcements. The U.S. producers unilaterally, of course,
raised prices and what happened was that the imports did not
and that's what caused the big shift in market share.

COMMISSIONER SCHMIDTLEIN: Yeah.

MS. DRAKE: Commissioner Schmidtlein, I think if you looked at the quarterly pricing data for product one, that also tells the story that there were some increases in the domestic prices starting at the end of 2013, but those peaked in the second quarter of 2014, started to go down and never made it back to the level seen in 2012, which was the level of recovery that the industry was seeking. So while there was somewhat of an increase over 2013, it didn't last through the year and it never got back to 2012.

COMMISSIONER SCHMIDTLEIN: And along that line, and you can do this in the post-hearing if you would like, can you respond to the argument about the fact that the Commission often does look for a correlation between price movements and the volume of subject imports and what's happening with market share shifts, and here, you know, when you look at this it looks like -- or the Respondents make the argument in 2013 is the only year in which you see any kind of correlation. And then they go on to try to, you know, dismiss that or discount that because of underselling, or the lack thereof in their view. But can you respond to that argument in terms of do we see a correlation here? You know, how should we look at these numbers in light of what's going on with the volume and the market share shifts?
MR. DORN: And you've got to look at both the pricing and the volume. They look at price when it suits their purpose and ignore the volume, or they look at volume and ignore the price. And you've got to look at both of them together. And so the industry lost a lot of market share in 2014, right, when the imports came up, when they increased so much. And then as you've heard from all the witnesses, the industry couldn't take any more loss of market share, so then they reduced prices in the latter part of '14 and going into '15 and their you saw more of a price effect.

COMMISSIONER SCHMIDTLEIN: Uh-huh.

MR. DORN: We've got documentation from Domtar, a contemporaneous business record, where they're looking at the different scenarios going into 2015, if we keep prices at this level, what's going to happen to our volume? There's clear evidence in the record showing the correlation between price and volume and how it affects market share.

COMMISSIONER SCHMIDTLEIN: Uh-huh.

MR. DORN: And we'll be happy to explore that more in our post-hearing submission.

COMMISSIONER SCHMIDTLEIN: Okay. Then the last question I had was for Mr. McGehee from Mac. In your testimony you mentioned that your preference is to buy from U.S. paper producers where you can. So I wasn't clear, are
you buying subject imports, or have you over the last three
years, the period of investigation?

MR. McGEHEE: We've bought very, very few tons of
subject imports --

COMMISSIONER SCHMIDTLEIN: Okay.

MR. McGEHEE: -- over the last several years.

COMMISSIONER SCHMIDTLEIN: And so how do you know
what the price is? You quote, you know, I think in here
what the price of subject imports is. Can you tell me a
little bit about the transparency of the prices in this
market? I know there are some trade publications. I don't
know what --

MR. McGEHEE: There's trade --

[SIMULTANEOUS CONVERSATION]

MR. McGEHEE: -- we have -- we have relationships
with some of the subject importers. There's a number of
brokers. And just based on what the brokers know about
competitive pricing information, that's shared with us.

COMMISSIONER SCHMIDTLEIN: Okay. And they're
buying from subject imports, that's how they know, or is
this --

MR. McGEHEE: They're competing with -- some of
them are representing subject imports.

COMMISSIONER SCHMIDTLEIN: Okay.

And in the course of your sales, did you have
customers come to you with, you know, the option to buy
cheaper subject imports which you then had to meet?

MR. McGEHEE: It --

COMMISSIONER SCHMIDTLEIN: Was that presented to
you? Have you had that experience?

MR. McGEHEE: I'm thinking of different segments.

There's tax supported, there's commercial printing. I can't
recall a specific instance where -- there's always
characteristics of product on bids to meet minimum certain
requirements. But specific brands, when you go offshore, I
never can recall of anything being specifically required,
requested, but they say they will allow substitution for the
better price if the quality of the product is acceptable.

COMMISSIONER SCHMIDTLEIN: And are you talking
about in the contract that you have with them?

MR. McGEHEE: In contract and large -- large

users.

COMMISSIONER SCHMIDTLEIN: Okay. I see. Okay.

Okay. If no one else has anything to add to any
of that I will yield my time. It's almost up anyway. Thank
you all very much.

VICE CHAIRMAN PINKERT: Commission Johanson?

COMMISSIONER JOHANSON: Thank you, Vice Chairman

Pinkert.
I had just one more question. The Respondents wrote quite a bit about the use of eucalyptus in some of the products produced in the subject countries. So I think it maybe warrants a bit more discussion with this panel. Mr. Kaplan mentioned the number of times that capacity was mentioned in the Respondents' brief. So I think that eucalyptus was maybe mentioned as much as capacity. So I wanted to bring it up again.

Is the use of eucalyptus fibers important in the U.S. market? And are they ever used in the U.S. production? I know that there is eucalyptus grown in California.

MS. ZORN: As you saw in the report, the purchasers did not place high importance on eucalyptus. And as Mr. McGehee mentioned it's not, you know, requested by customers specifically. In general folks are as consumers and users of paper are not generally aware of the wood species contained in the packages. I would have to turn to somebody else around the use of eucalyptus in U.S. papermaking.

MR. DORN: Commissioner Johanson, do you think the paper in front of you has eucalyptus in it?

COMMISSIONER JOHANSON: Actually, it does not.

[LAUGHTER]

COMMISSIONER JOHANSON: Yeah, I looked -- well, I looked at the country of origin of what we use here and it's
-- at least in my office it's USA and I don't do the purchasing, it just appears.

Okay.

MR. JONES: Commissioner Johanson, Steve Jones for Petitioners. Just to put a finer point on Ms. Zorn's comment. On Table II-8 of the prehearing report which lists the importance of certain purchase factors, made from eucalyptus pulp zero purchasers reported that was very important. Four purchasers reported somewhat important and 22 purchasers reported not important. So I think that's consistent with the industry's view of the importance of that factor in the market.

MS. DRAKE: I don't know if any of the industry witnesses could talk about the physical characteristics that are imparted by eucalyptus pulp and how those same characteristics can be achieved through different production processes here in the United States, even if you're not using the eucalyptus pulp.

MS. ZORN: Katie Zorn. The properties that have been cited are brightness, blue/white shade, opacity and stiffness. There are a variety of those -- there are various papermaking techniques at our mills that can be used to impart similar properties whether it be bleaching, dyes, filler content, or various other techniques.

COMMISSIONER JOHANSON: All right. Yes. Thanks
for your responses. Did anyone else want to add to that?

(No response.)

COMMISSIONER JOHANSON: Okay.

MS. LASSA: Judy Lassa, I would just say we agree. And like I said, we can do the same thing at PCA. You know, we have the equipment to be able to make those specs and then to Katie's comments on additional bleaching and dyes and fillers.

COMMISSIONER JOHANSON: Okay. Thanks, Ms. Lassa.

Yeah, I just wanted to bring this up. I had seen the numbers in the staff report, but I thought there might be more that you all would want to address on the eucalyptus issue as once again that's raised frequently by the Respondents. Thank you all for your statements this morning.

VICE CHAIRMAN PINKERT: Are there any other Commissioners questions?

(No response.)

VICE CHAIRMAN PINKERT: All right. If Commissioners have no further questions, does staff have any questions for this panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Vice Chairman Pinkert, staff has no additional questions.

VICE CHAIRMAN PINKERT: Thank you.
Do Respondents have any questions for this panel?

(No response.)

VICE CHAIRMAN PINKERT: I'm going to indicate for the record that I'm seeing heads shaking in the negative. Okay. Thank you then. In that case I think it's time for our lunch break. We will resume at 2:15. I want to remind you that the hearing room is not secure. So please do not leave confidential business information out. And I want to thank all of the witnesses on this panel for coming out today.

(Whereupon, at the hearing was recessed to be reconvened this same day at 2:15 p.m.)
AFTERNOON SESSION

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

VICE CHAIRMAN PINKERT: Mr. Secretary, are there any preliminary matters for the afternoon session?

MR. BISHOP: Mr. Chairman, the panel In Opposition To The Imposition of The Antidumping and Countervailing Duty Orders have been seated. All witnesses have been sworn.

VICE CHAIRMAN PINKERT: Thank you, Mr. Secretary.

I want to welcome the afternoon panel to the ITC. I would like to again remind all witnesses to speak clearly into the microphones, and state your name for the record for the benefit of the Court Reporter. You may begin when you're ready.

MS. ARANOFF: Good afternoon, Mr. Chairman. Shara Aranoff on behalf of all of the Respondents. We would like to say that we appreciate the opportunity to appear before you this afternoon.

Respondents' presentation will consist of seven witnesses, and we have several additional witnesses present who will be available to answer your questions.

In the interests of time, each witness will introduce him or herself. And to begin the presentation, the first speaker will be Bruce Malashevich from Economic Consulting Services.

So, Bruce, please begin.
STATEMENT OF BRUCE MALASHEVICH

MR. MALASHEVICH: Thank you, Ms. Aranoff. And it might be afternoon in Washington, but it is good morning in this hearing room. There's a lot of interesting things to say.

I am Bruce Malashevich, President of Economic Consulting Services, testifying at the invitation of co-counsel to certain of the Respondents.

I would like to begin extemporaneously by noting your questions, Chairman Pinkert, of Petitioners earlier which were extraordinarily insightful on the issue of what is the industry we are concerned about here?

My understanding from all of the reports, the prehearing report, the relevant industry is those folks producing cut, uncoated sheets. In their brief, Petitioners explicitly state they are not making an integrated industry argument in the sense of the term as used at the Commission.

So the upstream assets are irrelevant as apart from the availability of the rolls for cutting of the sheets, and in terms of the costs of the inputs at which they are transferred for cutting into the like product.

At the same time, throughout the testimony Petitioners are pretending to argue that the industry is integrated, without having made the case; without having had the Commission survey all the data they normally would in an
integrated industry inquiry.

So all that argument basically is moot in the context of this case. And the expanded record otherwise in this final phase changes the case around in a number of ways.

The first concerns the domestic industry's limitation on captive paper making operations. Recall that the capacity there was not surveyed in the preliminary phase. The staff report at Table III-5 and numerous purchasers questionnaires show that reported U.S. paper making was operating at full practical capacity utilization throughout the POI.

Nearly every U.S. producer reported paper making operations, and this must be considered and that the structure of the industry producing the like product--that is, cut sheets--is almost entirely dependent upon the availability of these captive resources input paper rolls that are not part of the like product.

Without the paper rolls, there can be no expanded production of the uncoated sheets. Statistics for cut sheets showing unused capacity and a decline in utilization are therefore meaningless. They are a number. Simple arithmetic that have no basis in what's actually happening in the marketplace.

It is this limitation, however, on the
availability of rolls which required imports, including subject imports, to increase in volume to meet U.S. demand. Many purchasers agree, and their comments are reflected in the prehearing briefs of Suzano and Joint Respondents.

Second, adding to this very tight domestic supply—and that is the word used by the CEO of Domtar during an earnings' interview in the third quarter of 2014, precisely when Subject Imports were peaking.

You can't get more contemporaneous than that. The fact is that the tight supply of paper rolls reflects the steady decline of domestic paper making over the past 15 years, according to a recent 10K by International Paper.

This decline was illustrated most recently by International Paper's decision to shut down its operations in Courtland between 2013 and '14, literally in the middle of the POI.

Notwithstanding the testimony of Petitioners' witnesses today, I think more independent authorities now part of the record show that this had nothing to do with Subject Imports. However, it did amount to a $500 million charge against earnings at IP Consolidated during the period 2013 and into 2014 not attributable to subject, or any other imports, according to the contemporaneous official documentation issued by IP.

This most recent in a series of closures was due
instead to the steady secular decline since 1999, as I indicated. And as I noted previously, and noted in Respondents' Joint Prehearing Brief at pages 13 through 15, there was no capacity to produce the rolls necessary for higher sheet production.

This gap in supply was therefore necessarily filled by imported paper. These circumstances entirely explain the growth of Subject Imports and their expansion of a share of apparent consumption during the POI.

They also illustrate why that expansion produced no measurable volume effects on the domestic industry. Now think of what Mr. Dorn testified earlier this morning--and I respect him a great deal and wish him a very pleasant future. He said, well, all this capacity is out there, switching capacity, taking away from other customers, or there's flexibility in capacity, but they couldn't sell in it because they couldn't sell any more cut sheet.

Well look at the prehearing brief of staff during the interim period. If that was the case, you would expect them to leap into the market as Subject Imports declined quite substantially in 2015.

Look at page--I have only the confidential version, but the relevant numbers are on III-7. You will see practically no action in increased production of sheeting.
Then have a look at page--well, it's the page charting apparent consumption by volume over the POI. Subject imports declined quite substantially. Domestic shipments, practically zip. I submit the reality is that they couldn't produce any more during this period, despite the surrender of Subject Imports in the interim period. Think about that.

Next, Petitioners, as I mentioned, assert that domestic industry--which they define to be uncoated paper--is capital intensive. That is simply not true and reflects their rather lame attempt to fold in the assets of paper making as if it was part of the uncoated sheet making operation, therefore very substantially inflating the value of reported assets and reflecting operations of an industry that is not making the right like product in this case and therefore is irrelevant.

The U.S. producers sheet making operations, which constitute the like product, are not particularly capital intensive. This is demonstrated in part in Exhibit 2-C to Respondents' Joint Brief, which compares the rates of total reported assets to total net sales as reported to the Commission in U.S. Producers Questionnaire responses for this case and previous paper cases which have come before the Commission.

The ratio of assets to net sales is the standard
measure of capital intensity. I would consider a ratio greater than one to be capital intensive, and less than one not so. It is a measure the Commission has used in many past cases.

The ratios reported in this case are well below one. Further confidential discussion is available at page 16 to Respondents' Joint Brief, but the ratios for the like product are almost certainly overstated to include paper making operations, therefore inflating the value of assets in relation to sales.

On pages 19 through 20 of Petitioners' brief, for the first time they identify one particular producer that they describe as simply a converter. I was not aware of this until reading Petitioners' brief. But this is an excellent representation of operations dedicated simply to buying in the paper, and then conversion into like product.

We did the arithmetic, which is confidential and will be in post-hearing brief, but I can tell you when you adjust the correct value for the assets you get a figure well into the double digits as a return on assets. That is the relevant rate of return in this case, not paper making.

The asset to sales ratio of that particular producer from page 19 through 20 of Petitioners' brief is much more indicative of the industry's true very low level of capital intensity in the production process, and we will
fill in the details post-hearing.

The capital intense portion of these companies is not their production of cut sheet, but is rather the upstream paper making operations which have operated, as I said, essentially at full capacity utilization throughout and continue to do so. Domestic paper making operations have not suffered any lost volume or reduction in capacity utilization due to Subject Imports. Basically it has been flat, at a very high level.

Petitioners are attempting to leverage the capital intensity of the captive paper making operations to enhance their industry argument, while excluding such operations from the definitions of the like product and the relevant domestic industry producing only the uncoated sheets.

This distortion is evident when comparing the utilization levels of Petitioners paper making and sheet operations. That is Table III-5 and III-6 of the prehearing staff report.

The sheet operations purport to show excess capacity and somewhat declining utilization. However, this is misleading for the two reasons I already have discussed. First, the sheet operations are not the capital intensive part of the business. Paper making is.

And second, the decline in utilization of the
sheet operations is caused by the inadequate supply of
rolls, not by a loss of volume.

I explored through the questionnaire records
whether there is substantial inter-company trade, or among
the paper operations of the domestic paper industry. I also
explored if there were significant commercial sales to third
parties, independent converters, and there were almost none.
So that is not an outlet. That is not product that could be
somehow switched back to the home base for translation into
cut sheets. The option is not available.

Finally, the expanded record shows that U.S.
producers have not experienced any material harm to their
financial condition due to subject imports. The relevant
financial ratios are confidential but can be found at Table
C-1 of the prehearing report.

They show a mixed trend during the annual periods
during which Subject Imports increased their accumulated
volume and market share. But any correlation is disproved
by the results in Interim 2015 when the volume and market
share of Subject Imports declined dramatically.

Reported operating income as a percentage of
sales fell to its lowest level of any year of the POI. No
correlation.

The absolute level of the domestic industry's
reported profitability throughout the POI must also be put
into perspective. It is unquestionably robust in absolute terms in relation to comparable data the Commission typically sees in these investigations concerning manufactured goods generally. In recent years, public SEC filings by the major U.S. paper producers, attached as Exhibit 33 to Joint Respondents Brief, show that operations on uncoated paper as reported to the Commission, reported to the Commission in the questionnaires, substantially outperformed results reported to the SEC on paper operations, including but not limited to the like product.

The fact that this industry is performing at a very healthy level within its sector and within some of the same companies also reporting to the SEC is a standard of measurement of what constitutes robust health.

Another standard applies. The same result occurs when comparing the profitability reported of this investigation to the records of all recent ITC original investigations involving other types of paper products.

I must say, this is the most interesting part of the research I did. The results are summarized in Attachment 2-B to Respondents' Joint Brief. Background data is provided at Exhibit 2-A where the outcome of each case is also noted and discussed in detail in Suzano and Joint Brief of Respondents.

It is obvious that the profitability reported in
this case is substantially higher than those in any of the previous cases on other paper products considered by the Commission--particularly printing and writing papers, and most notably for the very recent decision on supercalendered paper, for which demand was also in secular decline. The POIs of both cases are almost perfectly overlapping in time, subject to the same trends.

But look at the different results in profitability in this industry versus what was reported in supercal. And the underlying data are redacted, but for purposes of this conclusion I relied on the SEC statement by one of the two companies that provides a necessary level of detail to make my point.

Also in the coated free sheet paper case, the Commission reached a negative determination, despite operating income rates dramatically below those reported in this case.

All this supports the argument that the uncoated paper sheet industry in this case is not injured at all. And I would urge the Commission to move into a mode of a threat determination part of the process and no longer finding a reasonable indication of current injury to the industry in this case.

My next remarks address what appear to be the main affirmative arguments in Petitioners' brief repeated in
Mr. Dorn's summary this morning and, frankly on the record, I find none of them to be persuasive.

Finally, on the subject of underselling, the Commission should also look beyond averages. The fact is that a certain amount of statistical noise is typically present when the pricing data are collected.

In this case, for example, producers and importers sell in a variety of ways, such as spot, short-term, and long-term contracts. The Commission does a great job. It's just not feasible for it to survey all possible combinations and permutations of the many product offerings in this case, and so averages are used.

But when these averages show relatively small margins of underselling, as are present in this case, there is a need to drill down to determine whether the margins are in fact significant. I did a little exercise.

I think on their face the weighted average margin, which we calculated and it's confidential in Respondents brief, the weighted average margin of all countries, all products, is tiny. I would argue, statistically insignificant.

I also looked at all the price comparisons possible and considered anything overselling to be overselling, and any underselling under 5 percent to be insignificant owing to statistical noise.
You sum those two together. Seventy percent of the price comparisons, all countries, all products, including particular product one, were not instances of underselling in the true sense.

My time is up. Thank you very much.

STATEMENT OF LAURIE A. CLARK

MS. CLARK: Good afternoon. My name is Laurie Clark and I'm President of Satuit Consulting. During my 32-year career, I have held executive-level positions in marketing, merchandising, supply chain, and strategy.

From 2002 to present I have been the principal at Satuit Consulting specializing in providing advice on strategic business development, supply chain management, and merchandising to retailers, wholesalers, and manufacturers.

As a part of my portfolio, I work both with domestic and offshore paper mills in the areas of business development, marketing, and sales planning. From 1994 to 2000 I was employed by Staples, the largest purchaser of uncoated paper in the world. In my tenure I held various positions including Senior Vice President, General Merchandise Manager, Merchandising, for the retail and contract and commercial sectors of the paper and office supplies business. Also as a retail and manufacturing expert I have been deposed by the FTC in regards to pricing and profitability.
Over the past 21 years working in the paper industry, I have acted as a purchaser, a sales manager, and a consultant. I have visited both domestic and foreign paper mills and have a deep understanding of sales, marketing and sourcing of uncoated paper.

I appear today to provide my insights on the U.S. uncoated paper market and the dynamics being played out amongst its various participants.

Everyone in the uncoated paper industry knows that demand in the United States has been in the decline for well over a decade. People rely more on electronic devices to communicate and store information, and are becoming increasingly concerned about environmental protection. The downward trend in paper usage has several important ramifications for the operation of domestic mills and, as a result, the presence of importers in the market.

First, the MAEQT requirement implemented by the EPA puts domestic mills on a timeline to come into compliance with equipment upgrade. Domestic mills have both old and inefficient machines that have frequent downtime.

A domestic mill has to make a decision to spend a large amount of capital to upgrade their boilers or shut the mill down and invest capital in other mills that already comply. This selective upgrade strategy is particularly wise in a declining market.
Second, it is important to note that much of the capacity that has been taken out of the domestic mill is repurposed to produce more profitable products. There are sound rationales behind the repurposing and conversion.

First, some domestic mills' machinery and equipment are very old. Even without the environmental compliance costs, these aged assets are highly inefficient in production, difficult and costly to maintain and repair, and require frequent downtime.

So mills have to make a decision about what is the most efficient use of their old assets. The market is telling them in a digital age that demand for uncoated paper is not coming back. By contrast, products like fluff pulp have shown growing demand and are very profitable.

For example, fluff pulp is used in diapers, feminine hygiene products, and adult incontinence products. The United States is an aging society, so fluff pulp will have a continued growth trend due to market demand increases which are currently occurring today.

Second, the cost of raw materials also favors converting to the production of fluff pulp. Fluff pulp is a type of pulp made from long fiber produced from soft woods. The United States has a unique advantage in soft woods which grow in temperate zones, giving it better water absorbency properties. I believe it makes complete sense for domestic
mills to discontinue making uncoated freesheet pulp and
instead use the soft wood to produce fluff pulp.

Regarding sales of uncoated paper in the United
States, there are a variety of factors that you need to
consider in making purchasing decisions, including
environmental certifications, the ability to deliver to many
national locations, and holding inventory for the quick
turnover required by certain customers.

There are also different types of purchasers in
the market, including office super stores and big box
retailers, paper merchants, and wholesalers. Large
purchasers usually sell their private label brand as well as
a variety of domestic, good, better, best options in
domestic mill brands of which some have significant brand
awareness.

By contrast, most foreign manufacturers have
little brand recognition. Large purchasers determine what
products the foreign mills are invited to bid on, and the
majority of the time foreign mills are limited to
entry-level items.

These market factors determine who has the
pricing power in the U.S. One key fact to keep in mind for
this question is that the domestic mills still control the
vast majority of the market in imports and are mostly
followers due to their small presence.
There have been some suggestions that imported products are generally priced lower than domestic products. However, in order to conduct an apples-to-apples comparison, one must also take into account a variety of indirect allowances such as dot.com placements, catalogue funding, selling spiffs, et cetera, et cetera, which are often supplied by domestic mills to purchasers.

Import mills typically sell at one price, rather than building complicated programs like the domestic mills do. These indirect allowances can easily cause a false appearance of importers low-balling domestic mills on price.

Another important factor is that the domestic mills are aggressively competing with each other. They compete for market share and the result is an erosion in pricing. Continued consolidation in the U.S. market from a purchaser standpoint has led domestic mills to focus their selling strategy on the purchasers they believe to have the most significant market position as a result of the consolidation.

Domestic mills usually have a spectrum of good-better-best products from various categories that they can sell through the mega accounts. So offering very competitive prices on entry-level product may help improve their overall position with these mega accounts for the long term.
This positioning by domestic mills against the U.S. competitors provides an explanation for why domestic mills greatly lowered their prices in 2015.

In short, there is little more that--there's a lot more than meets the eye. The claim that imported paper is somewhat economically injuring U.S. paper producers simply doesn't make sense to me.

Thank you.

STATEMENT OF ALEX ISMAIL

MR. ISMAIL: My name is Alex Ismail and I'm the CEO of Liberty Paper. We are one of the largest copy paper distributor in the West Coast. I have been involved in the copy paper business for over 15 years, and I currently import and distribute copy paper from several countries.

Let me explain why my company started importing copy paper instead of buying it from the U.S. mills. The reason is that U.S. mills won't sell to me. Indeed, when I have approached U.S. producers like Domtar and Boise, they have refused to sell to me.

Being turned down by these U.S. producers has forced me to import paper. In short, I'm shut out from the direct access to U.S. mills. Before I started importing copy paper from foreign sources, I had been purchasing Xerox branded paper directly from the Xerox Corporation.

I had built a decent amount of business for the
Xerox branded paper. That Xerox branded paper was produced by several domestic mills; however, a couple of years ago, Xerox Corporation sold its copy paper division to Domtar.

Within twelve months of Domtar acquiring copy paper division from Xerox, they cut us off without notice. Domtar said they will not sell me Xerox branded paper, which by the way, I was selling for ten years. And there was nothing I could do about it.

It is this kind of treatment by domestic mills that has forced me and others like us getting even more involved with the business of importing copy paper from foreign sources. So in my opinion, imports were pulled rather than pushed into the U.S. market, primarily due to unfair distribution practices by domestic mills.

After being shut out by the domestic producers, I was still able to build a viable business model which was based on the quality of import paper, prompt delivery and offering a good customer experience. And I'd like to expand on a couple of those points.

The majority of my customers are academic institutions and occasionally they require a 96 brightness copy paper. The majority of the copy paper produced by domestic mills is 92 brightness. Trust me, there is a difference.

Imported copy paper is considerably brighter and
better than its U.S. counterpart. And hence, it is a preferred alternative by these customers. Secondly, domestic mills can take up to 14 to 21 days for delivery, whereas importers like us invest in warehousing and stocking inventory locally, hence we can deliver within one to two days after receipt on an order. This helps the customer with inventory turns and managing the cost inventory effectively.

And for the record, importers and distributors like us employ thousands of employees around the country. My story here sheds light on the significant changes in the U.S. copy paper market since I entered the industry in 2001. As you already heard today, U.S. demand has been in circular decline since 1999, and to cope with this long-term market trend, domestic producers making uncoated paper have been through significant downsizing, mill closures, as well as consolidations.

These changes in operations are strategic moves by domestic producers and as a result, U.S. producers of copy paper have been operating at a practically full capacity. Also, with each of the U.S. mill closures, some customers have become increasingly concerned about having access to paper. My business may have grown a bit as a result. However, the paper I am bringing in is simply filling a fraction of a big hole in the U.S. demand left
open by the actions of the U.S. mills.

To summarize my testimony today, we import because we have no access to U.S. produced copy paper. So we need alternate source for high bright quality paper to support our customer demand and continue to operate our business. Thank you for your time.

STATEMENT OF ROGER WEBB

MR. WEBB: Good afternoon, my name is Roger Webb. I am with International Forest Products. During the period of the investigation, which I understand to be 2012 to September of 2015, I was the president of business products with Shinsei Pulp & Paper USA. I've been involved in the paper importing business since 1995 working for several paper merchants, distributors and a foreign paper manufacturer.

Overall, I've been dealing directly with manufacturers and customers of copy paper for over twenty years. SPP USA, the company I worked for during the Period of Investigation, is a distributor of copy paper in the United States and sells bulk quantities downstream to various types of customers. It imports copy paper mostly from April, Indonesia, and a small amount from April's mill in China.

As a long-term participant in the copy paper market, I wish to make a few observations about the U.S.
market as context for my testimony today.

First, and as previously mentioned, U.S. demand has been steadily declining since 1999 due to the rise in the use of electronic devices and the increasing reliance on electronic documents and marketing materials. This trend greatly reduces the need to use copy paper for printing and is irreversible as it reflects a dominant and growing consumer preference.

As a result, U.S. producers have been periodically shutting down large and coated paper capacities or converting them for the production of other products with a better growth prospect. Years before subject imports became a substantial presence in the U.S. market. Most significantly, International Paper announced the closure of its large paper-making facility at Courtland, Alabama, taking out 10% of the U.S. uncoated capacity at one time.

It is this free plan -- that often drastically implemented exit strategy by U.S. producers that frequently leaves a void in U.S. supply and allows subject imports to maintain some presence in the U.S. market. To date, U.S. producers still supply the vast majority of the demand for copy paper in the United States.

Second, even though copy paper is usually sold in standard sizes, there are many non-price related factors affecting our customers' purchasing decision. For example,
customers consider a variety of physical characteristics such as brightness, whiteness, shade and opacity to determine the quality of the copy paper.

In addition, large purchasers like office superstores base their purchasing decisions on business factors such as environmental certification, direct access to the producer, reliability and long-term relationships.

For example, Staples and Office Depot, the largest accounts in the market, purchase either exclusively or predominantly from U.S. producers and they do so for sensible reasons. U.S. producers' products are sold with environmental certification, most acceptable in the U.S. This feature greatly reduces the office superstore's risk of running afoul of significant customers' environmentally friendly purchasing policies.

By contrast, even though some imports also have certain types of environmental certifications, office superstores have traditionally shied away from purchasing from foreign produced products due to past issues and heightened scrutiny by environmental groups.

For the security of their supply chain, they may purchase a small amount from selective import sources when the domestic supply is tight, but U.S. producers will remain their dominant suppliers as a low-risk source.

Office superstores also have a preference for
purchasing directly from producers so it provides additional reason that these purchasers do not want to alienate their regular domestic suppliers by purchasing significant volumes from foreign products.

Now I'll turn to explaining why some U.S. customers do purchase Indonesian and Chinese imports rather than domestically produced products. First, some customers value the physical attributes brought about by using high quality acacia fiber that is not available in the United States and hence are preferred for subject imports.

Some of the subject imports are also sold to certain big box stores; however, import sales volumes are very small relative to the quantities typically sold by U.S. producers and some of the largest accounts from time to time don't even buy any imported products. In fact, one of the largest state bids, the State of Illinois, specifically precludes imported paper.

In essence, subject imports are a high quality, yet a minor alternative source for some large U.S. purchasers to diversify supplier base and ensure supply chain security. Therefore, there may be some overlap of customers between U.S. producers and subject importers, but imports are generally only a supplement to domestically produced copy paper.

In addition, prior to and during the POI, many
customers had become seriously concerned about the long-term phasing out by domestic manufacturers, including Domtar, International Paper, Boise Paper, Georgia-Pacific, Wausau and Grays Harbor.

My customers feel that imports provide a good alternative to an uncertain future of copy paper manufactured in the United States. Such customer concerns about supply shortage and the U.S. producers' long-term commitment to the uncoated paper market explain why some purchasers started to buy from import sources or increase the subject imports purchase volume during the POI.

Lastly, I wish to explain to the Commissioners that importing and distributing copy paper is a highly capital intensive operation. For example, in order to sell five million dollars worth of copy paper per month, you could need as much as $20 million in capital to run that operation.

Due to the large amount of capital required and the risk associated with financing an import operation, it is highly unlikely that any new importers would suddenly become part of any threat to U.S. producers. The barriers posed by capital requirements to market entrants and expanding operations are very high.

Therefore, any importing increase is bound to be limited and temporary. And the current market conditions do
not warrant any consideration of significant expansion by the U.S. Thank you.

STATEMENT OF SUSAN ESSERMAN

MS. ESSERMAN: Mr. Chairman, members of the Commission, I am Susan Esserman from Steptoe & Johnson, appearing on behalf of the Brazilian producer, Suzano Papel. I am joined by Tom Tarpey, Manager of Sales of Suzano Pulp & Paper America.

Brazil is positioned differently in the U.S. market than other uncoated producers in key respects. These include important differences in volume and patterns of trade, pricing, channels of distribution, branding and geographic orientation. All of these factors support decumulation for threat purposes and demonstrate that Brazil could not possibly injure or threaten the U.S. industry.

I would like to highlight just a few of these important differences. First, I want to focus your attention on Brazil's unusual volume patterns, specifically that a large proportion of Brazilian uncoated paper exports to the U.S. during the POI were re-exported to Latin America. These Brazilian volumes transshipped through Miami for export to Latin America did not compete at all in the U.S. market.

The Miami based importer Perez Trading, long responsible for this re-exportation, in August of 2015,
established an FTZ to insure that its future supply of Brazilian uncoated paper will no longer even enter U.S. customs territory. Thus, it is clear both that this re-exportation of Brazilian product to Latin America, will continue and that U.S. imports of Brazilian uncoated paper will decline.

Second, Brazilian pricing is distinctive in that the record shows Brazilian overselling in the overwhelming majority of price comparisons and negligible margins for the few instances of underselling. These favorable pricing comparisons actually understate the overselling and overstate the underselling because, among other things, the comparisons are skewed by the greater presence of the U.S. manufactured branded product which is sold at a premium.

Third, Brazilian producers sell exclusively to distributors. Unlike U.S. producers and certain subject producers, Brazilian producers do not participate in the large share of the U.S. uncoated paper market involving direct sales to end-users or retailers, including big box retailers.

Finally, going back to my initial point. Brazilian producers are heavily focused on its large home market and on its regional growing Latin American market. And you'll hear more about that from Mr. Tarpey.

While the staff report does show increasing
Brazilian exports to Latin America during the POI, it understates the importance of Latin America and inflates the importance of the U.S. to Brazilian uncoated sheet producers. The reason is that the report -- the figures in the report on U.S. imports from Brazil are inflated by including the Brazilian product transshipped to Latin America, and likewise, Brazil's Latin American export numbers do not even include the Brazilian uncoated product re-exported to Latin America via Miami.

Once the Brazilian sales to Latin America that are transshipped through Miami are accounted for, the Brazilian producers focus on Latin America and the relative unimportance of the U.S. market for Brazilian producers becomes even more clear.

STATEMENT OF TOM TARPEY

MR. TARPEY: Good afternoon, I am Tom Tarpey, Manager of Sales of Suzano Pulp and Paper America. I would like to begin by providing the commercial context for why you are seeing such an unusual pattern of re-export of Brazilian uncoated paper to Latin America.

It is far more cost effective and provides a high level of service to small customers in northern Latin America and the Caribbean by shipping through Miami than by shipping directly from Brazil. These customers generally order smaller amounts of product, making it uneconomical to
ship to them directly from Brazil, due to the high freight costs.

For these reasons, such re-exportation of Brazilian product to Latin American and Caribbean markets has been going on for many years. Now that re-exportation will take place through an FTZ, there is no question this arrangement will continue.

Because most of IP's uncoated paper is re-exported to Latin America, Suzano accounts for almost all of Brazilian product actually sold in the U.S. market. This pattern of re-exporting to Latin America reflects the focus on Latin America by Suzano and International Paper, the only two Brazilian exporters of uncoated paper to the United States.

We enjoy the benefits of a vast home market and growing regional markets in Latin America. Unlike the U.S. market, the Brazilian market and Latin American markets, as a whole, have been growth markets for the past decade. And this growth trend is expected to continue to 2016 and beyond. Suzano began implementing a strategy in 2014 to increase our Brazilian market share by adding distribution centers across Brazil to enhance service.

Latin America is a natural market for us. It is a deficit market because consumption exceeds production and uncoated paper capacity in Latin America, outside of Brazil,
is extremely limited. Thus, Brazilian producers are in a prime position to serve the increasing demand in their own Latin American region.

As would be expected, given the primacy of the Latin American markets, since we entered the U.S. markets in 1985, Suzano has been a small and nondisruptive supplier to the U.S. uncoated paper market. Unlike other producers, the overwhelming majority of our sales are to three customers, with whom we've had a relationship since at least 2006.

Even with the supply gap created by the U.S. reduction of capacity in 2013 and 2014, our market share has remained small and stable. With our small position and limited customer base, we have not participated in one of the biggest changes in the U.S. uncoated paper market in the last few years.

That is a huge move towards selling directly to retailers and bypassing distributors. As RISI states and my own experience confirms, well over half of U.S. uncoated paper is sold through this channel of distribution. Suzano continues to sell exclusively through distributors because direct sales require a greater commitment than Suzano has been willing to make to the U.S. market.

Another significant practice of U.S. producers that Brazil has moved away from is manufacturer branded product, or as we call it in the industry, mill branded
product sales. Brand recognition is a significant factor affecting customers' purchasing decisions as demonstrated by the fact that U.S. producers have invested millions in establishing and maintaining their mill brands.

U.S. producers are willing to make these investments because their mill branded products sell for a premium compared to the retail brand of products primarily sold by Suzano. While mill branded product continues to represent a large portion of U.S. producers' sales, these products represent a small and shrinking portion of Suzano's sales. Due to this disparity in product branding, prices of U.S. products are not directly comparable to Suzano's prices in the aggregate.

A final differentiating factor I want to highlight today is the unique recognition Suzano receives worldwide for its sustainable forestry management practices. Suzano is unique among producers in that 100% of its paper is certified by the Forest Stewardship Council, known as FSC. Therefore, virtually all the Brazilian paper sold in the U.S. market is FSC certified. FSC certification is widely recognized as the most rigorous, credible forest certification system and even Domtar calls it the Gold Standard of Forestry Management.

As Domtar CEO himself has noted, FSC certification is an important product differentiator in the
U.S. market. Many customers, including governments and
large corporations, have procurement policies requiring the
purchase of FSC certified paper.

The majority of our customers and end-users of
our paper prefer or require FSC certified paper. The
domestic industry and other subject producers produce a
relatively small percentage of FSC certified paper. In my
experience, the FSC certification, along with the high
brightness of Suzano's product, are major reasons why
customers choose our product.

Thank you for this opportunity to review
Brazil's and Suzano's limited role in the U.S. market and
the factors that differentiate Brazil from other domestic
and foreign suppliers of uncoated paper. Thank you.

STATEMENT OF MIKE DUTT

MR. DUTT: Good afternoon. My name is Mike Dutt,
and I am the General Manager of Portucel Soporcel North
America, located in Norwalk, Connecticut. I've worked for
PSNA for 14 years and I've worked in the U.S. paper industry
for 34 years. I would like to speak to you briefly about
the products we sell, how we operate, and how we are
different.

PSNA has been in the business for 14 years and
sells all of the subject paper exported to the United States
from Portugal. During that time our business has been
fairly stable. That is, we have not grown significantly in the United States within the past five years.

There are two main reasons for this. First, we serve a specific segment of the U.S. market. Our subject paper is primarily sold under a high quality mill brand, with some of our sales of unbranded product. We do not sell retailer branded or private branded paper.

All of our paper is made from eucalyptus fiber which imparts certain characteristics onto our paper. The result is that our product is of a high quality. It is brighter, more opaque and stiffer than paper with similar specifications made from other types of wood.

Based on my experience, paper quality matters. Otherwise, there would be no reason to market different brands of paper at different price points. The majority of our sales are of a premium brand of this already high quality paper. These brands are sold to high quality segment of the paper market, specifically they are sold through distributors to users that demand a high quality paper.

Cut-size products in the U.S. are mostly letter sized. Purchasers of high quality branded cut-size paper would include, for example, banks and other businesses that may use that paper to provide official communications. Because of their higher price, these branded products would
not typically be used for jobs that do not demand high
quality paper, such as printing e-mails, internal office
memos or printing carry-out menus.

There is not as much demand fluctuation or
competition in our segment of the market. The high quality
paper segment represents only about 13% of the copy paper
market. In that segment there are almost no other mill
branded imports that compete with our high quality products
and I believe that no import brand commands a premium price
like ours.

As a result, our business has again remained
steady for the past five years. Instead, most of the
opportunity to gain market share and most of the competition
is within the retail brand at our private branded segment.
This is a segment of the market that includes sales of paper
that is labeled with the retailers or distributors branding.

This segment is often subject to heavy
competition for high volume sales to big box stores. We do
not participate in this segment and so, are not subject to
this type of competition from other imports.

The second reason for our fairly stable business
pattern over the past five years in the United States is
that the United States is not the primary export market for
Portugal. The vast majority of Portugal's exports are to
markets outside the United States, which use different size
paper than the United States. Our ability to make large
amounts of additional U.S. cut-size paper is limited, so
even if the demand of our particular segment in the U.S.
market increased, our ability to increase our supply is
somewhat constrained.

Because we've been in the United States market
for so long, supplying primarily high quality products to a
certain segment of that market, we were surprised to have
been part of this case. Nevertheless, we are here and I
look forward to the opportunity to answer any questions you
might have. Thank you very much for your time today.

MS. ARANOFF: Okay, Mr. Chairman, thank you.
That concludes Respondent's direct presentation. We'll save
our few remaining minutes for rebuttal.

VICE CHAIRMAN PINKERT: Thank you, and I want to
again thank all the witnesses for coming today. This
afternoon we're going to begin our questioning with
Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. I want to
express my appreciation to all the witnesses for coming
today and for presenting their testimony. Let me begin with
Mr. Malashevich. What was funny, are you arguing that paper
making operations are not included in the domestic industry?
And if so, is this a new argument into your brief?

MR. MALASHEVICH: I don't know if it's a new
argument. I was not active in the preliminary phase, but it
was obvious to me -- I've been involved in a lot of cases
where integrated industry was argued, both agricultural and
manufacturing, but using an extreme example, let's take the
old wine case, which involved whether the growers of grapes
were part of an integrated industry making wine, which is
what was being imported.

It's a stretch to use involving an agricultural
product, but I've used paper-making in this case as the
equivalent of grape growers. They make a product necessary
for producing the like product, but they are not part of the
industry, producing a like product. They are producing an
input to the like product. Someone mentioned earlier -- the
corrosion-resistant steel case -- it's the same as that.

Cold-rolled can be made by a commercial
integrated -- as that general term's used -- hot end. But
the hot end is not part of the industry. It enters into the
calculation of the financial health of corrosion-resistant
steel by virtue of the price they pay, either transfer price
or a market price for the transferred cold-rolled into
corrosion-resistant operation.

COMMISSIONER WILLIAMSON: But in this case, have
we -- how does this -- we aren't gonna affect the financial
data that we collected? Have we collected it on that basis?

MR. MALASHEVICH: If they filed the
questionnaires as indicated, they would've reported the
input price of the paper, either at a reasonable transfer
price or at the cost of production of the paper, that's the
way they should have reported it. And I have no reason to
believe they didn't.

But that is a different issue. That's a pricing
of the input. That is not the same as including
paper-making as an integrated industry. I believe it's in
their prehearing brief. It might've been some of the other
papers they looked at. They exclusively say, they are not
making an integrated industry argument. Okay.

So there is no argument for being an integrated
industry, and Commission's far too late, I assume in the
process, of sending out supplemental questionnaires, getting
all the information necessary to survey the condition of the
paper-making side of a hypothetically integrated operation,
so we're stuck with what we have.

COMMISSIONER WILLIAMSON: So what are you
saying that we do?

MR. MALASHEVICH: Well, I think the whole
business of capital intensity of the industry making it
vulnerable to incremental losses of output needs to be
disregarded entirely and given no weight because it's
discussion that pertains to a different industry, not the
one under investigation.
MR. MALASHEVICH: As you well know, and I think
everybody in the room knows, I'm not a lawyer, I'm not
pretending to be. I'm just going on the basis of my
experience and my reading. But I invite my legal colleagues
to offer more skilled insight than I am capable of doing.

COMMISSIONER WILLIAMSON: Does anyone else want
to comment on this question?

MS. ESSERMAN: Commissioner Williamson, I would
just add that just to follow up on what Bruce is saying, is
that if they want to argue -- the capital intensity argument
has no place in a case in which they sought to exclude the
paper making aspect of the case when they define the like
product, and have asked that it be exclusively the sheet
industry.

So that that -- what Mr. Malashevich is saying
is that is not relevant, that capital intensity to this
case. If they wanted to make it relevant, they should have
brought it as an integrated industry case, which they said
in their brief on page 13 that there was no reason to do
that, and that they were not bringing it that way.

COMMISSIONER WILLIAMSON: So how does that
change their argument regarding whether or not the domestic
-- you know, their argument that they're injured by the
imports?

MR. MALASHEVICH: I think it fundamentally
subverts the entire argument. They place a lot of weight on
the so-called capital intensity making them vulnerable,
making them having all these requirements to operate at the
maximum level of capacity. It subverts the whole business
of the closing of the Courtland plant. That's another
industry. The Courtland plant closing is very relevant,
because it's very relevant from the supply that it took out
of the marketplace, right in the middle of the POI.

It doesn't matter why it went out. That's a
subject for discussion of a different industry, the paper
making industry. When we're looking at the industry the
Commission already has defined in this case to be
coterminous with the scope, it's just the processing element
of cutting the sheets.

So why the Courtland plant closed is irrelevant
to that fact. The fact they closed is relevant, because it
limited the supply of the essential input into the relevant
domestic industry.

COMMISSIONER WILLIAMSON: Okay. I'm going to
leave to -- invite the Petitioners to respond, offer a
response to this argument.

MR. MALASHEVICH: I'm sure they'll do so without
invitation.

COMMISSIONER WILLIAMSON: I'm not going to
continue at this point. Mr. Dutt, what do you mean by
unbranded product, and how does it compete in the U.S. market?

MR. DUTT: Mike Dutt, Portucel Soporcel North America. Unbranded is something that's not a mill brand in our opinion and it's not a retailer brand and it's not a distributor brand. It is in some cases white boxes. You've heard today that it is something that we call again something that's not a registered brand.

COMMISSIONER WILLIAMSON: Now this morning, the Petitioners I think did show samples of their product, at least flashed on the screen.

MR. DUTT: We saw some. I mentioned that in my notes. It is not our primary focus. It's not our primary product. It's not our primary segment, but we certainly sell some and I would argue most if not all in this room do, on both sides of the aisle, excuse me.

COMMISSIONER WILLIAMSON: And by you -- you sell some, what do you mean by some?

MR. DUTT: It's in our -- I'm not going to comment about volume. I think it's confidential information.

COMMISSIONER WILLIAMSON: I expect to hear that. I invite you to submit that post-hearing.

MR. DUTT: I think it's in our responses already, but we can answer that again.
COMMISSIONER WILLIAMSON: Okay, good. But still the some, you mean some is unbranded? Is that what you're talking about?

MR. DUTT: Yes, uh-huh.

COMMISSIONER WILLIAMSON: Okay.

MR. MALASHEVICH: Excuse me Commissioner.

COMMISSIONER WILLIAMSON: Yes.

MR. MALASHEVICH: Bruce Malashevich again. This is part of what I did not have time to say, but the prehearing staff report, the numbers are confidential. But they have a segregation annually for each country, mill branded and other products. It's only by volume.

It's in the aggregate in other words, and for all countries, the share that is mill branded; I'm not talking about something sent out with the Rite Aid brand added to it by the purchaser; this is the manufacturer of the paper, its own brand is quite significant or it varies from country to country.

It is quite significant and what I was going to say is that I became aware of the branded versus unbranded distinction in the final phase of this case, and I was able to look at data provided by one of my clients. Not all the people at the table are my clients, segregating the same pricing data as reported to the Commission, making the distinction between branded versus unbranded, Product 1 for
example.

I calculated the averaging value, and the difference is unquestionably significant. So that's one issue with the pricing data, that it's nobody's fault. It's just something that came -- one of the many things that became known in the final phase of this investigation that was not known as the prelim.

Branding exists, or else a substantial share of shipments by importers and domestic producers. They wouldn't bother to break out. Why break it out if it's not significant, and you even heard some testimony from the domestic industry on this subject.

They didn't say the value was zero. They said the value has been declining in recent years. Now that implies to me there's a significant distinction, with the branded product being higher -- mill branded product being higher than other sales. But in the pricing data, it's all mooshed together. That was my entire point. So it detracts from the meaning of the price comparison.

COMMISSIONER WILLIAMSON: Okay, thank you.

Petitioners' brief contains an analysis of each of the largest uncoated paper purchasers, purporting to show substantial lost sales and revenue from subject import competition. This is at their brief at page 43 to 57. In your post-hearing brief, please respond to this analysis.
Feel free to offer any general comments at this
-- and you can offer any comments now if you want, or else
just do it all in the post-hearing.

I hear no one and my time is running out, so I
assume you'll do it post-hearing. Okay, thank you.

VICE CHAIRMAN PINKERT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you Commissioner
Pinkert, and I'd like to thank all of you for appearing here
today. The prehearing staff report states that there is a
high degree of substitutability between U.S. produced
uncoated paper and subject's uncoated paper. Do you all
agree with this characterization of the record, which seems
fairly grounded in the various data collected?

If you don't agree with the conclusion in the
staff report, what support do you have for finding something
other than a high degree of substitutability between
domestic uncoated paper and subject imports?

MS. ESSERMAN: Commissioner Johanson, it's Susan
Esserman. I think the record is replete with evidence that
shows that there is not complete substitutability. You can
look across a wide array of factors, in particular in Table
II-8 of the staff report that talks about the importance of
brightness and brand and environmental certification, in
which quite a large percentage of purchasers find these
non-price factors to be important.
I'm just listing a few of them. You've heard them in the testimony and a number of these -- quite a number of the purchasers identified these non-price factors as being important.

MR. MALASHEVICH: Commissioner, it's Bruce Malashevich. I'd like to add two other points. First of all, certainly you heard testimony from the industry witnesses today that certain U.S. producers place restrictions on distributors with which they do business, exclusivity being one.

So if you're a distributor and want access to X's brand paper, you have to sign on 100 percent with them or you don't get the paper. So I would say substitutability in those instances would be zero. But there's another way of looking at your question, which is quite a profound one actually.

This case is very unusual in several respects because in recent years and the other day I had a discussion with Ms. Aranoff and Ms. Esserman. Among the three of us we cover quite a bit of history and turf in terms of the cases we've seen.

In multi-country cases, there's always a 600 pound gorilla in the room, maybe a 600 pound and 400 pound gorilla. In recent years it's been China. If you look at many of the cases involving China and other companies, China
has the largest or second largest share of total subject imports under investigation, and these other countries with smaller shares are sort of thrown into the net.

But the case basically is against the 600 pound. Maybe it's India. It's been other single countries in different cases. This case is not like that. The three of us sitting around the other day could not think of a case where every single subject country had an insignificant market share on its own.

I'd wager that a case brought against any single of the five countries here would never pass a preliminary determination. Their share is too small. So how is this relevant to substitutability? They've been here a long time.

The Petitioners are saying they're lower priced. It's a price sensitive product. They had an exhibit there showing that each player had U.S. distribution established, they had inventory, and the best they could do is a tiny percent over a period of years?

That suggests to me that either the case doesn't follow the theory, or they're just not a serious player in the market and therefore not substitutable in purchasers' eyes in many applications.

COMMISSIONER JOHANSON: Thank you Mr. Malashevich and Ms. Esserman. A question I've been trying
to get my arms around is this. If imports are of higher
quality, which Respondents contend, why do they cost less?

Yes, I'm sorry. You are Mr. Moore?

MR. ZIELINSKI: Mr. Zielinski from Portucel.

COMMISSIONER JOHANSON: I'm sorry.

MR. ZIELINSKI: No, that's okay.

COMMISSIONER JOHANSON: Okay, yeah. You're way
back there. I'm sorry, Mr. Zielinski.

MR. ZIELINSKI: Yeah. Well from Portucel's
point of view, I think the answer is that in our segment of
the market they don't.

MS. ARANOFF: I think this is the point that Mr.
Malashevich was making in his presentation earlier, that --
and we also make this argument in our brief, but a lot of
the information is confidential, that we actually don't view
the underselling data that the Commission collected as
showing that imports are consistently priced lower.

I don't know if anyone else wants to follow up
on that. We can certainly do it in the brief with the
confidential information.

COMMISSIONER JOHANSON: Okay yeah. I look
forward to seeing that in a post-hearing brief. Anybody
else? Would anyone else like to comment on that?

MR. ISMAIL: I'd just like to add a couple of
things. I'd like to add a couple of things. First of all,
I don't believe the imports do cost less, but there are some domestic brands that have marketing money behind them like Hammermill and Xerox, which cost a lot more. That is the difference there. There are some brands by domestic mills, GP Spectrum, Hammermill, that cost a lot more than the average copy paper price in the U.S.

MS. CLARK: I've been asked to -- sorry. Okay. I've been asked to just explain a little bit more how the stratification happens. So one way of looking at the stratification is just as Alex said, which is the fact that you've got some mill brands that have significant recognition and they do resonate, and those would be brands like Copy Plus by Hammermill; they would be Xerox; they would be HP; they would be Epson, and those are brands that resonate and can be sold anywhere to any customer.

So that would be a good, better, best stratification because a white box being a good and then a common brand, be it Office Depot brand or anything else being a better, and then the best being the high level brands. There's also different features on paper, features like a little bit heavier weight or a little bit heavier brightness.

So that then becomes your best, better and best qualifier. So if you're looking at a level playing field and you take into consideration the simplistic entry level
copy paper, you will not find that the domestics are higher priced at all.

Where they might show a higher price than the importers is when you look at the stratification of the brands that are nationally recognizable for a higher brightness or a higher weight paper that also goes through your copy machine and printer.

Okay. One more thing I've been asked to explain. In terms of looking at pricing and modeling it, the questionnaire asked for net pricing for the selling price to customers for copy paper. There are different things that go into truly evaluating what the net price to any given customer is.

Those include some abstract allowances that truly do drive profitability and drive the cost down of the product to the company that's purchasing them, but they aren't necessarily the types of rebates like volume rebate, incentive rebate, you know, direct advertising number that are captured off of an invoice when you say give me your net-net price.

In some cases there are instances where there will be a net, and the -- we put out a particular customer, a large customer. If you offer only my brand or if you offer -- if I can have your commodity business and also sell some of my brands and we hit X amount of money, which is
ambiguous until the very last day of that customer's fiscal year, then I will pay you $10 million in a check.

That amount of lump money that's considered an annualized volume rebate attained by certain criteria being met can't really be quantified until the end of the year. But that money is there.

So my point is there's a lot of -- it's too much to get into right now. Certainly, I can do anything you'd like in post, but there are a lot of different buckets and they're called different things and used for different reasons. But it's all money that's coming based on, you know, based on wanting to do more business and rolling into the profitability overall of that customer's portfolio of that particular mill brand or mill offering.

COMMISSIONER JOHANSON: All right. Thank you yes, and feel free to include any new information in the post-hearing brief. Ms. Esserman, did you want to say something?

MS. ESSERMAN: Yes. I just wanted to add to the comments made earlier. I don't think we're saying that our products are better quality. I think what we're saying, or at least I'll speak for Brazil, what we're saying is that there are particular characteristics that are imparted into the product through actual -- and also through the forest management process that make -- that give it special
qualities that are attractive to our customers.

I'll echo what Ms. Aranoff said and what Mr. Zielinski said, and I would just urge you. Not only we're not saying that our products are higher quality; we say we have different characteristics. But we don't think the record shows underselling. I urge you to look at the Brazil data.

COMMISSIONER JOHANSON: All right, thank you. I will do that. One more issue. My time's expired, but Mr. Ismail, you had mentioned that Domtar had turned down sales to you before.

MR. ISMAIL: Yes.

COMMISSIONER JOHANSON: Could you -- could you give in the post-hearing, if you have any information which would demonstrate that, perhaps submit that?

MR. ISMAIL: Yes, I do. I have some emails. I'll put it in the --

COMMISSIONER JOHANSON: Okay. That would be useful. Thank you. I appreciate it, and once again my time is expired.

VICE CHAIRMAN PINKERT: Commissioner Kieff.

COMMISSIONER KIEFF: Thank you very much. I join my colleagues in thanking the panel for coming and preparing and presenting. I'm trying to figure out, as a decision-maker, where the rubber hits the road, where the
traction is, where I have to focus, and I'm --

To help me do that, I want to start very big
picture and ask you to help me see -- perhaps the lawyers
could take the lead on this one, and tell me what you see as
part of the case that you think you absolutely have to win
in order to get the outcome your way. Because I think what
the morning panel seemed to basically say is although they
do disagree with you on the facts, they could embrace your
view of the facts and still win.

MS. ARANOFF: Hard to boil down a very long
brief --

COMMISSIONER KIEFF: I get that.

MS. ARANOFF: --into a few sentences. But at
least one core argument of our case is not just that many of
the declines in domestic performance that you see in terms
of production, capacity, employment are the result of demand
effects and not of something that imports have done, but
further, of course, that subject imports haven't exacerbated
those trends to the level that would meet the causation
standard of being, you know, material injury by reason of
subject imports.

COMMISSIONER KIEFF: Okay, and so in a -- in
effect then, a lot of the thinking boils down to questions
of degree at each step of the sentence you gave. In other
words, if there's a negative impact on the domestic
industry, is it so largely caused by let's call it demand
effects that any marginal contribution from imports is not
high enough to rise to the level of material injury caused
by the imports?

MS. ARANOFF: I wouldn't necessarily stop you
from looking at it that way. I mean nobody bifurcates
anymore, but I think one of our arguments would be that the
domestic industry's not materially injured at all, due to
how well they're performing, you know, in the areas that are
not obviously depressed by declining demand, and
particularly that would be profitability.

COMMISSIONER KIEFF: So then. Okay. So then --

MS. ARANOFF: And then you would go to the
second step, which is well if you don't agree with that and
you think maybe they are experiencing some injury, is it by
reason of the subject imports?

COMMISSIONER KIEFF: All right, and so maybe
then we're morphing already in our dialogue into facts. In
other words, the way they are viewing their costs you think
are too great. The way they're viewing their own ability to
recoup prices is too stingy to themselves that they're
getting fair prices for the stuff they're selling and you're
getting fair prices for the stuff you're selling.

It just turns out there's variation among the
stuff that's getting sold. There's variation among cost
structures. There's variation in -- enough variation in the
product that how they count volume and how you count volume
are different. So this really does -- this case then really
will turn on what we treat as the things to count and how we
count them, and this really is a fact intensive case.

MS. ARANOFF: Like every case.

COMMISSIONER KIEFF: I'm sorry. Look, we always
-- obviously we think we always, we hope we always build a
deep, rich factual record and only base our decision on it.

But I'm trying to find --

MS. ARANOFF: We're not basing our argument
based on a particular argument about what the material
injury standard is supposed to mean. We think it means what
the Commission has always said that it means in every
opinion.

COMMISSIONER KIEFF: So then it sounds like
you're ^^^^ you think the decision we make turns on how we
do our counting, and that you think we should do the
counting the way you're suggesting, not the way they're
suggesting and so forth?

MS. ARANOFF: If you will, sure.

COMMISSIONER KIEFF: All right. So then what
I'm trying to wrestle with is how much work is being done by
some of the debates that my colleagues have already had, or
some of the questions -- debates is too strong of a term --
some of the questions my colleagues have already probed by asking, for example, does it matter whether we treat this as a commodity product or not?

Does uttering that, is that a big enough buzz word that that changes materially how we do our thinking about the facts. Similarly, on the integrated versus non-integrated or product input question, does it matter whether we treat the capital cost of the pulping and webbing as part of the way one thinks about making paper sheets?

Once we make that cognitive leap, we then go on -- we go towards one side of today's argument or towards the others. How much of the work is being done by these constructs of how to see the case?

MS. ARANOFF: That's a complicated question, and I think the answer is they're all pieces of the puzzle and there are multiple paths I think that we've proposed to you, to get to the result that we propose, and we can spell that out again in our post-hearing.

COMMISSIONER KIEFF: I see. I think -- I mean I don't know that I've followed all of them already and obviously I think we would all benefit if you do. But I take your point today to basically be whether we go with Construct A or Construct B, you think there's a path for your side to win?

MS. ARANOFF: Yes.
COMMISSIONER KIEFF: Okay. On questions like how we treat the costs of the webbing and whether we treat this as a true commodity or not a true commodity and other well-known concepts that we often discuss in these cases.

MS. ARANOFF: Yes, and there's a few, and I've heard two of them from you that you'd like us to tell you how it works. Either way, you know, we'd be happy to do that.

COMMISSIONER KIEFF: Yeah. I mean I think -- I think those are two big ones for me, because I think they -- at least for me, they impact meaningfully how I think about the ordinary plain vanilla so-called three factors, volume, price and impact. I take it -- I mean I've heard from both sides perfectly cogent arguments that get me to radically different outcomes on those three factors.

So in the face of perfectly cogent arguments, you know, I'm then left struggling okay, now how -- there must be a basic logic framework that I need to choose between in order to -- in order to go one way or the other. Obviously, if it turns out that's the case, I would love that too. That would help the thinking.

MR. LAYTON: Commissioner Kieff, if I may.

COMMISSIONER KIEFF: Please.

MR. LAYTON: Duane Layton. There's a certain beautiful simplicity to Petitioners' arguments, and Mr.
Dorn's a matter of telling the story and I heard them when I worked with Joe 10-15 years ago, tell largely the same story about cement. Capital intensive commodity, price sensitive, got to run full out, and what we're asking you to do is get your knife out and scrape away at it.

Take the commodity, it's a commodity. That tends to imply if you embrace that well, there's product coming in from overseas and it's bouncing into every other so-called commodity that's produced in the U.S. market. In fact, what I hope is coming through in the testimony --

COMMISSIONER KIEFF: It's definitely coming through.

MR. LAYTON: Well from Ms. Clark and others, that there's actually these big consumers that as I understand it, they won't buy the imported product largely and put it on their shelves and try to get premium prices for it. They say go away. We're going to buy the Xerox brand. We're going to buy, you know, the Hammermill product. That's the product we're going to put out front and command premium prices for it.

You imports, and even if you accept the notion it is a commodity, which we don't think it really is in the simplest form. But even if you would accept that notion, the only way in which the imports are competing with the
domestic product is down there at some people call it the
"entry level," some people call it the "good level,"
whatever term you want to use.

So that's why when you look at this averaging
pricing data and you say ah, underselling, well that's
really not an accurate conclusion, given how this market is
really working, as the participants in the market can better
explain that I can.

COMMISSIONER KIEFF: This is all very helpful,
and although these questions have focused largely on
conceptual issues, I really do also benefit greatly by
hearing the factual witnesses discuss with my colleagues and
look forward to more of that. But my time is up. Thank you
very much.

VICE CHAIRMAN PINKERT: Commissioner
Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Thank you. I'd like
to also thank the witnesses for being here today, especially
those who have traveled a long way, which I think there's a
few. So I would like to start with a question about
capacity, and Mr. Malashevich, you began by talking about
this, but this also could be answered by one of the lawyers,
because what I really want to understand is what is the
position of the Respondents?

If you look at Table 3-5, right, which shows the
capacity for the U.S. producers, and you see in each of those years the overall paper making capacity and this is public, which goes 9.1, 9.1, 8.2 and then it's broken down between subject and then out of scope production and the out of scope includes the web rolls and the other products that were discussed this morning.

So what I want to understand is is it you all's position that the U.S. producers could not use that other part of that capacity, the 3.6 in 2014, the four million short tons, the 4.1, that they could not use it? I mean that's what I want to start with, and then break it down from there.

MR. MALASHEVICH: Bruce Malashevich. I'll start out first. I'm not a lawyer; I'm a numbers guy. But you're asking the numbers.

COMMISSIONER SCHMIDTLEIN: It's really a factual question. It's a factual and I want to understand the argument and I want to understand then what the facts are to back it up on your side, so --

MR. MALASHEVICH: Okay. Well first of all, I've been involved in a lot of paper cases, including the recent Supercal paper case. It is typically the case, both in testimony at the hearing and if you want it there's a section of the transcript on Supercal that's very relevant I'm about to say.
The Commission's questionnaires do an excellent job of eliciting the basic facts necessary for any investigation. But there's a point at which you just have to look out the window, as one Commissioner serving 20 plus years ago used to say. Okay, the numbers say a certain thing, but what's actually happening in the marketplace? We have 100, we have 92. Okay. So the difference is eight.

COMMISSIONER SCHMIDTLEIN: Well this is what I'm getting at. So I take from what you say that you don't dispute. They could use that capacity. But what you're saying is they didn't in the interim period and that calls it into question. Am I right? I mean that's how I'm interpreting it, so if I'm not right --

MR. MALASHEVICH: Not quite. I would say here are the things. First of all, we have the CEO of Domtar in an earnings call. It's in the brief, the joint brief and/or Suzano's brief. The third quarter of 2014, the peak period of subject imports' presence in the U.S. market, saying the market's tight, the market's tight and the -- everybody should scramble and try to get the paper they need.

Now that suggests to me that first of all I doubt he was looking at the ITC questionnaire at that time. But it says to me that in reality, the combination of these machines naturally working at flat out in order to meet their maximum efficiencies, I buy that. I think that's true
of paper making side.

    At any particular time, they're always going to be working flat out. So whatever it is, that whatever the arithmetic shows, the reality is 100 percent effective capacity and --

    COMMISSIONER SCHMIDTLEIN: So I mean do you dispute the -- you heard the testimony this morning about that it's very easy to switch from web rolls and sheeter, that they could do it in a day or an hour. Do you dispute that?

    MR. MALASHEVICH: I have no basis to dispute it or not, but I can tell you that what they're talking about is from a technical point of view of the production end.

    COMMISSIONER SCHMIDTLEIN: Well that's what I'm trying to get at right now.

    MR. MALASHEVICH: If you talk to a sales guy who's selling the webs or other non-subject merchandise from the same pulp, same pool of pulp let's say, he says am I going to tell a customer who's been a loyal customer for ten years and $X million dollars a year oops, we're going to switch. We're going to switch and produce more uncoated sheets because we're getting a little bit higher margin there? He'll never hear from that customer again.

    It's not -- once you go into the technical side, I don't have the expertise to dispute testimony or not. But
I have a lot of experience with companies in a similar boat, making a common input that has to be shared in different business units, different products, and no one's going to say we're just going to screw these customers and reduce them by 20 percent, and we're going to take that 20 percent and sell it as uncoated sheet.

I just can't imagine that happening in a real commercial environment. So it's a really a combination of those considerations, plus the fact that -- forgive me, but I just want to remind you I testified earlier, the prehearing brief. We have kind of a test tube case. The argument was that well, they would have produced more but they didn't -- uncoated sheet. They didn't because imports rose.

Well, they fell quite dramatically in '15. Look at the numbers yourself. Domestic shipments barely changed. So where was all this excess supply just yearning to breathe free in the uncoated sheet segment? It just -- it's just not correct.

COMMISSIONER SCHMIDTLEIN: Would you all like to add anything to that, because we keep hearing this term they're operating at full capacity with regard to sheeter rolls. Well I mean they're really not, right? I mean unless you're disputing, they really can't convert these other products into producing sheeter rolls and that they
can't --

But then it raises the question of well, why didn't they in the interim? I don't know the answer to that question. I would invite the Petitioners to answer that question in the post-hearing as well when you see a big drop in the subject imports and you still don't see a big switch, if it can happen so quickly. But those are sort of two different points.

MS. ARANOFF: So let me just take what Mr. Malashevich said and kind of wrap it up a little bit into kind of a simple point, which is this is, I think, a pretty rare case for the domestic industry to come in front of the Commission and effectively concede that they have no idle capacity. Normally, a domestic industry comes in and they say subject imports are killing us and we can't -- or we have capacity and we're not operating; it's idle and as soon as you take care of those subject imports, make them raise their prices, we're going to be able to make more.

This domestic industry, they didn't say that. In fact, not only didn't they say it today, you've got the public statement on the record that Mr. Malashevich was referring to from Domtar, saying that, you know, something around 92 percent capacity utilization; it's a very tight market.

What instead the domestic industry came in and
said this morning is that they have divertable capacity, and
that's what you're raising.

COMMISSIONER SCHMIDTLEIN: Right.

MS. ARANOFF: That they make more than one
product on these machines and that they could, if they
chose, divert that product. As Mr. Malashevich said, it's
not a question of disputing that they make more than one
product on that. They do; they make the web rolls on there.

But in order for them to go over and decide they're going to turn that into sheeter rolls instead and
use it for sheet, they'd be turning their backs on their web
roll customers. So you know in the end, the Commission has
to ask itself how realistic is that in, you know, any market
where there aren't that many customers and people depend on
the long term goodwill of their customers, that they would
just say you know what, never mind. We've been selling you
web roll, but now we see a chance, you know, at least in the
short run to do better by switching over.

We don't think that's how business is conducted
in paper or really any other market. But perhaps the
domestic industry feels differently.

COMMISSIONER SCHMIDTLEIN: Okay. Anyone else?

No, okay. So I'm running out of time here, but I wanted to
ask also about the question about the underselling, and when
I look at the joint Respondents' brief, and I'm looking at
pages -- it really started on page 24, right, where you say
to the Commission, you know you shouldn't look at the
product, pricing products.

What you should really do is look at the
quarterly average unit values, and this is because we're
going to cumulate for a present material injury
determination. So you ought to look at it in the same way.
I guess my question for the lawyers is has the Commission
ever done that before?

Have we ever simply because we're cumulating in
a present material injury analysis decided we're not going
to look at the pricing product data to determine what, you
know, instances of underselling or to gauge whether there's
underselling and instead we've looked at quarterly AUVs?

Because if we have, it seems like why wouldn't
we be doing that in all cases, because there are a lot of
cases where we have multiple countries. We cumulate for
present. Why wouldn't we be using quarterly AUVs in those
cases?

MR. McCONKEY: Matthew McConkey from Mayer
Brown. I cannot point to a case where you've done that, but
there's nothing to prevent you from doing that.

We feel like we did point out in our brief, and
you're showing some interest in it. So I think you may hear
a little bit more in our prehearing brief about this as
well, about the specifics in this case, where there's a logic to doing that with the specifics of this market.

COMMISSIONER SCHMIDTLEIN: Okay, and then later in the brief, we do look at the country-specific pricing data, and this is on page 26 at the bottom. You say let's look at Products 1 and 2. Okay, you know, we didn't really look at Product 3 in the prelim or Product 2 for that matter.

But you shouldn't look at 2014 in determining whether there's been underselling, because U.S. prices increased, indicating there was an absence of any price depression. So I'm confused by that, because just because the price of the U.S. product went up in '14, why would we not look at the comparison there to determine whether or not it was still being undersold?

MS. ZHANG: Jing Zhang with Mayer Brown. Our point in the brief is that in 2014, U.S. prices actually increased, despite the increase in subject import volume and market share. That kind of supports the testimony by Mrs. Clark today, that U.S. pricing is very like -- it's subject to a very like complicated and delicate pricing mechanism. There's like a lot of things playing into it.

I think like the point there is like -- right. So like there's still got to be some causation between underselling analysis and price decline experienced by U.S.
industry. You've heard from Mrs. Clark that imports have
very small presence in the U.S. market, and they have less
complicated pricing mechanism than the domestics.

I think like this whole, all these factors come
to like a single conclusion, that there's very like
attenuated relationship between U.S. prices and the volume
and market share of subject imports.

COMMISSIONER SCHMIDTLEIN: Okay. I appreciate
that. I'll come back to this. My time is up. Thank you.

VICE CHAIRMAN PINKERT: Does anybody on the
panel have the Petitioners' hearing slides available to
them? Okay. If you look at page 20, I want to talk about
this excess capacity issue in a little more detail. I
appreciated the answers to the questions that Commissioner
Schmidtlein asked, but I thought that part of the answer to
her questions about capacity was that the Petitioners are
relying on their switchable capacity or whatever you want to
call it, that they can switch out from other products.

As I look at page 20 of their slides, it seems
to me that they're relying both on the switchable and the
excess sheeting capacity and the excess paper making
capacity. So I'm not certain what to do. I know what your
answer is about the switchable, but I'm not certain what to
do with the other capacity points that are raised by
Petitioner.
MR. MALASHEVICH: Vice Chairman Pinkert, Bruce Malashevich. While my colleagues are studying it, I don't have it in front of me. But I think I understand your question. As the brief and testimony said, we think the capacity figure for the cut sheets is just irrelevant, because it's a much higher level than what is capable of being fed from the captive productions of the paper.

So I think that particular capacity number is without meaning. What matters is how much paper can be churned out and the decisions made commercially to spread the paper capacity around to uncoated versus others. I think I addressed earlier the effective capacity is not necessarily being a function of the simple arithmetic of what's reported to the Commission.

It's also looking in the context of what's happening the marketplace, as those numbers are on an annual basis. They're subject to a margin of error just like anything, and I'm not saying they didn't do anything wrong. I'm just saying it's normally a squishy number, and that's why you look to other metrics to find out what effective capacity really is.

Fortunately, the record has those other mechanisms --

(Off the record.)

MR. MALASHEVICH: Fortunately you have those other measures of constraint. You have the views, public
views of the CEO on the largest producers if not the largest producer in the United States, and you have anecdotal reports --

(Off the record.)

MR. BISHOP: We can go back on the record, thank you.

MR. MALASHEVICH: I think I was saying that there was the number of purchasers questionnaires, all of which are cited in the briefs, commenting how they couldn't get supply at a particular point in time, coincident with the big IP plant closure and the increase in imports.

The big number here -- I now have page 20 in front of me -- the big number here of so-called switchable capacity I think should be -- I'm sure the numbers were faithfully calculated from a technical standpoint. I have no reason to quarrel except from a practical standpoint.

I think it is an entirely hypothetical view that is completely implausible in the real commercial world. I think the question of plausibility from a practical standpoint, not a theoretical standpoint, is what the prudent decision-maker, as you certainly are, would look to in valuing these numbers.

So really in terms of their value, I'd say the sky blue 1.4 million is completely, effectively zero.

I think the other blue number, 3.6 is entirely
theoretical and not commercially plausible, and I think the 672 is a numeric calculation based on an annual number and the overwhelming other information that's in the record points to whatever they were producing in this year, actual producing not reported capacity was effectively the maximum they could produce in that year.

VICE CHAIRMAN PINKERT: Thank you for that answer. Ms. Esserman.

MS. ESSERMAN: Yes. Mr. Malashevich has shown why the sheeting capacity is not relevant when there are no rolls to provide. We've already talked about switchability and you are looking at the theoretical paper making capacity. I do think it's just worth reading what John Williams said. He's the CEO of Domtar. He said this in 2014, I believe, when the Courtland plant was closing.

I'm just going to read the quote, because I think it tells you how he thinks of practical capacity. He said "I do think that post Courtland, when you think that Courtland was running at full tilt, before it shut there was a lot of tonnage to disappear, and there was a view, I think, that domestic producers just did not have that capacity.

"If you do the math, domestic producers running at 92 percent, 93 percent, you take away nearly ten percent of the market and the customer has to find the volume from
somewhere." This is a pretty authoritative source about what constitutes available capacity.

MR. MALASHEVICH: Bruce Malashevich. That's exactly the principal quotation I was referring to and I looked very closely. Maybe I missed something, but I didn't see Mr. Williams on the witness list for today's testimony. So we'll have to go by our quotations of what he publicly said.

VICE CHAIRMAN PINKERT: Thank you. Now a follow-up question on capacity. Is there a survivor's bias here? In other words, if you go back, you have capacity that was shuttered during the period. Should we be counting that as capacity that would be available in the marketplace but for the impact of the subject imports?

MR. MALASHEVICH: No, on two counts sir. First of all, I'm very familiar with survivor bias and I don't deny it exists in individual cases. I don't think it applies here, because most of the capacity shutdown predates the POI. The capacity that was shut down during the POI is addressed in the relevant producers' questionnaire received by the Commission.

And so there's nothing out there the Commission's missing for purposes of this investigation. I would only add that from a professional point of view, I think survivor bias is -- should be given much less weight.
In this case, I don't think it exists at all. But let's assume it did. It should be given much less weight when you have a secular decline of demand of this magnitude and duration, rather than the cyclical change or a seasonal change or regulatory change or whatever.

Remember that according to the IP public document, International Paper public document, they have a line graph starting from 1999 and ending in 2014 or 2015. It's difficult to imagine exactly how extreme this is when you look at from the peak in '99 to the present. This POI is dealing with incremental declines in demand that appear to be relatively small.

But because it's secular, the actual demand from peak to the current trough is more than 30 percent. That's a big number for any industry to swallow, and there are going to be a lot of non-survivors that have nothing to do with subject imports during the POI.

Furthermore, remember what's being imported is not what these plants -- what the plant closures have been producing. They were not producing the like product. They were producing paper rolls. So by definition, imports couldn't have caused the problem. That's one reason why your question early this morning just hit the mark so perfectly.
VICE CHAIRMAN PINKERT: Well, flattery will get you nowhere in this town. Ms. Aranoff, do you wish to follow up on that?

MS. ARANOFF: These are all -- this and your last question too, they sort of illustrate a point that Mr. Malashevich raised in his original testimony, which is the domestic industry's attempt to sort of argue the case by having their cake and eating it too.

For some purposes, they want you to look only at sheeting capacity and ignore the fact, for example, that paper making is a constraint on availability, you know, on the ability to use sheeting capacity, and at other times, for example, when they want you to think that their industry is very capital intensive, they want you to look at paper making capacity.

So as you assess each of these issues, you know, you need to ask yourself in each case well, is the answer the same if I'm looking at paper making or sheeting, and which one am I supposed to be looking at, you know, when I answer this question.

VICE CHAIRMAN PINKERT: Thank you. Now we turn to Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. Earlier, I had made reference to Petitioner's brief at 43-47 where they refer to -- purport to show substantial lost sales and revenue from subject imports competition. On a different
section on page 31 to 36 of their brief, they provide
analysis specifically with respect to imports from Portugal.

So in a post-hearing brief, I would ask that you
please respond to this analysis. This is the analysis at
page 31 to 36 in the Petitioners' brief.

MR. ZIELINSKI: We'll do so.

COMMISSIONER WILLIAMSON: Okay, thank you. I
was wondering, does Portucel argue that the Commission
should not cumulate the imports from Portugal for both
present injury and threat, and if so with respect to present
injury, how do you overcome the response of purchasers in
Table 2-11 indicating that imports from Portugal always or
are frequently interchangeable with paper from domestic
producers and all other subject sources?

MR. ZIELINSKI: So this is Jonathan Zielinski
again for Portucel. Yes, we are arguing that Portugal
should be decumulated, both for present injury and for
threat. For threat, you've got our arguments in the brief.
They talk about volume and price and everything.

To be clear, for present injury, we are only
talking about the fungibility aspect of the Commission's
typical factors, and I think that's what your question is
going at. We have our -- we'll talk about it more in our
post conference brief, the specific instances within the
purchaser responses and why they might appear inconsistent
but in a lot of ways aren't.

    But overall, I think the question has to do with
interchangeability and substitutability, and perhaps whether
this product is a commodity product. Sure, these things are
interchangeable and substitutable because they can all go
into a printer, and you can use them any way you want. But
our argument is that there is segmentation in this market,
and there's branding in this market and that matters.

    You talked earlier about unbranded product. Our
focus and our primary function is to sell in the high
quality segment of the market, and we also sell some product
in the unbranded segment of the market.

    We can never perceive that a customer who is
shopping in the high quality segment of the market for our
high quality product would find that our unbranded product
is substitutable for that. It just simply doesn't happen.

    Yeah, we sell 20 pound copy paper, but our
product would not be substitutable for unbranded product.
That's just how it is.

    COMMISSIONER WILLIAMSON: But you are selling
some of that, shall we say the commodity product that's the
entry level product to somebody else?

    MR. ZIELINSKI: Correct, yes. There is some of
that.

    COMMISSIONER WILLIAMSON: Okay, and that's --
okay. And you are a significant -- I don't know how large a share of that you have are above your sales, but I can look at --

MR. ZIELINSKI: We'll do -- it's proprietary. We'll talk about that in our post conference, the share of it. But for these purposes, you can say that it's different. That's another clarification also when we're talking about decumulation. Our argument isn't that we -- that our product is of such a high quality that it doesn't compete with domestic product. It's that it doesn't compete in our particular segment of the market with other imported products.

COMMISSIONER WILLIAMSON: Okay, thank you. I'll look forward to hearing more post-hearing. Petitioners assert that the investigation suppressed cumulated subject imports in the third quarter of 2015. This is at page 28 and 29 of their brief. Do you agree with this and if so, how does this affect the Commission's analysis? If you want to take it post-hearing, you can of course.

MS. ARANOFF: I think we need you to repeat the question please. We didn't hear it.

COMMISSIONER WILLIAMSON: I'm sorry. Petitioners assert that the investigation suppressed cumulative subject import volume in the third quarter of 2015, and this is at pages 28 to 29 of their brief. I want
to know if you agree and if so, how does it affect the Commission's analysis? If you want to do it post-hearing, that's fine. You can take a look at what they say and address it then.

MS. ARANOFF: Okay. As I understand it, you're asking us whether it was an effect of the investigation, that subject import volume declined in the third quarter of 2015?

COMMISSIONER WILLIAMSON: Yes, yes.

MS. ARANOFF: Okay. We'll answer that in our post-hearing brief unless -- is there anyone who wants to talk about that right now?

COMMISSIONER WILLIAMSON: Okay, fine. That's fine. Mr. Peters, do you have any -- you've been quiet back there. So I was wondering, do you have any comments in regard to Australia's role in this investigation?

MR. PETERS: Jim Peters, PPM Australian Paper. Thank you for having us today. Yes, I've been very quiet because I'm very angry. I'm very angry with the entire process that we're going through here. It was made mention of the 600 pound gorilla in the room, and the 600 pound gorilla in the room is not here. The 600 pound gorilla is China, and China has been a big issue for everyone in the paper industry across all grades for many, many years. Australia in this case is really the koala bear.
We are the smallest of the five in terms of volume. We are -- we've been in the market for 12 years. We built a beautiful customer case. Customers do like our paper. Eucalyptus is universally accepted as the best fiber for making copy paper in terms of runnability, brightness, stiffness, opacity, etcetera. That's without question.

It doesn't make it any different in terms of, you know, the fungibility here. These products are interchangeable for the most part. But I think what's being missed here in all of these discussions, as you get into the technical details of this or that is the American consumer who is buying this product day-in and day-out and the distribution system, the distribution system that has been in existence in this country for over 100 years, and a distribution system which the American paper mills have been trying to dismantle as much as they possibly can over the last 30 years.

If you look back 25 years ago, there were 50 paper companies in this country. Pulp and Paper Week used to publish their annual top 50. Now there's about ten, and now only four of them are making certain uncoated paper. As Mr. Ismail said, if you're not a distributor of Domtar, IP, GP or Boise, you don't have access to paper.

So with all these imports gone, the American public is going to have fewer and fewer choices.
Universities, county municipalities, everyone who has to
deal with a budget and needs paper for their operations day
to day are going to see their prices go up as the market now
is controlled by these four companies.

Now we've done business with these companies for
many, many years. We've exported hundreds of thousands of
tons of paper. Domtar, I've known Dick Thomas for probably
25 or 30 years. We've worked with every single one of those
mills.

Domtar is a Canadian company. Why are they
bringing paper in from Canada if they have excess capacity
in the U.S.? None of this adds up, and that's very
frustrating for us. Australia and the United States have a
great relationship. We have built a very nice program here.
We're 1.2 percent of the market. We're eight percent of all
imports.

If you look at this 9 to 17 percent growth in
imports over the last two years, Australia paper has
accounted for six-tenths of one percent of that growth. But
yet we're being cumulated along with everybody else.

So yes, I've been very quiet. I won't be in the
post-hearing brief. But I do think that the Commission
really needs to look at what's happening here. This is not
Supercal. This is Coded. These are not companies that are
literally going out of business.
These companies make great decisions. They've shut down capacity. They've rationalized the industry, and I think they're doing very, very well and they're right on course to continue to do well.

Lastly, we were assessed a 40 percent duty, 40.65 percent duty. It's because we have one product in Australia. It's called Reflex. This product is 8-1/2 by --

COMMISSIONER WILLIAMSON: I actually have some other questions I want to ask others, but particularly when you get into the Commerce process.

MR. PETERS: Yes. Okay, okay.

COMMISSIONER WILLIAMSON: But thank you. We look forward to hearing from you in the post-hearing brief, and we'll note that China is part of the joint Respondents.

COMMISSIONER WILLIAMSON: I don't have much time, but this morning I asked the Petitioners to do the--to give me the dynamics of this issue of did the Petitioners basically not have enough supply and that's why the imports came in? Or was it the imports came in and undermined their ability to meet it?

So I was wondering if anyone here wants to talk now and give more details on the dynamics of you're saying the imports, basically the imports came in because there wasn't enough supply. What's the documentation for that? What's the dynamics? What's the timing? But I think my time
has expired, so I'll come back to that question. But you can think about it.

VICE CHAIRMAN PINKERT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Vice Chairman Pinkert.

Could you all please explain further your argument that domestic marketing and advertising budgets undermine the contention that the domestically produced and imported paper compete on the basis of price?

And one reason I wanted to ask that is that a very large segment of the paper sold in the United States, uncoated paper sold in the United States, is sold through retail, just basic stores. And for the individual consumers, where are the advertisements? Or is it directed elsewhere?

MS. CLARK: It's a pretty complicated matrix, and it applies to distributors, wholesalers, retailers, resellers of many different types. And what advertising, number one, to answer that question, is advertising can be done online.

So there's always online offerings for everyone now. Advertising can be a bullet burst that's got a reduced price for special-of-the-week, or something to that effect. Or it can be points that are accumulated by the particular retailer or so that can be used for purchases in the store,
or for discounts.

So there are also ads in newspapers. So there are various types of ads. Then there are things called "spiffs," and spiffs are "I want my salesperson to be paid extra to sell a particular product and go out and drive it."

So that's a spiff.

Then there are things, other intangibles like I'm going to have a vendor show. Many of the distributors and wholesalers have large vendor shows. And to be actually present and have a table at a vendor show, you might be charged $20,000 for two days.

Now we all know it doesn't cost $20,000. It probably cost $1,000, and the rest is dropped profit line. So there are a lot of intangibles that have different names—-and I could go down my arm with them--that really make an apples-to-apples comparison impossible.

There are certain things that occur in terms of if you carry more than one product. So you carry your entry-level that I'm going to bid on and get that business, but you need to carry this, this, and this, and this, and this in order to get this chunk of category money at the end of the year for performing.

So that would not likely be captured in what you see. So what you see is probably the invoice cost, probably less the terms payment which would be like net one percent
discount, possibly less a defective allowance of maybe one percent or so, possibly less an advertising number because everybody gets an advertising number and that's pretty— that's visible; and possibly less another or two types of discounts.

But then there's a whole bunch of discounts that go to other buckets. And all of that money is earned because of doing the business with a particular mill, and drops to the customer's bottom line.

The other thing that's ambiguous is that customers, large customers or medium customers, no one wants their price out there. So if a company has a large sales force, especially in the contract commercial type of business, you don't want your actual price that you pay to a mill to be in the hands of all of those sales people who can then broadcast it to God knows who, or to customers.

So top line prices that get paid to mills are almost always substantially higher than what the net price will be from a domestic. The majority of importers price at one price lower. They'll come in, because they're not afforded the ability to sell the range of product or the higher—you know, the better/best product—they don't have a broad mix. So they're often playing as a one-horse pony, which is one item.

So they will go in as a one-item with an invoice
price with potentially a discount for payment terms of one
percent, industry standard, and that will be about it. So
all of those other allowances aren't on that side of the
table.

So I hope that answers your question. It makes
the apples-to-apples pretty much impossible.

MR. McCONKEY: If I may, Matt McConkey, just to
jump in real quick, this all came out when we--we brought
Laurie in to D.C. and she, you know, an expert in this
industry, and we show her the questionnaire responses.
Because we started to say, you know underselling,
overselling, and these are issues in this case.

And so she said, well let me see the
questionnaires that were responded to. And we showed her.
And immediately her response is, there's no way that the
prices that were obtained from the domestics, she said,
would be in an apples-to-apples basis that you would have
got from the importers because of these things.

And it's not that anybody did anything nefarious,
it's just that there's all these other buckets of money out
there that just probably when somebody who was completing
that questionnaire wouldn't have been captured.

COMMISSIONER JOHANSON: Yes, Mr. Tarpey?

MR. TARPEY: Thank you. Tom Tarpey from Suzano
America. And I think you also asked about advertising.
COMMISSIONER JOHANSON: Yes.

MR. TARPEY: Domestic mills will also advertise their brands in catalogues for the office supply industry, which is paid for, full page, back cover, front cover. And also industry trade magazines for the printing industry you'll see large advertising spans going in that area.

Thank you.

COMMISSIONER JOHANSON: Alright, thanks. And I don't know if these are included in the exhibits, because the number of exhibits was very large, and they might already be there, but could ya'll include an example or two of the advertisements in the post-hearing, if they are not already in the exhibits? If they are, if you could just direct us to them. Thanks, I appreciate that.

Respondents have argued that the market for uncoated paper is growing almost everywhere in the world except for the United States, and this is written at page 67 of the Joint Respondents Prehearing Brief.

Could you all provide background substantiating that in the post-hearing, a citation perhaps? That would be useful. And this is something I brought up this morning, as well, the whole issue of the United States growing—or, I'm sorry, the United States' demand declining while it is apparently growing in other parts of the world. I raised that with Petitioners this morning.
And one reason I'm bringing that up is just because, as I look around the world it seems like the United States is the one economy which is growing in general in comparison say to Europe and in relation to other countries. And also, Mr. Tarpey, you might want to discuss this. Is the Brazilian market, which Suzano says is focused on currently--isn't it currently facing very difficult economic situations? And if you all are focusing on that market, given though the problems there, why not focus more on the U.S. market?

Mr. Tarpey: There is a recent downturn in Brazil, but we expect the demand to--the demand has decreased from the peak of 2014, but we expect it to continue to grow in 2016.

Commissioner Johanson: Okay, yes, and Mr. Sud I'll get to you in a second as well, but I was just wondering on Brazil, I mean what is causing demand there to grow? Or what would cause demand there to grow, given the contraction in the economy, which I think is fairly significant.

Mr. Tarpey: Yeah, the per capita use of paper is much lower than the U.S. right now. And as the, I'd say the middle class grows, they increase the amount of paper they use.

Commissioner Johanson: Mr. Sud, you wanted to add
to that?

MR. SUD: Sunil Sud. I think I would like to clarify that demand for cut sizes is largely declining in the entire developed world. It's not only the U.S. It's Europe. It's Japan. And a few other markets where the maturity levels of demand have reached a level where you can't consume more.

It's like talking to you. I mean in the U.S. you have reached a stage where even if I want to sell you more paper and give you some free paper, you're not going to take it. Or you can eat only so much rice and you can't do anything more. But in the developing world where more and more people are coming into the middle class, as more and more people are getting into the service sector, as more people, students are going into schools, the demand for cut sizes is still growing.

So once you take off these developed economies, the negatives, then in the developing world you'll still probably be a number of two and a half to three thousands--2.5 to 3 percent per annum growth happening, except the Chinas and the Indias of the world, and the Asian countries, Africa, Middle East, there's still growth.

COMMISSIONER JOHANSON: Alright. Thank you.

Yes, Mr. Tarpey? You wanted to add more?

MR. TARPEY: Thank you. If I could just add one
more thing. In 2014 Suzano implemented a strategy to place
distribution centers throughout the country in Brazil,
throughout the country in Brazil, to enhance our service
platform there and gain market share. So that's also been a
tremendous investment; hired over 100 people, and basically
just to increase service and take market share in the
domestic Brazilian market. Thank you.

COMMISSIONER JOHANSON: Alright, thank you.

My time is about to expire, but could I ask
Portucel to just briefly talk about what's going on in
Europe? Because I know the European economy is pretty
sickly right now, but you all state that the demand for
paper there is declining at a slower rate than the United
States. Could you expand on that perhaps?

MR. DUTT: Mike Dutt, Portucel Soporcel, North
America. I think I can be general on this comment and try
to provide some information that is all public record.

Europe has been slow for years. It is actually
on a slight increase. In the paper business specifically,
there's a couple of price increases that are part of the
public record in the year of 2015.

I believe--I'm not certain, but I think there's
other happenings or announced for 2016. So again I don't
think I'm giving any information that's--other than that the
business is improving, okay? So I mean by that the
uncoated, uncoated business is improving. That's about all I can say.

COMMISSIONER JOHANSON: What would you attribute that to?

MR. DUTT: You know, I think, um, part of this is, as we all know Europe has been in a difficult spot for years, okay, so they're coming off what I would call the bottom, okay, or maybe came off the bottom a year ago or two. So I think some of this is just the normal cycle.

So I don't know that--I think that the growth projected in the uncoated freesheet market in Europe this coming year is actually there is some growth again. So it has been a slight decline in the last couple of years, but I think that has turned around and there is some projected growth.

COMMISSIONER JOHANSON: Oh--

MR. DUTT: Excuse me?

COMMISSIONER JOHANSON: Yes, I'm sorry, anything else?

MR. DUTT: I mean, it's small. One percent. One-and-a-half. I think it's not tremendous, but there is a return to some growth.

COMMISSIONER JOHANSON: Alright, thank you for your responses. My time has long expired.

VICE CHAIRMAN PINKERT: Commissioner Kieff.
COMMISSIONER KIEFF: Thank you very much.

When you were discussing the 600 pound gorilla that's not in the room I was afraid you were going to say Dunder Miflin in "The Office."

(Laughter.)

COMMISSIONER KIEFF: But in all seriousness, I'm curious if part of what you're saying--and I want to ask this to everybody, of course including the other panel to address it post-hearing--but do any of you want to take a moment to make an affirmative, straight-forward argument for decumulating some or all of the countries from each other?

Is this in effect a decumulation argument?

(Pause.)

I recognize that that's hard with a group that has come as a group. I don't mean to break you apart. But I also recognize that you each have a right to ask that question, or make that case, and I want to make sure I haven't overlooked that if that's trying to be made.

MR. LAYTON: Yeah, Duane Layton. We do not believe there's a basis or fact for doing that. But as you say, others may have different views. So that's our response.

COMMISSIONER KIEFF: Yes?

MS. ESSERMAN: Susan Esserman, representing Suzano. We are making a decumulation argument for purpose
of threat. But it is based on something much broader. As I indicated earlier, it's based on very unusual volume patterns which diverge from everyone else, given the re-export situation, pricing, the lack of selling in a very large channel of distribution and geographic orientation among others.

So these are all factors that the Commission has based a decision not to cumulate on in the context of threat. Ours is focused on the threat context.

COMMISSIONER KIEFF: Okay. Thank you. Anyone else? Yes?

MR. ZIELINSKI: Jonathan Zielinski for Portucel.

We are also arguing that we should be decumulated both in threat and in present injury, as I talked about a little bit earlier. For the threat, we've got it out there about our volume differences and pricing differences and other differences. For present injury, again we are focused solely on the fungibility issue, and that has to do with us participating primarily in one particular segment of the market, and that is the high-quality, high-price segment.

COMMISSIONER KIEFF: Yes, please.

MR. PAL: Raj Pal, Sidley Austin, Australian Paper. We have not taken a position on the cumulation issue in the final phase, but we will rethink that in the post-hearing.
COMMISSIONER KIEFF: Okay. That concludes my questions, unless there was someone else who wanted--

(No response.)

COMMISSIONER KIEFF: Great. Thank you very much. I surrender the rest of my time. Thank you all, very much for coming and presenting.

VICE CHAIRMAN PINKERT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: I just had a few. One question is: What is the Respondents' position with regard to volume? Do you disagree with the Petitioners that volume is significant both in the absolute and with respect to consumption, relative to consumption?

MS. ARANOFF: What we said in our brief is that, you know, the volume and the increase in volume are significantly viewed in absolute terms. We're not disputing that. What we are arguing is that neither the volume nor the increase in the volume are significant in light of our argument that there are no adverse price effects, and that there is no adverse impact on the domestic industry.

COMMISSIONER SCHMIDTLEIN: I'm sorry I missed that in your brief.

All right, the next question is: On page 57 of your brief you talk about the Bratsk analysis. How--you know, you say here that both of these criteria are met, one of which is this is a commodity product.
MS. ARANOFF: This is a contingent argument for Commissioner Pinkert's benefit.

(Laughter.)

MS. ARANOFF: As the panel made clear, we don't concede that this is a commodity product. But if one were to find that it were a commodity product--

COMMISSIONER SCHMIDTLEIN: Okay, so you don't think it is a commodity product?

MS. ARANOFF: Yeah, I mean I think the panel has answered that.

COMMISSIONER SCHMIDTLEIN: I thought so, so I was a bit surprised to see that blunt statement that the conditions had been met.

Okay, and then the last question has to do with the argument about injury. And putting aside causation, how should we consider the fact that income—you know, operating and net income—declined almost 40 percent over the POI?

I mean, you all have focused on the ratios. You've looked at other cases. How should we consider the fact that they've lost 40 percent of their net income?

Again, putting aside causation, whether or not it's been caused by the imports, I mean isn't that—in other words, and if we say, well, so what, they've gone down 40 percent. They're still making, you know, 10, 8 percent. Do we draw a line and say that's enough for this industry?
MS. ARANOFF: I would have to say that in the short version that that kind of is our argument; that what's more important in this case is that you have--you know, you have an industry where demand is in structural decline; where there's closing capacity. And so you're seeing declines in all of these other measures that the Commission looks at--production, shipments, employment, all those things which we think we've established really have absolutely nothing to do with Subject Imports--so what are you left to look at if you want to figure out, well, you know, is there material injury here? Mostly, mostly the financials. And our argument would be that, yeah, you should be looking more at the absolute level that the trend is kind of the distraction. I'm sure that lots of industries and their stockholders would love it if they made exactly the same profit every year. You know, but most business climates don't work that way, and we would argue that the domestic industry's level of profitability in this case was consistently excellent compared to whatever benchmark you want to compare it to.

COMMISSIONER SCHMIDTLEIN: So if they had started at a lower base, it would be a different case for you all if say they'd lost 40 percent but they'd started at a 10 percent margin? Or, in other words, say they'd started so close that that dropped them down close to zero? So the
amount of the decline doesn't matter as long as they're at a
certain level?

MS. ARANOFF: I don't think there's a magic number
where someone is injured or not injured, if that's the
question that you're asking. I think we're looking at this
and saying the Commission has seen quite a few cases
involving the paper industry, in some of which it made
negative determinations, and none of those cases involved,
you know, levels of profitability that are at the level that
we're seeing in this case. We're saying that the domestic
industry has taken a difficult, admittedly difficult
situation and given the demand situation in this market that
they've been facing since 1999, and they've figured out a
way to thrive in it. And they've been doing the same thing
years and years before the Subject Imports came into the
market. And, you know, they continue to be doing
exceedingly well, and to report that back, you know, to
their shareholders, and to tell them that to the extent that
they are closing capacity it's because of demand.

They're making better use of their, you know,
scarce pulp resources by using it for other things that are
also making them money. It's a story that long predates the
Period of Investigation and long predates any presence of
Subject Imports into the market.

COMMISSIONER SCHMIDTLEIN: Okay. I don't have any
other further questions. So thank you all very much.

VICE CHAIRMAN PINKERT: I just have a couple of

follow-up questions. Please regard this next question as a

hypothetical.

So you may disagree about the underselling

assumption here, but in any event if I conclude that there's

predominant underselling in this case, and unit costs are

going up, and the cogs to sales ratio is going up over the

course of the period, should I conclude that there has been

a significant price effect and that price effect is price

suppression?

MR. MALASHEVICH: Bruce Malashevich, I'll take

that on and I'll take it as a hypothetical. I think the

best way of answering that is under the hypothetical, as you

described it, certainly it would be symptomatic of price

suppression, but in most cases there are always other

factors going on to form the context.

I don't think those three variables taken in

isolation, accepting the truth of the hypothetical go far

enough to reaching that conclusion of adverse effects owing

to the subject imports.

I would only say again as to one detail of the

hypothetical. It's been my observation that it is rare that

the Commission rejects outright the underselling analysis

prepared by staff. But it is not at all unusual for the
weight given to that analysis, to be reduced, increased, you know whatever the circumstances. I would respectfully suggest this is a case where the underselling data, as they are, I'm not arguing with mechanical preparation of the data, are tainted not with any mal-intent but the new information that's arisen in the final phase, particularly on the importance of branding, just escaped, you know, the data net.

And I think, as I testified, a very significant issue. So I think enough has been entered into the record to cause very little weight to be given to the underselling in your three-prong hypothetical. Maybe the Commission will see it in its wherewithal to re-survey the parties breaking out branded -- mill branded is the correct term of art. Cause branded could include private label and this business. Mill branded versus others as I did with certain of my clients. I don't know, quite frankly, what the facts will show. But it's feasible.

VICE CHAIRMAN PINKERT: Any other comments on this from the panel on that question? Ok, well you may wish to take a look at that for purposes of the post-hearing to see if there is anything you wish to add on that issue. Now turning to the third quarter of 2015. I know that's pretty recent. But was there a pendency effect on subject import volume at that point in time as argued by
Petitioners?

MR. MALASHEVICH: Bruce Malashevich. I don't have the information to answer that question.

VICE CHAIRMAN PINKERT: But you can look at it and answer that in the post-hearing or no?

MR. MALASHEVICH: In principal, yes, but I think the information to respond to it resides with the various co-counsel and their clients around the table. I did not study that issue at all.

VICE CHAIRMAN PINKERT: You'll take a look at that for the post-hearing.

MR. MALASHEVICH: Yes, we will. We told Commissioner Williamson that we were going to look at that for the post-hearing and we will.

VICE CHAIRMAN PINKERT: Okay, thank you. That's all I have. Do any other commissioners have questions?

Commissioner Williamson?

COMMISSIONER WILLIAMSON: The question I raised earlier, that I gave the Petitioners the opportunity to address this afternoon, if you have anything on that in terms of the dynamics of how the imports increased because you argue that the Domestic didn't have enough supply because when certain mills closed, I think someone talked about it during big blocks of space and so I just wanted, if you had any insights on that regarding factors of timing and
actual dynamics of how that occurred, how far in advance do people order, the Petitioners pointed out this morning that everybody had inventory in the United States and most of the product was sold without an inventory so that it could be a fairly rapid, changes in the market could be rapidly addressed and if you want to just do that post-hearing that's fine.

MR. ISMAIL: I'd like to add, it was more about perception in the market. When domestic mills were gradually closing in 2007 and if you would see that every time a closing would happen and there would be a follow up within months or right before with a price increase. That is with domestic mills, beginning with Domtar would start one time and International Paper, GP would follow up and then it became a trend over the seven or eight years that after a closing, increase letters would go out and the buyers in the market, purchasers I mean, were kind of scared that every time this closing happens, these guys ask for more money or come out with the increase letters.

Now would the price hold up or don't hold up it's a whole different story but they do ask for increase and that created some fear in the market and that's why in my testimony I mentioned that customers like alternate sources just to make sure they were hedging their bets so you can look at it in that perspective that the perception in the
market and imports were there to take care of that.

    COMMISSIONER WILLIAMSON: The consumption of imports grew much faster than the Domestic Product?

    MR. ISMAIL: Yes.

    COMMISSIONER WILLIAMSON: Why was that then?

    MR. ISMAIL: Because buyers try to hedge their options to make sure that they don't get into a position with the Domestics where they are forced into paying a higher price because they are turning down the capacity. So having alternate options, Domestics will now have to play fair game and not just come out with price increases just because they are shortening down supply for whatever the reason was, they were shutting the mills down for.

    COMMISSIONER WILLIAMSON: Okay, and you would argue that to a shift in market share between the Domestics and the Imports?

    MR. ISMAIL: If it was, it was basically caused by Domestics actions of shutting down the mills and the capacity.

    COMMISSIONER WILLIAMSON: Okay, does anyone else have any comments on this?

    MS. ARANOFF: I just want to reiterate something that we put in our prehearing brief and it's in the record and this was the quote from Domtar's CEO in the 2nd quarter of 2014 when he talked about this phenomenon in an earnings
call with investors. Talking about the Courtland closure and he said "when the closure of that amount of capacity is seen, customers are looking to see "well, am I actually going to get what I need".

He went on to say "I think the real catalyst for this has been that the amount of capacity coming out at one time was seen by a lot of people as potentially they were going to have trouble getting the paper that they actually needed." Then he said "I do think that post-Courtland, when you think that Courtland was running at full tilt before it shut, that was a lot of tonnage to disappear and there was a view that Domestic Producers just did not have that capacity and if you do the math, Domestic Producers are running at 92%, 93%. If you take away nearly ten percent of the market and the customer has to find that volume from somewhere."

That was Domtar's view of the market. That's what they told their investors.

COMMISSIONER WILLIAMSON: There's the view and then there's reality and I guess they were saying this morning that there was always plenty of capacity. They had plenty of capacity to meet demand so how do we distinguish that? I mean all of the Imports came in because there was a view that there would be a shortage? Is there anything to document that or support that other than that quote? Because I am sure the Petitioners are going to have a
different interpretation of that quote.

MS. ARANOFF: I mean, I think what the panel witnesses have told you today is that there are a combination of things going on in the market. You had one witness who told you that the Domestic Industry has some particular distribution arrangements that prevent some people from getting supplies so that may account for some portion of the imports you have. These large capacity closures which clearly account for a lot of what's going on in the market. I understand that your question goes to timing. I think that that's going to be a difficult thing to line up ton for ton for anyone to do.

COMMISSIONER WILLIAMSON: I'm just thinking about ways to concertize the mechanics by which this happened and anything you can do post-hearing.

MS. ARANOFF: We will do our best to pull that together. MR. SUD: Sunil Sud here. This whole question about trying to arrive at what could be the hypothetical or realistic capacity of either paper machine, which is easier to do or a cut-size sheet which is far more difficult.

COMMISSIONER WILLIAMSON: I don't think I'm, it's not that question about how much, what the customers, can they get the product that they want.

MR. SUD: So there is a third party document
noticed recently that keeps coming out and every time something important happens in the industry, they write on it or comment on it and they have data bases to show capacities and blah, blah, blah which is open to the public if you subscribe to it. John Main who runs the cut-size of the un-quartered free sheet has in fact gone on record to say that with the closures that have happened if the Subject Country Imports were taken out. The correct number we let you know is something like the Industry was short of something like seven hundred and ninety-seven thousand tons to fill up.

So here is the database, the third party database that was done by American company that has commented to say that physically the local Industry could not meet the demand. We can append it later in the post-hearing brief. It comes from a very exhaustive database.

COMMISSIONER WILLIAMSON: Okay, thank you. We look forward to seeing them. Ms. Esserman?

MS. ESSERMAN: Commissioner Williamson, I just wanted to follow up on Ms. Aranoff's comment. She was reading a quote from CEO John Williams, CEO of Domtar. This quote did not just express a perception in the market. He, as the CEO of Domtar is saying after the closure of Courtland "and if you do the math, Domestic Producers running at 92% and 93% and you take away nearly 10% and the
customer has to find the volume from somewhere."

So I would suggest that this comment might suggest to purchasers that it's more than just a perception when the CEO of such a large domestic company is saying that. We'll be happy to of course provide a much more full response in our post-hearing submissions to your question.

COMMISSIONER WILLIAMSON: Okay, that would be appreciated.

MS. ARANOFF: It's not just a perception, it's a reality. That's our argument and we're going to do our best to add additional support for that but even if it were a perception on the part of purchasers, that would still tell you that it's not Subject Producers pushing product into the U.S. Market because they want to be here no matter what at any price, any volume they can get. It's purchasers, who whether they're right or wrong or looking at what's going on in the market and saying "I feel insecure. I'm not sure I can supply my customers. I need to maybe have another source just to secure my supply chain". I would suggest that that is, it's a pull, not a push and that's the difference.

COMMISSIONER WILLIAMSON: Okay, thanks and anything you can get to supplement that it's pull and not push I would appreciate but I thank everyone for those answers. I have no further questions.
VICE CHAIRMAN PINKERT: Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you Commissioner Pinkert. I have two more questions. I want to get back to the whole issue of eucalyptus, which I raised this morning, because some of the Respondents have spoken quite extensively or at least written quite extensively on eucalyptus. How important is it to U.S. Purchasers that the Subject Paper be made with eucalyptus fibers? Table 2A to the Staff Report does not indicate that purchasers see this necessarily as significant. Do you all hear preferences from your purchasers regarding the use of the eucalyptus?

Yes, Mr. Tarpey?

MR. TARPEY: Tom Tarpey from Suzano America.

Suzano is one of the largest producers of eucalyptus pulp in the world, so that's something we promote. One hundred percent of the fiber in our paper is eucalyptus fiber. So there are certain properties of our paper that some of our customers and we promote or we talk about as attributable to our eucalyptus fiber which is grown on plantations. It's a sustainable source of fiber and that's viewed as a positive and that is the foundation of our forestry stewardship council certification because it's a very renewable resource so that's a positive of it and then it also imparts a brightness, a stiffness, a great formation to the paper because it's all grown on plantations so every tree is
virtually the same so you have a very consistent source of raw material.

So we communicate that it's eucalyptus so there's a connection that the positive characteristics of our paper are related to that. Now, we have a very small market share here so the fact that I think it was fifteen percent of the purchasers responded that it is somewhat important is reflective on our market position here. Thank you.

MS. ESSERMAN: And if I might just add, the qualities that eucalyptus fiber imparts, like the brightness and giving it, making it eligible for the environmental certification, all of those are rated quite highly by purchasers so it may well be that the purchasers are not focusing on the eucalyptus but they're focusing on the formation, on the properties that it imbues and those are definitely in the Staff Report indicated as quite valued by purchasers.

MR. ZIELINSKI: Jonathon Zielinski for Portucel. Just to piggyback off of what Ms. Esserman just said, I think that's the easy answer is that when you ask a question, do you think eucalyptus is important? Customers don't care because they don't really know where it comes from.

COMMISSIONER JOHANSON: They don't even know that it's in there?
MR. ZIELINSKI: Depends on if Mike is selling it to them because he tells them. But the point is the characteristics that are imparted by the eucalyptus plant is what's important and in the questionnaire responses quality was the most important or second most important in most of these responses and those characteristics brightness, opacity, things like that are what matters. You heard this morning that some Domestic Producers have created mechanical ways to reach that type of characteristic and I think that shows something. That also, in terms of Portugal, that's why we only participate in the high-quality segment of the market because all of our paper is made from eucalyptus.

COMMISSIONER JOHANSON: Alright, thank you. Yes?

MR. PETERS: Just very quickly. Of course eucalyptus originated in Australia and I agree. When they check the box quality when walking about Brazil, Portugal, or Australia they don't know it's eucalyptus that is creating that quality. But in the twelve years that we've been selling our Product from Australia here in the U.S. Market we have had less than one truckload collectively rejected for jamming or problems with the paper. It just runs extremely well. It's very reliable, people trust it and that's why they asked for it and that's why our business grew. It grew by word of mouth, not by cutting prices.
Our gross from '13 to '14 to '15 was based on our customers placing more orders, not us shipping more paper here. We've responded to the market. Thank you.

COMMISSIONER JOHANSON: Alright. Thanks for your responses. I have just one more question. I know it's getting late in the day but this is something which caught my attention when I was reading the briefs. Exactly what role does the age of a producer's equipment play in the industry's ability to supply a market. It's been pointed out that much of the machinery or equipment used by the U.S. Industry is old. Do you all know how this equipment compares to that being used in some of the Subject Market Industries? Yes, Mr. Sud?

MR. SUD: While we could give a more comprehensive reply in the post-hearing brief, what I would like to tell you is that the industry out here especially to make unquartered free sheet would be having machines easily between ten, fifteen, twenty years old and cut-size sheet is up to even twenty-five years old. In our part of the world, our oldest machine is about eight, nine years old.

COMMISSIONER JOHANSON: I'm sorry, you're in what part of the world again.

MR. SUD: I am from APRIL in Indonesia.

COMMISSIONER JOHANSON: Okay, right.

MR. SUD: We have been investing, it's all modern
technology. It's the best head boxes, there are faster, they are wider machines. They therefore make good paper and just like in the case of eucalyptus, we use acacia so it's a species that grows there so we are able to control the fiber environment much more better just like they are able to control and make a consistently good product.

The tolerances and the variances in quality are much, much lower. We don't have to use soft wood for example. Here, the North American hardwoods are mixed hardwoods and they probably have to use a lot of soft wood to bring those strength properties into the paper. So we could actually build this up, I will show you in the post-hearing brief, the age of the machine matters because it does not have the controls even if you rebuild the machine, it will never come up to the levels of the total modern machine today and on the cut size, on the finishing side, you have real problems because there is no way you can increase capacities. Those machines are either narrow or built on old technology.

You have to get rid of them and buy new fit-size sheeter for example. So you are more stuck up on the finishing side. On the paper machine, you can still do things.

COMMISSIONER JOHANSON: Alright, thank you Mr. Sud. Would anyone else like to comment on that? That is
the last of my questions. Thank you all for appearing here
today.

VICE CHAIRMAN PINKERT: Any other Commissioner
questions? Alright well if the Commission have no further
questions, does staff have any further questions for this
panel?

MR. CORKRAN: Douglas Corkran, Office of
Investigations. Thank you, Vice Chairman Pinkert. Staff
has no additional questions.

VICE CHAIRMAN PINKERT: Thank you. I want to
thank this panel for their testimony and I'll dismiss you
now. Clarification from the Secretary. The Petitioners
don't have time for questions of this panel, is that
correct?

MS. BELLAMY: That's correct.

VICE CHAIRMAN PINKERT: Thank you. With that
this panel is dismissed and will come to closing statements.
Those in support of the Petition have zero minutes from
direct and five minutes for closing for a total of five
minutes. Those in opposition have eight minutes from direct
and five for closing for a total of thirteen minutes. As is
our custom, we will combine the time for direct and closing
as well as rebuttal so you do not have to take all the time.
Please do not feel any obligation to do that. If you wish
we can take five minutes so that you can get organized for
the closing.

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

MR. BISHOP: Would everyone please find a seat as quickly as possible?

VICE CHAIRMAN PINKERT: Thank you, Mr. Secretary.

we will start with those in support of the Petition. You may begin when ready.

CLOSING REMARKS OF JOSEPH DORN

MR. DORN: In quoting from Domtar's third quarter 2014 earnings call, Respondents fail to note that Mr. Williams said that "Imports, particularly cut-size, continue to grow, reaching record levels in July and resulting in market downtime within Domtar's system. Domtar publicly reported that it took fifty thousand tons of market downtime in May, June 2014. That followed the Courtland closure in February 2014. During the same call, Mr. Williams said that Domtar had to close two conversion line assets in order to increase utilization rates at other Domtar locations.

As testified by Mr. Thomas, Domtar had ample capacity to supply the market in 2014 and told its purchasers that. Also during that call, Mr. Williams indicated that they were assessing a dumping case. Thank you.

CLOSING REMARKS OF ELIZABETH DRAKE

MS. DRAKE: Thank you, Mr. Dorn. Elizabeth Drake
for Petitioners. First, I want to thank the Commissioners for their attention today and to thank the commission staff for all their hard work throughout these investigations. The record in this case strongly supports an affirmative material injury determination. No one disputes on either side that the volume of Subject Imports is significant. They surged by seventy-two percent into a declining market, seizing nearly eight percentage points of market share, almost entirely from Domestic Producers.

The claim that these imports were pulled into the market by self-inflicted domestic capacity reductions is plainly contradicted by the record. Imports increased in 2013 by 21% in a declining market. As our slide 20 shows, which is becoming my favorite slide, the Domestic Industry had more than enough capacity to meet demand in 2014 even after the Courtland closure. More than enough capacity to meet the demand that was instead met by Subject Imports, whether measured by sheeter capacity, paper machine capacity or the large amounts of capacity that were able to be switched from other products, which our witnesses this morning testified was technically feasible and is done every single day.

The only reason that Subject Imports seized this market share in 2014 was because of their aggressive pricing. Mr. Ismail from Liberty explained that very
clearly this afternoon that the reason that the purchasers began to rely more on imports is because they did not like the prices that Domestic Producers were trying to recover after the closure of capacity and they wanted to lower-priced imports. That is a classic case of material injury. The Commission's record shows that Subject Imports undersold Domestic Product in the majority of comparisons. We believe that the underselling is actually understated given the experience of our clients and given the purchaser responses that you have. The idea that we heard this afternoon that in fact the underselling is overstated because of certain rebates that are given by Domestic Producers is completely without merit. All of those rebates were taken into account and all of the pricing data reported by Domestic Producers and that was verified by Commission Staff so that argument is simply without merit. Imports not only undersold Domestic Producers but they also significantly depressed and suppressed domestic prices over the period. The prices fell overall, even with domestic closures and the attempts at price recovery and in 2014 it was the flood of imports that prevented that price recovery. Of course, we saw the growing cost/price squeeze, which led to the injurious impact on the Domestic Industry.

This industry has suffered steep declines in
every single indicator the Commission considers. Capacity production, capacity utilization, shipments, employment, hours, wages, profits, capital expenditures and assets. The decline of profits is significant at thirty-nine percent from twelve to fourteen and declined further in 2015. Four plants closed entirely, four more closed machines and we heard about the impact that has on workers and the communities in which those plants are located.

Faced with a strong record of injury, respondents seek to divert the Commission with a series of arguments that do not have support in the record. They claim their product is brighter and higher quality, yet we make the same bright product. We put in front of you two 96 bright reams in the same wrapper, one from Brazil from Suzano and another from a domestic supplier. These compete head-to-head in the market. They claim that we have unmanageable lead times. Our witnesses testify they have warehouses on the West Coast with inventory ready to be shipped in a few days.

They claim that especially with respect to Brazil and Portugal that they are not a big-box retailer. It is not in the big-box segment of the market, but if you look at the big-box retailers websites, Amazon offers Report a Brazilian Product. Wal-Mart offers Report, a Suzano product, a Suzano brand on it and Sears offers Suzano product and a Portucel product, both branded product. Sam's
club offers Portucel product. Let me go faster. Office Depot, CVS and Staples. You can see it ranges from branded to nearly unbranded product.

There's head-to-head competition across the market. That's what's caused material injury to Domestic Industry in a market that's based largely on price and that's why we strictly ask for an affirmative determination.

Thank you.

VICE CHAIRMAN PINKERT: Thank you. You may begin when ready.

CLOSING REMARKS OF DUANE W. LAYTON

MR. LAYTON: Thank you Vice Chairman Pinkert and Commissioners and Staff. I offer this closing statement on behalf of the Respondents in this proceeding. You heard Mr. Malashevich testify that the U.S. Producers of a like product are not experiencing material injury within the meaning of the statute. Indeed, this is an industry that is remarkably healthy in numerous respects including capacity utilization with respect to papermaking operations, production and profitability. I believe Mr. Malashevich used the term robust to describe the overall health of the industry.

Not only is the Domestic Industry healthy in absolute terms, it is also healthy in relation to all previous paper cases that the ITC has decided over the last
decade. In fact, Mr. Malashevich testified that in his opinion, U.S. Industry that produces the Subject Product is even healthier than the U.S. Industry at issue in the recently decided Supercal case. I know it's been a long day and I know that I likely am the only standing between many of us and our family and friends so I won't say anything more about the dearth of evidence supporting the Petitioners allegation of present material injury.

Instead, I would like to very briefly offer a few comments regarding their allegation that imports threaten material injury. First, there is abundant evidence on the record of this proceeding that respondents are not going to expand their capacity or repurpose their existing productive assets in order to significantly increase their sales to the United States of uncoated paper. Why?

Well, to begin with the market for uncoated paper in the United States is declining. We all know that. Second, the U.S. Market is unique. You heard that we are one of the few markets to consume letter and legal size. The rest of the world uses A4 and other sizes. Third, these other markets, you heard Mr. Sunil testify that in mainly the developing world in many cases consumption of these products is growing.

Fourth, you heard Mr. Webb describe the reluctance of Staples, Office Depot and other large
customers in this country to source from overseas. The last thing they want is to have Greenpeace or other environmental groups breathing down their necks because they are buying paper from suppliers that may not adhere to the highest environmental standards. I believe Mr. Webb described Domestic Producers as the "low-risk source" for these purchasers. Finally, importing subject merchandise is not something that can be undertaken lightly. You heard Mr. Webb describe how capital intensive it is and the barriers to market entry. So what does all this mean? It means the U.S. Industry can pursue its longstanding strategy of reducing capacity, reducing production, repurposing productive assets to more profitable lines of business free from the threat that might otherwise be posed by imports.

I might add that this strategy seems to be working perfectly and is rather brilliant. Again, demand for uncoated paper is declining. Whereas demand for fluff pulp used to produce diapers, feminine hygiene products and adult incontinence products is increasing. We're an aging population as it was noted and I can personally testify to. But the market for fluff pulp is effectively insulated from import competition. I'm not sure you heard that today and it can come out in a post-hearing submission if deemed necessary.
Indonesia, China and other countries simply do not grow the kinds of soft wood needed to produce fluff pulp. Softwood such as pine is grown mainly in North America. The Domestic Producers therefore have a virtual lock on this market. Fluff pulp, used in these personal hygiene products and others. So again, the overall strategy is in a word, brilliant. It's working perfectly. Imports are not affecting it.

So with that, I will conclude that the record before you is, I submit, rather clear. The industry is not suffering present material injury and is not threatened with material injury. Thank you.

VICE CHAIRMAN PINKERT: Thank you. Again, I express the Commission's appreciation to everyone who's participated in today's hearing. Your closing statement, post-hearing briefs, statements responsive to the questions and requests of the Commission and corrections to the transcript must be filed by January 14, 2016. Closing of the record and final release of data of the parties will be on February 2, 2016. Final comments are due on February 4, 2016 and with that this hearing is adjourned. Thank you.

(Whereupon the conference was adjourned at 5:16 p.m.)
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

HEARING DATE: 1-7-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 1-7-16

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.

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