UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) **Investigation Nos.:**
UNCOATED GROUNDWOOD PAPER FROM CANADA) **701-TA-584 and 731-TA-1382**
) **(FINAL)**

REVISED AND CORRECTED

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
UNCOATED GROUNDWOOD PAPER) 701-TA-584 AND 731-TA-1382
FROM CANADA) (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade Commission
500 E Street, SW
Washington, DC
Tuesday, July 17, 2018

The meeting commenced pursuant to notice at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable David S. Johanson, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

Chairman David S. Johanson (presiding)

Commissioner Rhonda K. Schmidtlein

Commissioner Irving A. Williamson

Commissioner Meredith M. Broadbent

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Tyrell Burch, Program Support Specialist

Sharon Bellamy, Records Management Specialist

Calvin Chang, Investigator

Robert Ireland, International Trade Analyst

Amelia Preece, International Economist

Charles Yost, Accountant/Auditor

John Henderson, Attorney/Advisor

Elizabeth Haines, Supervisory Investigator

Congressional Appearances:

The Honorable Susan M. Collins, United States Senator, Maine

The Honorable Johnny Isakson, United States Senator, Georgia

The Honorable Robert P. Casey, Jr., United States Senator, Pennsylvania

The Honorable Roger F. Wicker, United States Senator, Mississippi

The Honorable Angus S. King, Jr., United States Senator, Maine

The Honorable Doug Jones, United States Senator, Alabama

The Honorable Jim Cooper, U.S. Representative, 5th District, Tennessee

The Honorable Robert B. Aderholt, U.S. Representative, 4th District, Alabama

The Honorable Danny K. Davis, U.S. Representative, 7th District, Illinois

The Honorable Brian Higgins, U.S. Representative, 26th District, New York

The Honorable Cathy McMorris Rodgers, U.S. Representative, 5th District, Washington

The Honorable Phil Roe, U.S. Representative, 1st District, Tennessee

The Honorable Bill Flores, U.S. Representative, 17th District, Texas

APPEARANCES (Continued):

The Honorable Charles J. "Chuck" Fleischmann, U.S. Representative, 3rd District, Tennessee

The Honorable David B. McKinley, P.E., U.S. Representative, 1st District, West Virginia

The Honorable John Moolenaar, U.S. Representative, 4th District Michigan

The Honorable Bruce Poliquin, U.S. Representative, 2nd District, Maine

The Honorable Dave Trott, U.S. Representative, 11th District, Michigan

The Honorable Ralph Norman, U.S. Representative, 5th District, South Carolina

State Government Appearance:

The Honorable Rob Rolfe, Commissioner, Tennessee Department of Economic and Community Development, State of Tennessee

Ted Sprague, President, Cowlitz Economic Development Council

Opening Remarks:

Petitioners (Bonnie B. Byers, King & Spalding LLP)

Respondents (Elliot J. Feldman, Baker & Hostetler LLP)

APPEARANCES(Continued):

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

King & Spalding LLP

Washington, DC

on behalf of

North Pacific Paper Company

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

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

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

Peter A. Harnish, Senior Business Analyst, North Pacific Paper Company

William Bryan Lucas, Senior Fiber Control Room Operator, North Pacific Paper Company

Gregory A. Pallesen, President, Association of Western Pulp & Paper Workers ("AWPPW")

Mark Cutshall, Member, AWPPW Local 422

Andrew Grossell, Former President, AWPPW Local 155

Daniel W. Klett, Principal, Capital Trade, Inc.

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

Stephen A. Jones and Benjamin J. Bay - Of Counsel

APPEARANCES (Continued):

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

Sidley Austin LLP
Washington, DC
on behalf of
Catalyst Paper Corporation
Catalyst Pulp and Paper Sales, Inc.
Catalyst Paper (USA) Inc.

Edward Dwyer, President and Chief Executive Officer, Catalyst Paper Corporation

James Isaac, Legal Consultant, Catalyst Paper Corporation

Neil R. Ellis, Rajib Pal and Carys M. Golesworthy - Of Counsel

Cassidy Levy Kent (USA) LLP
Washington, DC
on behalf of
Tembec, Inc. ("Tembec")

Chris Black, Senior Vice President, Forest Products, Paper & Paperboard, Tembec

Martin Lavoie, Vice President, Sales and Marketing, Paper, Tembec

Yohai Baisburd and Mary Jane Alves - Of Counsel

APPEARANCES (Continued):

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Washington, DC
on behalf of
Resolute FP Canada Inc.
Resolute FP US Inc.

John Lafave, Senior Vice President, Pulp and Paper Sales and Marketing Resolute Forest Products Inc.

Rob Wise, General Manager, (Grenada, Mississippi) Resolute FP US Inc.

Jennifer Lutz, Senior Economist, Economic Consulting Services

Elliot J. Feldman, Michael S. Snarr and Mark B. Lehnardt - Of Counsel

Mowry & Grimson, PLLC
Washington, DC
on behalf of
Gannett Supply Corporation ("Gannett")

Frank O'Toole, President, Gannett

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

Kristin H. Mowry and Jeffrey S. Grimson - Of Counsel

APPEARANCES (Continued):

Covington & Burling LLP

Washington, DC

on behalf of

New Media Alliance

Andrew S. Johnson, Publisher of the Dodge County Pionier, Cambellsport News, and Kewaskum Statesman, President-elect of the National Newspaper Association

Paul C. Tash, Chairman and Chief Executive Officer of the Tampa Bay Times and Times Publishing Company

Paul Boyle, Senior Vice President, Public Policy, News Media Alliance

Shara L. Aranoff and James M. Smith - Of Counsel

APPEARANCES (Continued):

Covington & Burling LLP

Washington, DC

on behalf of

Kruger Inc.

Corner Brook Pulp and Paper Limited

Kruger Trois-Rivieres L.P.

Kruger Brompton L.P.

Kruger Publication Papers Inc.

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

Francois D'Amours, Senior Vice President and Chief Operating Officer, Publication Papers, Kruger Inc.

Shara L. Aranoff and James M. Smith - Of Counsel

Interested Party in Opposition:

Quad/Graphics, Inc.

Sussex, WI

Patrick Henderson, Director of Government Affairs

Rebuttal/Closing Remarks:

Petitioners (Stephen A. Jones, King & Spalding LLP)

Respondents (Elliot J. Feldman, Baker & Hostetler LLP)

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P R O C E E D I N G S

9:30 a.m.

CHAIRMAN JOHANSON: Good Morning and welcome to the United States International Trade Commission. I welcome you to this hearing on the final phase of Investigation No. 704-TA-584 and 731-TA-1382 involving uncoated ground wood paper from Canada.

The purpose of these final investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports of uncoated ground wood paper from Canada.

Schedule setting forth the presentation of this hearing, Notices of Investigation and transcript order forms are available at the Public Distribution Table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the Public Distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information.

Please speak clearly into the microphones and state your name for the record for the benefit of the court reporter. If you will be submitting documents that contain information you wish classified as business confidential your requests should comply with Commission Rule 201.6 of the Commission.

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Mr. Chairman I would note that all witnesses for today's hearing have been sworn in. There are no other preliminary matters.

CHAIRMAN SCHMIDTLEIN: Very well, will you please announce our first Congressional Witness.

MR. BISHOP: Our first Congressional Witness is the Honorable Susan Collins, United States Senator from Maine.

STATEMENT OF SENATOR SUSAN M. COLLINS

SENATOR COLLINS: Thank you Mr. Chairman and Members of the Commission. I very much appreciate the opportunity to testify before you today. I am Susan Collins, Senator from the great state of Maine. The issue that brings us together is the imposition of countervailing and antidumping duties on uncoated ground wood paper, better known as newsprint.

Now I support strong trade remedy laws that protect American jobs and industries, however in this particular case the tariffs are harming the very American industry that they are supposed to protect. The tariffs will hurt the U.S. Paper Industry because they will cause permanent harm to newspapers, printers and book publishers, shrinking the U.S. Paper Industry's customer base.

In fact, the tariffs will likely lead to less production of newsprint by U.S. Manufacturers as customers cut their consumption once and for all. That is simply not the way that Congress intended our trade laws to work. Indeed, the preliminary duties are finalized in this case.

Some newspapers will go out of business forever, permanently reducing demand for newsprint produced by U.S. mills, while the one mill that brought this petition may be able to add jobs in the short term it will do so at an enormous cost of jobs in the publishing and printing industries as well as in its own industry over the long term.

In my home state of Maine 100 percent of the newsprint used by our newspapers comes from Canada. There are no longer any mills in the State of Maine that produce newsprint. The average increase in the newsprint cost in Maine is already 22.5 percent as a result of the preliminary tariffs implemented earlier this year and newsprint I would note is second only to personnel in most newspapers' expenses.

Some newspapers in my state already reduced the number of pages they produce and the newsworthy events that they are able to cover. This is much more than a mere financial setback for one industry. For many of our small town and rural newspapers these tariffs, if finalized would harm the dissemination of information about our communities, particularly local news, our government and the world around us.

This century has already seen challenges in the printed newspaper industry but there is still a strong demand for printed papers across the country particularly in the areas where access to broadband internet is limited. For many newspapers it is the printed version that provides essential revenue that supports much of the content that is developed and is distributed in print and on digital platforms.

This case is speeding the decline in an industry that plays an important role in our society and at the same time endangering more U.S. jobs while not creating them in the domestic uncoated ground wood paper industry.

In response to the significant increase in the price of newsprint in Maine and around the country and since the antidumping and countervailing duty processes are not working as intended and because of the unique role that newspapers play in our democracy I've introduced the

Protecting Rational Incentives in Newsprint Trade or PRINT Act.

The PRINT Act currently has 29 cosponsors, Republicans, Democrats and an independent, my colleague from Maine and an equally robust number of supporters on the House Companion Bill. Our Bill would suspend the tariffs on newsprint while the Department of Commerce examines the health of the printing and publishing industries.

It is important to note that the PRINT act does not amend our trade laws. The legislation does not propose that Congress step in and substitute its judgment. The bill, rather, recognizes the unique unintended consequences in this one case, the potential for the failure of newspapers and the resulting reduced access of news and advertising particularly for small towns and rural communities.

It is designed to ensure that the government makes its decisions about injury and about these import tariffs with an understanding of all the anticipated and potential collateral effects on the U.S. Industry and jobs. I mentioned our bill to emphasize the depth of congressional concern about these tariffs.

In closing, I urge the Commission to recognize the unusual nature of the facts of this case during its deliberations on the extent of injury. Thank you very much for the opportunity to testify today.

CHAIRMAN JOHANSON: Thank you, Senator Collins. Do any of the Commissioners have questions? Thank you again for appearing here today.

SENATOR COLLINS: Thank you.

MR. BISHOP: Our next Congressional Witness is the Honorable Johnnie Isakson, United States Senator from Georgia.

STATEMENT OF SENATOR JOHNNY ISAKSON

SENATOR ISAKSON: Mr. Chairman, ladies and gentleman of the Commission, it is an honor for me to be here today. I'm Johnnie Isaacson United States Senator from Georgia and I'm delighted to be here to testify on this trade issue.

You know, I never thought I'd be up here testifying on this particular issue. I never thought I'd say some of the things I'm going to say but until I really put my mind to the task of speaking my mind on this issue and talking about it's true effects did I realize how really important this issue is in a lot of ways.

In fact, most importantly this is a First Amendment issue. The news media has changed dramatically in our country in the past 50 years but nothing greater than how I get my news as a United States Senator. I don't get it by reading the morning paper, the Atlanta Journal or the

Constitution of Atlanta Georgia or the Marietta Daily Journal -- I get it on Twitter, on Facebook or I get it on Google.

I get it through the medium. It comes to me in all kind of ways, already sorted out and already explained to me and so a lot of the information I deal with over the first day of the year, the first hour of the day is information I got the first hour of the day that was put in there just minutes before.

In the olden days, as we used to say when I was a little kid, the newspaper printed the political news and the business news in the community. I went to the newspaper to get that news. The reporters who wrote that news and wrote those articles that I read had attended the zoning meetings the night before or the medium they were writing about the night before, they had the night to think about the article, they had written it overnight and they submitted it in the morning.

They had 12 to 24 hours of time to sit before it was reported. A lot of different things happen when you have 12-24 hours to think about something and of all the news medium there are, and I respect them all, there's none that delivers a more quality insight into the issue of the day than the newspaper article that was written yesterday on the hearing that was reported on from yesterday. If we ever lose that we will be dealing with the 24/7 news cycle as the only source of un-thought-about but delivered news to the public officials and the people of our state.

Secondly, I'm a businessman. I was the second largest advertiser for The Atlanta Journal Constitution for about 25 years. We'd spend between three and four million dollars a year in classified advertising. We were a real estate brokerage company. We advertised our houses in the Sunday paper. It was a source of revenue for them, a huge cost for me but it was the only way I could get to my consumer. I want to stress that point, the only way I could get to my consumer.

I don't have that company anymore, I don't run it anymore and I would not have an advertising budget of 250,000 dollars a month or more because today the way you deliver that content is over that same news medium that took 24/7 news away from us, the internet and the computer. Now, most advertising is done that way in the real estate industry, not through the print medium.

So when you take that revenue going out and the role being diminished because of what is happening, the threat to lose the newsprint in this country and lose the daily newspaper in this country is a tremendous threat to the First Amendment, to my ability to express myself, to my ability as a businessman to be able to sell a product.

I have always believed that it is very important for us to ensure that we protect the business in any way possible in this country. Your job is a tremendous job, it's a difficult job and it's an important job. We don't need to run you out of business because of a tariff, because of a change in the way you do business for after all our trade remedy laws are meant to correct, marking interferences and disruption; not to create them.

I'm afraid left uncut these increases would affect the markets in a negative way, the information I am able to read in a negative way and the dissemination of the public good in a negative way. None of those are good for the American people, good for American business and I appreciate and respect the Commission's opinions in its deliberations. I wish you the best in your deliberation in this issue and I think you for giving me the chance to speak today.

CHAIRMAN JOHANSON: Thank you Senator Isakson for being here today. Do any Commissioners have questions for Senator Isaacson? Thank you again.

MR. BISHOP: Our next Congressional Witness is the Honorable Roger F. Wicker, United States Senator from Mississippi.

STATEMENT OF ROGER F. WICKER

SENATOR WICKER: Thank you, Members of the

Commission. I have a little tickle in my throat today so I brought some coffee out here in case I need it. I want to express my strong opposition to imposing permanent new antidumping and countervailing duties on Canadian Imports of uncoated ground wood paper.

I hope you will vote to eject such new tariffs. The Petitioner NORPAC is the only Domestic Producer who claims these sanctions will protect Domestic Production of newsprint from Canada. An overwhelming majority of producers including Resolute Forest Products with Newsprint Operations in Mississippi argues that these sanctions are likely to harm domestic newsprint producers and their key customers.

Let me reiterate, NORPAC is the only Domestic Producer that is arguing for sanctions. The imposition of costly tariffs now close to 35 percent in some cases is creating price volatility and supply challenges. Newspapers and printers already navigating industry changes will be put out of business.

As I mentioned, Mississippi is home to one of the five mills in the United States that produces uncoated ground wood paper known as newsprint. This particular mill in Granada, Mississippi employs over 160 workers with good-paying jobs and represents an annual economic impact of approximately 100 million dollars.

On top of the direct employment, it is estimated that 500 jobs are indirectly created by the mill. Additionally, the newsprint company continues to support the mill's future success, investing over 20 million dollars into the facility. I want to see this mill thrive in the coming years, not closed because tariffs chased away the already fragile market for newsprint.

It is important to note that the Grenada Mill is also the largest Mississippi customer of the Tennessee Valley Authority. The partnership between TVA and the Grenada Mill has been important for both and losing the mill would undermine TVA's regional development goals. The Mississippi Press Association and the 110 newspapers they represent also oppose NORPAC's petition.

I would like to include for the record a letter provided to me last year where they raise many concerns they have with these tariffs. I would also like to include various press articles on this matter. I have provided those to staff. This is not a Mississippi-specific concern but a regional one. The Southeast is fortunate to have two of the 5 current producers in Granada, Mississippi as I mentioned and August, Georgia. These two mills provide most of the newsprint that is needed to serve the region's current demand.

As the ITC Staff recognized in its report last fall because of high transportation costs, newsprint is a regional market. Imports from Canada have almost no role in the Southeastern market and the ITC Staff estimated they accounted for just 1.5 percent of the region's newsprint supply. The region is basically untouched by competition from Canada.

Likewise, it's highly unlikely that NORPAC, located almost three thousand miles away would be able to become a major supplier of newsprint to the Southeast. Even though the region is not materially impacted by Canadian imports, the preliminary antidumping and countervailing duties have stirred up significant market disruption that leads to supply shortages and price hikes across the Southeast.

For example, earlier this month the Vicksburg Post announced that it would print only five newspapers per week no longer publishing newspapers on Mondays and Saturdays. The paper cites "rapid increases in newsprint costs driven by recent and substantial tariffs" as a key factor in the decision. Likewise, the Natchez Democrat of Natchez Mississippi has also cut back to publishing a print newspaper only five days a week also pointing to the preliminary tariffs as the main reason.

Again, the harm is not specific to Mississippi. In Florida the CEO of the Tampa/St. Petersburg Times, one of the largest regional newspapers in the Southeast, announced that tariffs will add three million dollars in new costs forcing them to lay off approximately 50 people. It defies logic that NORPAC, just one mill located at the opposite end of the United States can create this type of disruption and uncertainty.

Those are just two examples of what is taking place across the Southeast. My greatest concern is how these tariffs will harm a major newsprint producer in my state as well as the many small and rural newspapers who operate with small budgets and tight margins.

I hope the ITC recognizes just how much damage these tariffs will do to our nation's economy. They will cause harm to Domestic Producers by destroying demand for an already mature newspaper market that is now in decline. These tariffs will not hurt newspapers alone, commercial printers, book publishers and the many retailers that advertise using newsprint will also suffer.

Together, these sectors represent some 600,000 jobs and are located in every state across the country. Thank you for hearing my testimony today and for all of these reasons I urge you to reject these tariffs. Thank you very much.

CHAIRMAN JOHANSON: Thank you, Senator Wicker. Do any of the Commissioners have questions for Senator

Wicker? Thank you again.

MR. BISHOP: Our next congressional witness is the Honorable Angus S. King, Junior, United States senator from main.

MR. KING: Paris, January 16th, 1787.

MR. BISHOP: Is your microphone on?

MR. KING: I believe it is. Is it?

MR. BISHOP: Yes.

STATEMENT OF SENATOR ANGUS S. KING JR.

MR. KING: Thank you. You took away the drama though by doing that. You killed my whole thing. I'm going to start again.

Paris, January 16, 1787. Thomas Jefferson to Edward Carrington, the basis of our government's being the opinion of the people, the very first object should be to keep that right. And were it left to me to decide whether we should have a government without newspapers or newspapers without a government, I should not hesitate a moment to prefer the latter.

One of the essential qualities of our country is freedom of the press. The press is the only industry in America with its own line in the Constitution in the First Amendment. And what you are considering today is a very unusual case that brings into conflict two principles that are important to the establishment of the country.

One is you have to obey the law. And the law in this case is the law regard to tariffs. But the other principal is the First Amendment. And I would argue that these two principles in this particular case run into one another. They are in conflict.

This is a special case. The First Amendment says Congress shall make no law abridging the freedom of speech or the press.

Recently, the Bangor Daily News, one of the great papers in our state, announced that their response to the increase in newsprint prices brought about by these tariffs is to reduce the size of the newspaper in September by an inch. That's an inch lost multiplied by millions of -- across the country, an inch less of information.

And of course, it could also lead to layoffs and closures of newspapers, particularly in rural areas where the Internet either reach or is inaccessible to our citizens, particularly the elderly.

The irony of this case from an economic point of view, forgetting about the First Amendment is that by increasing this cost as my colleague Senator Collins testified, the net result in the end will be to diminish the market for newsprint in America, which will hurt the very industry that this petition is designed to help.

If you end up a smaller market, you haven't helped anybody, let alone the plant in Washington that is petitioning for this help.

Now what is the way out for you? And I've thought a lot about that. And I've read your statute because it appears to be mandatory. You shall find if the information is there and there's no provision for weighing the public interest.

I would argue that there is a way out. And the way out is the ancient concept of prosecutorial discretion. You do not have to prosecute. The law says thou shalt not kill or thou shalt not steal, but the prosecutors which are you in this case, have discretion whether to apply that law in a situation where it makes no sense.

And in this case, it makes no sense both because it would hurt the industry it's designed to help and it would be an arrow in the heart of the First Amendment, because it would reduce the information that's available to Americans.

So I don't think you have to do this. Throughout our law, throughout our history, we've tried to avoid having the law not make sense. I had a professor in law school who used to say the law is only successful if it's written in the hearts of the people. That means it has to make sense.

Dickens in Oliver Twist put it somewhat more simply. He said, "In hell, there is nothing but the law and due process is observed meticulously."

The other place in Oliver Twist of course is where Mr. Bumble says, "The law, sir, is an ass, an idiot." And he was talking about a nonsensical application of the law. And I think that's exactly what we have in this case.

I also want to conclude by thanking my colleague Sandra Collins for raising this issue in the Congress, but I don't think you have to wait for a Congressional solution. I think you can find as a matter of constitutional law and also as a matter of your own statutory mandate to protect the industry that is seeking this help, that the cure would be worse than the disease, that the impact on the industry at large would be negative, but most importantly, the impact on the ability of Americans to know and understand the information upon which their decisions are made for the good of this country would be significantly and measurably impaired. Remember that newspaper that will be an inch smaller in September. Thank you.

CHAIRMAN JOHANSON: Thank you, Senator King. Do any Commissioners have questions? Thank you again for appearing here today.

MR. KING: Thank you very much.

MR. BISHOP: Our next congressional witness is the Honorable Jim Cooper, United States Representative from the 5th District of Tennessee.

STATEMENT OF U.S REPRESENTATIVE JIM COOPER

MR. COOPER: Thank you, Chairman Johanson and Commissioners. It's an honor to testify before you today.

I would ask unanimous consent that my statement be submitted for the record, as well as the statement of three individual newspapers in the state of Tennessee.

As I understand it, your evidentiary standard is to find if there's material harm that will be done by your ruling. I think that there is. Newspapers, particularly rural newspapers are in a very fragile state as they face more and more digital and other competition.

The last thing we need to do is give subscribers an excuse not to subscribe. We need their services and by drastically raising their costs unnecessarily, we would be doing that.

As has been pointed out, and as my former colleague Mo Udall once said, "I think everything has been said, it's just not everyone has said it."

We need to realize that there's only complainant in this case. I personally doubt that any newspaper in America will end up buying our newsprint for the role that they've played for this proposed tariff hike.

All the other manufacturers are against this. Why? Because this sort of tariff, which is a tax, although it looks like it would be paid by foreigners, ends up being paid by us. What we're doing here is throwing boomer ranges. And this is in such a sensitive area as my colleague Angus King pointed out. Newspapers, especially rural newspapers that are already fragile don't need any more increases in their costs.

So I would suggest to you that your first rule should be the physician's rule. Do no harm. By leaving things alone, the newspapers will have a tough enough time surviving. Do not add to their misery and pain.

So thank you for your wisdom in this event. I would urge you to use your prosecutorial discretion. In the worst case, just limit the relief area to the Upper Northwest, not to the rest of the country. But thank you for your deliberations and please save the newspaper industry in America. Thank you.

CHAIRMAN JOHANSON: Thank you, Representative Cooper. Do any Commissioners have questions? We appreciate you being here today.

MR. COOPER: Thank you.

MR. BISHOP: Our next witness is the Honorable Danny K. Davis, United States Representative from the 7th District of Illinois.

STATEMENT OF U.S. REPRESENTATIVE DANNY K. DAVIS

MR. DAVIS: Thank you, Mr. Chairman, members of the Commission. I am your U.S. Representative Danny Davis from the 7th District of Illinois. And I thank you for the opportunity to be here and to testify at this very important hearing.

It is my belief and my feeling that the purpose of tariffs is to protect jobs and industry. North Pacific Paper Company is a paper mill in Washington state, one of the five newsprint mills left in the United States. NORPAC is owned by 1 Rock Capital Partners, a hedge fund based in New York.

NORPAC, which employs about 300 people, filed a claim with the U.S. Commerce Department stating that Canadian paper mills were offering lower prices on their product. Given those manufacturers and advantage over U.S. competitors.

In January, the Department of Commerce assessed preliminary countervailing duties on uncoated groundwood ranging from 4.4 percent to the 9.9 percent, depending on the Canadian manufacturer.

Then in March, the DOC added additional preliminary anti-dumping duties on top of the countervailing tariffs of up to 22.16 percent. The findings are disputed by a broad array of U.S. business stakeholders dealing with uncoated groundwood including printers, newspaper publishers, paper mills, and distributors, industry-related associations.

They note that almost 91 percent of imported Canadian newsprint comes into the Midwest and Northeast, while on 4.6 percent enters the Pacific Northwest, where NORPAC does business.

The shift to digital alternatives has reduced the demand for newsprint in North America by 75 percent since 2000. Several newsprint mills have been shut down, while others have been converted to manufacturing liner board for corrugated boxes, where demand is growing since 2007.

78 machines have been closed or converted, eliminating more than 10 million metric tons from industry production. If made permanently, the duties would drive a further reduction in uncoated groundwood paper demand.

As newspaper, book, and other print-based publishers cut their print production, quantities shipped to smaller page count seek digital alternatives and are in worse care scenarios shut down and layoff workers.

The American newspaper and printing industry employs about 600,000 people. A bipartisan letter signed by the entire Illinois Congressional delegation notes, and I quote, "We support the administration's efforts to combat illegal trade practices and ensure a level playing field to American companies."

However, we are concerned that tariffs on uncoated groundwood paper from Canada may cause long-term harm to domestic newsprint manufacturers and consumers.

It is unusual to find agreement on economic and fiscal policy across ideological and political lines. Do a search of academic studies and economic analysts' reports and you will find the repetitive caution that tariffs are blunt instruments and often not well suited as a first response.

I believe that the recent words of U.S. Chamber of Commerce senior vice president for international policy, Mr. John G. Murphy, are representative of such agreement. And he said, "It is time for the administration to carve a new path for its trade policy, one that emphasizes growth and abandons the blunt instrument of tariffs."

I would simply add that tariffs are supposed to protect jobs in America. This groundwood tariff is a major threat to jobs in America and the groundwood paper industry. I thank you and that concludes my statement.

CHAIRMAN JOHANSON: Thank you, Representative Davis. Do any Commissioners have questions? There are no questions. Thank you again.

MR. DAVIS: Thank you.

MR. BISHOP: Our next witness is the Honorable Brian Higgins, United States Representative from the 26th

District of New York.

STATEMENT OF U.S. REPRESENTATIVE BRIAN HIGGINS

MR. HIGGINS: Thank you, Chairman Johanson and members of the Commission and for the opportunity to share with you my views on the investigation regarding the import of Canadian uncoated groundwood paper.

I believe that an affirmative final determination from the international trade Commission will harm the production and circulation of local newspapers in my district.

The freedom of the press is one of the central tenets of the First Amendment. Newspapers have always been an integral part of how Americans are able to achieve the full aims of this freedom through the promotion of a marketplace of ideas, newspapers have availed the public with essential information about their neighborhoods. Newspapers are unique in comparison to other meetings and -- mediums in that they are the most cited source citizens use for news about their local town or city, arts and culture, or schools and education. That's why I'm concerned about the imposition of duties on newsprint that this petition would result in.

Specifically, the increased cost on newspapers that would result from this petition could have a direct impact on my community's access to information.

Even the signaling of potential duties has been problematic. Since the petition was filed in August of 2017, New York printers and publishers have had to take into consideration severe cost-cutting measures, such as reducing pages and eliminating sections.

The largest local newspaper in my district, the Buffalo News, is experiencing increased newsprint costs of about $600,000 a month due to the preliminary duties and its effects of constricting supply.

Newsprint is a second highest cost for the Buffalo News, right behind personnel and compounded with the other major suppliers now leaving the market, the Buffalo News is facing an untenable situation.

Other local newspapers, including the Niagara Gazette and the Bee Newspapers is also bracing for the impact of this investigation. Newspapers across the country are facing a challenging business environment.

Some papers are already preparing for reductions in their work force and this is not limited simply to journalists. Both president Christopher Shelton at the Communication Workers of America and President James Hoffa of the International Brotherhood of Teamsters in their letters to the Commission noted that an affirmative determination could affect tens of thousands of workers who are pressmen, graphic designers, copy editors, mailers, and drivers.

Local newspapers are also confronting a decline in the newspaper circulation, readership and print advertising due to increased Internet competition. While some have been successful in cultivating digital content, increasing digital subscriptions and procuring on line advertising, others will be more exposed to the risk of shutting their doors.

Duties, this Commission could affirm, would accelerate this decline and may leave portions of my community without access to vital information about our homes and neighborhoods.

I'm offering my testimony before you today because I truly believe that in a thorough fact-based investigative process of the Department of Commerce and the Commission. So it is my hope that you seriously consider the perspective that I offer in making your final determination regarding uncoated groundwood paper. Thank you very much.

CHAIRMAN JOHANSON: Thank you, Representative Higgins. Do any Commissioners have questions? We appreciate you being here today.

MR. HIGGINS: Thank you.

MR. BISHOP: Our next witness is the honorable Bill Flores, United States senator from the 17th District of

Texas.

STATEMENT OF U.S. REPRESENTATIVE BILL FLORES

MR. FLORES: So good morning, Chairman Johanson and members of the Commission. It's an honor to be able to testify to you today regarding the anti-dumping and countervailing duty investigations of uncoated groundwood paper from Canada.

I am Bill Flores and I'm actually a representative, not a senator as I was introduced. And from the 17th District of Texas. And I'm a member of the House Energy and Commerce Committee.

The 17th District of Texas is a mix of rural and urban areas with my three major population centers being Waco, Bryan College Station, and Austin/Pflugerville.

95 percent of the land area by district is in nine other rural counties. And I'm deeply concerned regarding the negative impacts that these tariffs will have on access to local news for rural and mid-sized communities, as well as our country's print, retail, and advertising sectors.

First of all, let me say that I support and respect the process for enforcement of our nation's trade laws. It is my understanding, however, that this remedy would only benefit a single U.S. petitioner that employs approximately 260 individuals at one mill. And this one mill has capacity of 224,000 metric tons at a time, when the tariffs will impact the total U.S. print demand of over 2 and a half million metric tons.

By comparison, the U.S. newspaper publishing and commercial printing sector employs more than 600,000 hardworking Americans in locations across the country. This specific case, therefore, places more domestic jobs at risk in the U.S. newspaper publishing and commercial printing sector. This is counter to the intent of our nation's trade laws.

Since the announcement of these tariffs last August, I've heard increasingly worrisome statistics from newspapers in my state of Texas, including the following. First, an increase in the cost of newsprint of almost 30 percent. Second, total input cost increasing by 13 percent to print and publish a newspaper. And third, newspapers responding to the cost of tariffs and supply issues by cutting staff, as well as cutting pages and days of print publication.

If these tariffs continue, I'm afraid these trends will worsen over time. In my hometown, for example, the Bryan College Station Eagle Newspaper prints about 60 small local weekly newspapers each month. According to the Eagle, these small community newspapers operate on the smallest of margins and they've had to cut page count and quantity.

If these tariffs continue, costs will continue to rise and there's a potential that these communities will be left without a newspaper.

There are further ripple effects of these tariffs. Business of all sizes, such as grocery stores, pharmacies, and hardware stores print advertising on uncoated groundwood paper that is inserted in the newspapers for delivery to consumers. Print advertising materials will now be hit with twice with cost increases, first for the cost of newsprint, and second for the higher advertising rates that newspapers must charge to break even. These tariffs are already depressing advertising revenue, harming both newspapers and commercial printers.

I'd also like to give you another example for my district. There's a county, Freestone County has a population of just under 20,000 according to the 2010 Census. The local paper, the Freestone County Times, has stated that its advertisers, which are its largest source of revenues, have been seeking cheaper alternatives to print over the last several years.

These tariffs will further depress advertising sales and threaten the paper's survival. In a survey, the Freestone County Times described the tariffs and I -- as this, "kicking us very hard during a time when we're experiencing historic lows in revenue."

Freestone County's only reliable source of news -- local news is from its community newspaper. If Freestone County were to lose its community newspapers, one cannot expect quality local coverage from a Dallas TV station, which is over 85 miles away.

For these reasons, I respectfully urge you to recognize that this trade remedy case is headed down the path of unintended consequences. Rather than helping the domestic industry it is supposed to help, these tariffs are causing a downward spiral in the U.S. paper industry as consumer demand will be reduced for newspaper, print, and advertising.

I appreciate the opportunity to share my concerns of the constituents of the 17th District of Texas with the Commission this morning.

CHAIRMAN JOHANSON: Thank you, Representative Flores for being here today. Do any Commissioners have questions? Thank you again. We appreciate you being here.

MR. FLORES: Thank you all very much.

STATEMENT OF U.S. REPRESENTATIVE CHARLES J. FLEISCHMANN

REPRESENTATIVE FLEISCHMANN: Commissioners, good morning. Thank you for the opportunity to testify before you this morning. I have rather strong opposition to the proposed duties on Canadian imports of uncoated groundwater, groundwood papers, commonly known as newsprint.

I would like to request that my written statement, along with some additional information, be submitted into the record in this case. It's the declining demand for newsprint, not competition from Canada that defines today's challenges for newsprint producers. The U.S. market has dropped 75 percent since 2000.

Market adaptations, either through closures or conversions, is what is shaping the economics of newsprint. Trade sanctions will in my view falsely distort the market, as we have already experienced in the last couple of months, with supply disruptions and soaring prices. Canada has seen about twice as much capacity close as the United States, about 6,345,000 tons compared to 3,750,000 tons.

Both sides of the borders face closures and disruptions. Tariffs on Canadian imports will backfire if the goal was to protect U.S. newsprint producers. It is already a fragile market, and price hikes due to tariffs will only accelerate the falling demand that is already underway. Many newspapers will not be able to absorb a 30 percent price increase on newsprint, their second largest operating cost after labor.

Even small unit costs add up quickly, particularly if operating under razor thin margins. Newsprint is not a seasonal or cyclical downturn, as often occurs with some commodities. The downturn underway is steady, ongoing and permanent, dropping about 11 percent last year alone. Sadly, once a paper stops printing or cuts back on the day it publishes, it almost never comes back. That demand for producers is lost forever.

Innovation and free markets, not trade protection, is needed in this case. Through this transition, I've had a front row seat watching how the nation's largest producer of uncoated groundwood paper, Resolute Forest Products, is adapting to market changes, specifically through its mill in Calhoun, Tennessee.

Calhoun, which is located in my district, faced the same harsh reality that all newsprint producers faced starting about 20 years ago, as people began to switch from print to digital. This concerned me, since the mill is a critical economic driver in my district. It is also an important partner of the Tennessee Valley Authority.

Facing the reality of shrinking markets for newsprint, the Calhoun mill underwent a $400 million makeover. Today, instead of newsprint, the mill is a producer of tissue products, pulp and that's what's known as uncoated freesheet paper. No longer is uncoated groundwood paper or newsprint manufactured at this operation. It continues to employ more than 550 workers and contributes about $322 million to the region.

Production shifted away from a product in decline towards products with more promising growth trends. This transition, I believe, has prepared Calhoun and its workers for the future. Resolute is not alone. Other U.S. newsprint mills have converted to new product lines, rather than shut down mills completely. Again, this adaptation and innovation driven by changing market realities, and not because of any behavior by Canadian producers.

In addition to Calhoun's shift from 250,000 tons of newsprint to state-of-the-art tissue, about 560,000 tons of uncoated groundwood mills in the United States have converted to producing cardboard boxes and other shipping materials since 2013. In other words, of the 3,575,000 tons of newsprint capacity in the United States that has shut down since 2007, 810,000 tons or about 22 percent of that capacity is now manufacturing products that are seeing robust growth, not steady decline.

Trade protections would have sent exactly the wrong market signal, encouraging producers to stay too long in a sector that is slowly evaporating, rather than smoothly moving toward new market opportunities. In closing, I have to admit that I'm a bit puzzled by NORPAC's business model. By undertaking this trade action, this lone mill has managed to anger its customers, throw newspapers, commercial printing and book publishing sectors into turmoil, and risk cannibalizing future demand for their product.

The U.S. producers do not need protection through tariffs. They must instead allow market forces to continue to let individual producers in specific regions adapt, evolve and innovate in ways that best fit their unique situation. Commissioners, I again thank you for the privilege and opportunity to testify this morning.

CHAIRMAN JOHANSON: Thank you, Representative Fleischmann. Do any Commissioners have questions? No. We thank you again.

MR. BISHOP: Our next witness is the Honorable David B. McKinley, United States Representative from the 1st District of West Virginia.

STATEMENT OF U.S. REPRESENTATIVE DAVID B. McKINLEY

REPRESENTATIVE McKINLEY: Thank you, and thank you for the opportunity to speak with you today on this critical topic. I'm here to ask that you consider the unintended consequence that these preliminary tariffs have had on our nation's newspapers, which already face enormous challenges. Due to various factors you've already heard, there has been a 70 percent decline in demand for newsprint since 2000, leading to large scale closures of newsprint mills. In fact, there are only five remaining mills still operating in the United States as you've heard, and their combined capacity only will meet 34 percent of the demand of this country.

Of those -- three of those five mills are in Washington State. But the industry also within -- has known that it's a regional market. It's too expensive to ship print paper across the country. So the rest of America is relying on two mills in the Southeast or in Canada to fulfill their needs. Now this map that we have or chart we have in front of you shows what in 2007, just 11 years ago, these are the number of mills that we had operating in the United States.

Now the next chart, the next chart, there we go. The next chart shows what's happened in just the past 11 years. All of this gap, all these -- here are the only two here, and then the three we have in the eastern, up in the Northeast. What we're talking about is Omaha, the St. Louis Dispatch, the Omaha World Herald, the St. Louis Dispatch, the Chicago Tribune, the Lexington Herald, Indianapolis Star, the Milwaukee Journal.

All of these papers in the Midwest are getting their paper from Canada, as well as all across America, because of the cost of shipping. So as has clearly been demonstrated, paper mills are closing on both sides of the border, not due to the fair trade, but because the industry itself is declining. Papers across the United States are now facing significant cost increases from these tariffs.

The impact varies by paper. Smaller papers, maybe as much as a nickel per paper. Larger papers, maybe to a penny to a penny and a half.

So think about the fact that there are 33 million newspapers out there. If we just take an average of three and a half cents, that cost impact of these -- out of our economy is $420 million annually that we're taking out to protect 300 jobs in the Northwest. These papers aren't able to pass this on to consumers, leaving their -- they can't. They have limited options, including reducing staff.

And according to a study that was done by the News Media Alliance, 46 percent of the newspapers across the country said they intend to reduce their staff. With nearly 7,300 dailies and weekly newspapers in America, if just half of them lay off jobs, the job impact will be staggering compared to the 300 jobs that NORPAC is trying to protect.

Small world states that depend on the papers are particularly hard-hit, like my home state in West Virginia. The West Central Publishing Company, one that only has a 2,000 circulation, is going to lose $18,600. How are they going to make that money up? Well what about the Exponent Telegram in Clarksburg, West Virginia, that's going to be hit by $180,000? They're already suggesting it's a possibility there could be four job losses as a result of that in just one small community.

West Virginia has 19 dailies and 54 weekly newspapers, all of whom, Mr. Chairman, are going to be significantly impacted by this legislation. Look, the closure of the newsprint plants on both sides is due to the declining market. I think that's what everyone's testified up to this part right now. It's not unfair trade has caused this decline.

So if this intent, if the intent was to spur the industry back from the brink to open new plants, this isn't going to happen. The market's in decline, and it doesn't make good business sense for companies to open more plants right now. These tariffs are not going to result in new plants opening. It's like someone saying when are we going to open the next Blockbuster Video Store? It isn't going to happen.

Netflix and Internet streaming have taken over. How much the Internet has taken over is impacting also the news industry. No one should be expecting newsprint mills to come roaring back in a declining market. These tariffs are having a devastating impact that is being felt all across America.

With the looming job losses and the cuts in services, we ask that you reconsider your action, these misguided, injurious decisions, and if you have to come up with some determination on behalf of NORPAC, perhaps craft something that is peculiar just to that location of the country. Thank you for your time, and I ask you to reconsider. Thank you very much for the opportunity to talk to you.

CHAIRMAN JOHANSON: Thank you Representative McKinley for being here today. Do any Commissioners have questions? Thank you again.

MR. BISHOP: Our next witness is the Honorable John Moolenaar, United States Representative from the 4th District of Michigan.

STATEMENT OF U.S. REPRESENTATIVE JOHN MOOLENAAR

REPRESENTATIVE MOOLENAAR: Good morning Mr. Chairman and members of the Commission. I was here last February and I personally want to thank you for your decision on polysilicon following that hearing back then, and it's good to be with you again today, and I want to thank you for the opportunity to appear again, to speak about the impact on federal tariffs on uncoated groundwood paper, commonly known as newsprint, that is imported from Canada.

My district covers 15 counties in mid- and northern Michigan, and for many residents the daily or weekly paper is a source of important news and information. These papers employ journalists, editors and staff who work hard to present information relevant to their communities.

In many cases like Greenville, Owosso, Houghton Lake and Gratiot County, these newspapers and their publishers are part of the American dream, passed down from generation to generation.

In these communities, there are no big city newspapers to bring residents their community news. There's no alternative for coverage of high school sports, the township council meeting or the special tributes for graduations and anniversaries.

These tariffs, if they continue, will do lasting damage to these important community institutions. In Greenville, they estimate that the annual cost of the tariffs will be more than $250,000, simply too much for a community publisher to absorb. In my home town of Midland, the editor is worried about what tariffs will mean for seniors in the community. He wrote to my office "Most print product readers tend to be loyal, aging customers who have nowhere else to turn for their connection to the community."

We know this because our readers tell us this, especially on days when their home delivery is inadvertently missed. In Owosso, the Argus Press also prints the newspapers of 70 high schools. If these tariffs go into effect, the cost will be too great for some high school papers to even continue. Students will lose chances to learn about writing, journalism and the First Amendment.

We should be creating more opportunities for these important civic lessons, and all we have to do is end this unnecessary and burdensome government regulation. These tariffs are affecting all Americans. They are hurting business owners, journalists, the young and the old. The publishers I have heard from say that they are already reducing the number of pages they print in each edition.

That means even less space for the local news that highlights the people and events in their communities. After that, the publishers say they will have to reduce staff maybe five or ten percent, depending on the number of workers they have. Jobs will be lost because of these tariffs, while only one company in the entire country will gain.

These tariffs will do tremendous damage to community newspapers in the small towns in the heartland of our country. They will create job losses, reduce the amount of news covered in our communities, and hurt local, hard-working businesses that have been passed down for generations as part of the American dream.

Finally, I want to close by mentioning that earlier this month, the Commerce Department lost its case when trying to defend its duties on imports of glossy paper. It was a long two-year legal fight that began during the Obama administration, and we should not repeat the failed mistakes of the past. Whether it's a glossy magazine or a local paper, there is special importance to seeing something in print. I urge you to end the unfair and harsh burden of these tariffs on newsprint, so that local publishers and hard-working journalists can continue to do business and cover our communities. Thank you very much.

CHAIRMAN JOHANSON: Thank you, Representative Moolenaar. Do any Commissioners have questions? Thank you again for appearing here today.

REPRESENTATIVE MOOLENAAR: Thank you.

MR. BISHOP: Our next witness is the Honorable Bruce Poliquin, United States Representative from the 2nd District of Maine.

STATEMENT OF U.S. REPRESENTATIVE BRUCE POLIQUIN

REPRESENTATIVE POLIQUIN: Thank you all very much. I appreciate the opportunity to be before you again. It's been some months since I was last here, but I thank you very much for your service to our great country.

In standing up in this case, the opportunity for all of us to stand up in this case for 600,000 workers across this country, folks that get up every day and try to provide for their families, whether making newsprint or other types of paper, or folks who are in the printing industry, those that are in the publishing industry, and those of course that sell these products in our retail space.

You folks have an opportunity, and so do I, and I'm grateful for that, to do what's right today. I represent Maine's 2nd Congressional District. Now it is one of the most rural districts in the country. It is the largest geographic district east of the Mississippi River. You can take the other five New England states, Commissioners, and stick them in our 2nd District in Maine.

We have two population centers. We have Lewiston-Auburn, we call LA, that has 35,000 people. We have Bangor that has 35,000 people, and then we have 400 small towns. Some of them are really small, and some of them have one major employer, one mill that's been in that town in some cases for 100 years.

You know, around the turn of the century, Central Maine where I'm from and where the town of Rumford is, Western Central Maine, we have these massive rivers, the Kennebec, the Interscoggin, the Penobscott, that run from western and northern Maine down to the Atlantic. We have 3,600 miles of coastline. We have thousands of lakes and streams, hundreds of miles of streams and rivers.

In fact, you folks have a stressful job. If you want to go to Maine and get a great summer vacation, there's still plenty of time to do that. We are Vacationland, by the way. We put it on our license plates.

When I was a kid, central Maine was a great place not only to live, it still is, but to work. We had dozens and dozens of paper mills and shoe factories, textile mills, leather operations. My late brother worked at the Cascade Wool Mill in Oakland, my home town.

To get through school, I worked a night shift at the Wyandotte Spinning Mill in Sidney, which is just down the road from Oakland. My grandmother made some of the best shirts in the world at Hathaway Shirt Company in Waterville, and everybody in the neighborhood seemed like worked over at Scott Paper Company in Winslow, just across the Kennebec River.

All those mills are now closed, and I'll tell you it is absolutely heart-breaking when a mill closes in a small town. I've gone through it. Neighbors leave, schools close, hospitals close, some of our churches close. One of the terrible things that has happened to our state in the last 30 years is that our greatest export in the state of Maine has been our young workers. Our families have left.

I can't tell you Commissioners, how many times I've talked to grandparents and parents saying Bruce, I am so saddened when the 4th of July is over or Easter or Thanksgiving or Christmas, that my kids are putting my grandkids in the back seat of the car. They're packing up the trunk and they're moving out of state. They're returning to where they now live.

Now we have a chance today to help fix this. Now a lot of problems we've had in Maine and throughout this country are our own doing, with high taxes and regulatory environment that is punitive to businesses and high energy costs and yes, unfair trade. We're correcting those issues, and that's why in the state of Maine we have 2.8 percent unemployment. We have more jobs Commissioner, than we have people to fill those jobs. So things are getting better. We do not want to go backwards.

The town of Rumford, Maine is in western Oxford County along the New Hampshire border. It is absolutely gorgeous, and if you miss your summer vacation you can go there in the fall and see the leaves turn. It's absolutely a beautiful part of the world. It has about 5,700 people, and the Rumford Mill that makes newsprint is the critical employer in that part of our state, 650 jobs, good-paying jobs with benefits, health care and retirement.

Folks can still in that part of the state go from high school or a technical school right into the mill and work, and provide for their families. Now I've been before you folks a number of times, and in each time except this one the threat to our jobs in Maine have come from external forces.

This is different. This is coming from within our own country. One mill up in Washington State, a mill with 260 hard workers I'm sure, have come to you and said that they have been injured because of certain circumstances. I come to you and I submit to you sir that the five mills, including our Rumford mill, that produce this paper, this incredibly important paper that we print our weeklies on to support what Dave McKinley and John Moolenaar said, this is a critical part of our local communities.

Remember I said we have 400 small towns. You go to a diner in Skowhegan, Maine or in Jackman, Maine or Bangor, Maine or up in Lubec way down east, and you see this on the diner for a week. It has all the pictures of the sports teams, who maybe has passed on. It's a way to help keep our communities connected. We make this paper in Maine, and there are four other mills in the country that do that. It's so critical that they stay open.

Now these five mills in the United States can only supply about 25 percent of the demand for this newsprint. We've got to get other paper like this from Canada. If we can't do this, then we're jeopardizing 600,000 jobs throughout our country. Again, those that make the paper, those that print on the paper, those that sell this product.

That's why the American Forest Products

Association, the Printing Industry Association, the Book Manufacturing Institute and 2,000 companies that are involved in the media business think that it is a bad idea for these countervailing duties and anti-dumping duties to become permanent. I ask you please, please do not let that happen.

In Rumford, Maine, each of these 650 jobs put food on the table. They make mortgage payments. They buy heating oil. I know it's the middle of July, but the winter comes early in Maine. I ask you please, please do what's right. Please help our people in Maine. Please help 600,000 workers in our country. That is your mission, to help our workers. We know it is right.

I ask you please not to make these duties permanent. I ask you please to reverse this decision and please return the collective duties from those they've been collected from. Thank you all very much.

CHAIRMAN JOHANSON: Thank you Representative Poliquin for appearing here today. Do any Commissioners have questions? Thank you again. We appreciate you being here.

REPRESENTATIVE POLIQUIN: You're welcome. See you in Maine during your vacation.

CHAIRMAN JOHANSON: Thank you.

MR. BISHOP: Our next witness is the Honorable

Dave Trott, United States Representative from the 11th District of Michigan.

STATEMENT OF U.S. REPRESENTATIVE DAVID TROTT

REPRESENTATIVE TROTT: Thank you Mr. Chairman, members of the Commission. I'm always honored to share a podium with Bruce. There is no better advocate for the state of Maine than my colleague, and I will warn you now don't mess with the paper mills in Maine and don't mess with New Balance tennis shoes, because he'll be back here talking at you again if that's the case.

This is the first time I've appeared before you. I appreciate your time this morning, and I'm here to comment on the impact of the anti-subsidy and dumping duties imposed by the Department of Commerce are having on the newsprint industry. In the interest of full disclosure, my family has had an interest in ten newspapers in the state of Michigan for the past 20 years.

As you know, the Commission in September of '17 made a preliminary determination that there was a reasonable indication of injury or threat of injury to the U.S. newsprint industry due to Canadian subsidies and dumping. In January of this year, the Department of Commerce released its preliminary determination assessing countervailing duties on uncoated groundwood paper imports from Canada. The duties, as you know, range from 4.4 to

9.9 percent, and then in March of this year the Department of Commerce released its preliminary reports that imposed duties as high as 22 percent.

As a result, some of the newspapers are being assessed new taxes basically of 32 percent, and as you contemplate and complete your investigation, I ask you to consider the following facts. The allegations of dumping of uncoated groundwood paper made by NORPAC, NORPAC is owned by a private equity firm in New York with no operations outside the U.S.

It's worth noting that a majority of the U.S. newsprint manufacturers and the trade association for the U.S. paper industry, the American Forest and Paper Association, oppose NORPAC's petition for duties on Canadian imports. The opposition is significant because it suggests that NORPAC's petition is motivated by their own self interest, and not a desire to level the playing field.

Second, a decade-long shift to digital platform is the chief reason the U.S. newsprint producers are not doing so well. The threat is not from unfair practices from Canada. Since 2000, the demand for newsprint has been reduced by 75 percent.

Third, the increased costs of 25 to 30 percent is forcing some community newspapers to close or drastically reduce production. Papers are being forced to move more content to digital platforms, which in the long term will hurt newspapers in the U.S. print industry far more than anything Canada is doing.

My fourth and last point is the newspapers that are facing these challenges have in many instances been an integral part of their communities for decades. The tax on newsprint is not good for the papers, not good for the manufacturers, not good for the small towns and cities where they provide their newspapers.

This means that jobs will be lost, the local football games won't be covered, and the decisions by the local school board will be less transparent. For our papers, I'm not involved in the operations, but I suspect several of our long-term employees will either lose their jobs or be forced into part-time work.

In closing, I would like to emphasize again that the decision by the Department of Commerce, were it helpful to the newsprint industry, I would expect that the industry would be supporting NORPAC's petition. But they are not here. They are not here because there has been no injury to the U.S. manufacturers due to the importation of uncoated groundwood paper from Canada. Thank you for your time.

CHAIRMAN JOHANSON: Thank you Representative Trott. Do any Commissioners have questions? Thank you again for appearing here today.

MR. BISHOP: Mr. Chairman, that concludes Congressional testimony at this time. We will now move on to our state government appearances. Our first state government witness is the Honorable Rob Rolfe, Commissioner with the Tennessee Department of Economic and Community Development from the State of Texas. I apologize, from the state of Tennessee.

STATEMENT OF COMMISSIONER ROBERT ROLFE

MR. ROLFE: No apology necessary. Chairman Johanson and distinguished members of the Commission, my name is Bob Rolfe and I proudly serve the state of Tennessee as our Commissioner of Economic and Community Development. Thank you this morning for allowing me to testify in opposition to the proposed tariffs on uncoated groundwood paper imported from Canada.

As our Commissioner of the Department of Economic and Community Development, my job is very simple. It's to promote Tennessee to countries across the globe. In recent years our economy, as we all know, has become most global. Tennessee now leads the country in attracting foreign direct investment. Today, we're home to about 960 foreign companies, investing over $37 billion of private capital, employing approximately 147,000 citizens.

Last year, we were fortunate to export a record $33 million in commodities. International trade is important to our state, so U.S. trade policy, including the one before you today, critical to ensuring that manufacturing jobs continue to thrive in Tennessee. Unfortunately, the trade sanctions on uncoated groundwood paper predominantly used as newsprint, if made permanent, will do significant harm to our state in a couple of ways.

First, these tariffs will hurt domestic paper production located in our state and throughout the southeastern region. In addition, they are creating tremendous chaos, as we've heard disruption, among the smaller regional newspapers in Tennessee. Both matter to the future of our state.

Tennessee is rich with natural resources that have long attracted the forest products industry. In particular, as mentioned earlier, Resolute Forest Products has a mill in Calhoun, Tennessee, as its story is relevant to today's hearing. The Calhoun mill provides a case study of how forward-thinking companies seek to adapt to a shrinking market reality, which is what is happening with the newsprint.

I hope the example will illustrate to the International Trade Commission how permanent tariffs on Canadian imports of uncoated groundwood paper will backfire and end up hurting, not helping, U.S. producers. For context this morning, the Calhoun mill started operations as a newsprint producer approximately 60 years ago.

About 20 years ago, as we've also heard this morning, the digital communication began to dominate the newsprint business, diminishing the needs for newsprint. In fact, since 2000 demand has fallen approximately 75 percent. Resolute Forest Products, as the nation's largest domestic producer of newsprint, recognized the critical need to diversify its portfolio and made a strategic decision to pursue an emerging growth market, tissue.

In 2014, the company invested over $400 million at the Calhoun plant, shutting down its newsprint operations and transitioning to what is now known as one of the most modern tissue operations in North America. The good news is today Calhoun still employs about 550 people in the highly coveted jobs in a very rural part of our state, stimulating about $322 million of economic activity for the region.

Resolute consolidated its current U.S. print operations to two other southeastern mills located in Georgia and Mississippi, again as you've heard, as well as a joint venture mill in Washington state. At the same time, the company invested about $80 million in upgrades to these mills, and what they saw is a more right-sizing future for the newsprint production.

I share this story with you this morning because it illustrates the harsh market realities that newsprint producers have faced over the past two decades. I hope I've helped you understand the challenges that had nothing to do with trade policy and everything to do with the market decline. So we've all had to adjust to the digital reality. The solutions have nothing to do with trade sanctions and everything to do with adaptation and innovation.

We expect that NORPAC will point to a few short-term upticks in mill jobs as evidence that the tariffs may be working. What I foresee is basically a brief sugar high, where tariffs can spur a short-term burst of activity, only to be followed by even more rapid market decline in the U.S. production of uncoated groundwood paper. Ladies and gentlemen, thank you for this time to appear before you.

CHAIRMAN JOHANSON: Thank you, Commissioner Rolfe for appearing here today. Do any Commissioners have questions? There are no questions, but we thank you for being here today.

MR. ROLFE: My pleasure, thank you.

MR. BISHOP: Our next witness is Ted Sprague, president with the Cowlitz Economic Development Council.

STATEMENT OF TED SPRAGUE

MR. SPRAGUE: Chairman Johnson and members of the Commission, I would like to thank you for permitting me to appear today. I have come to speak in support of the Petitioner NORPAC and in favor of the imposition of anti-dumping and countervailing duties to offset the unfair trade in uncoated groundwood paper from Canada.

My name is Ted Sprague, and I'm the president of the Cowlitz Economic Development Council, a position I have held since the year 2000. During my tenure, the EDC has helped recruit over 2,800 jobs and over $1 billion in capital investment to Cowlitz County. NORPAC is the only remaining U.S. producer of uncoated groundwood paper that is not related to a Canadian producer or is owned by newspaper publishers who consume uncoated groundwood paper.

NORPAC is located in Longview, Washington, which is in Cowlitz County, and is an incredibly important employer in our region. It employs nearly 400 people in good family wage jobs. NORPAC is one of the ten largest employers in our county, and it is an important economic driver in southwest Washington, a rural area that has one of the highest unemployment rates in the state of Washington.

In addition to direct employment at the mill, NORPAC supports thousands of additional jobs in forestry, chemicals, transportation and the service sector. NORPAC's economic footprint is significant. NORPAC is responsible for $40 million in salaries and wages paid to employees annually. It spends tens of millions of dollars on maintenance costs every year, which helps support local labor, material suppliers and local contractors.

It supports our state and local tax base by paying more than $10 million in state taxes and $7 million in local taxes annually. It spends $65 million on transportation services each year, supporting our marine, shipping, trucking and railroad sectors. Additionally, it spends about $100 million per year on locally sourced raw materials, primarily wood chips.

NORPAC is an amazing paper mill. It is the largest newsprint and high bright mill in North America. It has three state of the art paper machines. It boasts the largest thermomechanical pulp mill in the world, and it has the best, safest and most well-trained workforce you can imagine. It is right in the middle of the fiber basket of the Pacific Northwest, and its proximity to other inputs and services located on its production campus gives it a distinct advantage.

In addition, NORPAC is a great steward of the environment. It has the capacity to produce 560 tons per day of de-inked pulp at its deinking mill. This recycles the equivalent of all daily newspapers across the Pacific Northwest every day. 87 percent of its electricity is from renewable sources, hydro and wind power.

NORPAC has continually innovated, introducing efficiencies in its operations to remain a low cost producer. But despite all of its advantages, NORPAC cannot compete with the deep pockets of Canadian provincial governments that appear to be willing to spend whatever it takes to keep Canadian mills operating.

Don't take my word for it. Just look at the subsidy determinations issued by the Department of Commerce, which describes all 46 subsidy programs in detail. The sheer number and size of the subsidies provided to Canadian mills is staggering. The unfair trade of Canadian producers have kept prices artificially low, and have prevented even efficient competitors from turning a profit.

If Canadians are willing to subsidize their production of paper that's their choice, but they should not be surprised when competing producers decide to address the issue by filing unfair trade petitions. I thank you very much for the opportunity.

CHAIRMAN JOHANSON: Thank you Mr. Sprague for appearing here today. Do any Commissioners have questions? We have no questions, but thank you again for appearing.

MR. SPRAGUE: Thank you.

MR. BISHOP: Mr. Chairman, that concludes all Congressional and state government appearance testimony. We will now move on to opening remarks. Opening remarks on behalf of Petitioners will be given by Bonnie B. Byers of King and Spalding. Ms. Byers, you have five minutes.

STATEMENT OF BONNIE. B. BYERS

MS. BYERS: Good morning. Bonnie Byers of King and Spalding for Petitioner North Pacific Paper Company. I would like to clarify that this case is about dumped and subsidized imports of uncoated groundwood paper, not just newsprint. The scope of the imported articles includes paper that has not been coated on either side, with 50 percent or more of the fiber content consisting of groundwood pulp, and that weighs not more than 90 grams and not less than 34 grams per square meter.

Identical products are manufactured in the U.S. and Canada, and clear dividing lines separate uncoated groundwood from other types of paper. Therefore, the like product should be the same as in the preliminary phase. Based on the like product criteria, there is no basis to separate newsprint from other types of uncoated groundwood paper.

The conditions of competition make the domestic industry especially susceptible to injury from unfairly priced imports. First, uncoated groundwood paper is a price-sensitive commodity like product. The scope includes products of various grades, basis weights and brightness levels. There is an identical competing import for every domestic product, and there is a direct head to head competition between subject products and domestic products all along the continuum of subject merchandise and in all customer categories.

Domestic and imported products are highly interchangeable and sold primarily on the basis of price, as confirmed in your questionnaire responses. Prices in this industry are also highly transparent. Second, as the Commission is aware, paper production is very capital intensive. Producers seek to run their paper machines as close to 24-7 as possible, to maximize production and minimize per unit fixed costs.

Therefore, domestic producers have no choice but to meet lower import prices to maximize volume. Third, like other paper products the Commission has investigated, demand for uncoated groundwood paper declined about six percent per year over the POI. This is due to the shift from print to electronic media and online advertising.

This has two important ramifications that make the domestic industry even more vulnerable to unfairly traded imports. First, buyers have increased market power to force price concessions from producers, and second, producers have been forced to shutter capacity in order to minimize over-supply and to maintain high operating rates on remaining assets.

In this case, the fair and orderly reduction of capacity has been distorted by Canadian subsidies, and the adjustment to lower demand has fallen disproportionately on the U.S. industry. The record in this case demonstrates that the statutory requirements for a finding of material injury have been met.

First, the volume of subject imports is significant. Staff report data show that all imports account for over 50 percent of the U.S. market, and we know that imports from Canada dominate imports from all sources. The market share of subject imports increased from 2015 to 2017. This increase is even more pronounced when significant capacity closures that are not reflected in the staff report are taken into account.

Second, the subject imports cause significant adverse price effects through pervasive under-selling. Subject imports undersold the domestic like product in 83 percent of the quarterly pricing comparisons. By volume, 2.9 million of 3.2 million metric tons, or almost 92 percent of Canadian pricing product imports undersold the domestic like product.

Finally, the subject imports' negative volume and price effects seriously impacted the domestic industry's capacity, production, capacity utilization, employment profitability and capital investment. I would note that this case is already having a positive impact on the industry, as both NORPAC and White Birch have taken steps to reopen idled capacity and rehire hundreds of laid off workers.

Because the industry is already injured, there's no need for the Commission to assess threat. But the persistent under-selling, the export orientation of the Canadian industry and the massive government subsidies demonstrate that future injury is also imminent. Thus, the statutory requirements for material injury are met. The Commission should reach affirmative final determinations in these investigations. Thank you.

MR. BISHOP: Thank you, Ms. Byers. Opening remarks on behalf of Respondents will be given by Elliot J. Feldman of Baker and Hostetler. Mr. Feldman, you have five minutes.

STATEMENT OF ELLIOT J. FELDMAN

MR. FELDMAN: Mr. Chairman, Commissioners, hyperbole can be challenging at the Commission. Advocates proclaiming their cases to be unlike any others as if novelty might influence an outcome. Still, this time, hyperbole may be no exaggeration.

Congressman and Senators come before the Commission all the time, but not in double-digit numbers in the middle of the summer for respondents. And those testifying represent a much larger cadre who have written and signed letters to Commerce and the Commission, and to our knowledge, not a single member of Congress or the Senate supports this petition. Nor does a single company in the industry.

Not only members of Congress and Senators, this petition seems to have galvanized bipartisanship, and in an election year. State officials. Newspaper editors and publishers from every corner of the United States. Journalists from small town and rural America. The Communications Workers of America. The Teamsters.

Who could've imagined the president of the Teamsters pleading with the Secretary of Commerce and the Commission not to impose protectionist measures against foreign imports? This intense engagement concerns the Fourth Estate itself, and therefore some of the most sacred values of American democracy. The First Amendment of the Constitution of the United States summons protection of the press. This investigation threatens the First Amendment.

We'll present eight witnesses, and you will hear testimony from an independent interested party speaking for the printing industry who fears this take-down of the paper industry will destroy his industry, too. As paper declines, he has less to print on.

Our witnesses will explain, first, that newsprint is a distinct like product and the most important of the uncoated groundwood papers. You heard congressional testimony treating these two terms virtually as synonymous. Newsprint is the essential ingredient of newspapers and second in cost only to labor.

You'll hear testimony that, as the price of newsprint goes up, the resources available for journalists and reporting go down. The size of the newspaper shrinks because fewer pages are affordable to print. Fewer pages mean making less newsprint.

The fate of other uncoated groundwood paper is tied to newsprint. High bright and supercalendered paper are used primarily for advertising inserts in newspapers. As newspaper circulation declines, accelerated by rising newsprint costs that raise subscription costs, less newsprint is used for fewer newspapers and fewer inserts.

The industry producing newsprint is in secular decline because readers of printed newspapers are in decline. This petition is accelerating the demise. The end of newspapers necessarily will mean the end of newsprint. Increased costs for newsprint means increased costs for newspapers, which together will spell the death of both of them. No hyperbole, no exaggeration.

This case then is about newspapers as much as about newsprint. It's also about the related printing industry. Additional witnesses will describe a regional newsprint industry with international competition confined to one region of the United States, dominated by competition among American companies, not between Americans and Canadians.

They'll report on how the industry is coping with secular decline in demand and why there is neither injury nor threat of injury emanating from Canada. Petitioner in the preliminary phase neglected to tell the Commission about its genesis from the sale of a joint venture by owners who are in the pulp and paper and forestry business, Weyerhaeuser and Nippon Paper Industries, to a disinterested hedge fund a continent away.

Joint venture partner Nippon Paper cancelled its annual purchase of 60,000 metric tons with the sale of the company. Environmental problems on the mill site led to a prolonged closure of all operations. Customers couldn't be serviced and others must have doubted the reliability of supply. A daily newspaper, after all, needs a daily supply of newsprint.

These calamities inevitably meant lost sales, lost revenue, a decline in demand and a corresponding decline in production, all the indicia of a wounded company with which the Commission sympathized in the preliminary phase. But the causes, the defects of the deal, the unanticipated environmental calamities, the secular decline of the industry, caused by an inexorable gravitation to the digital dissemination of news had nothing to do with imports.

While every other North American producer confronted the reality of a declining industry by thinking creatively about diversification and survival, NORPAC preferred a cartoon, "Blame Canada". No one else blamed Canada. Only NORPAC. And only NORPAC evaded capacity reduction required by collapsing demand.

American production of subject merchandise is limited to the South and Southeast and the Pacific Northwest and West. The Quebec and Ontario suppliers do not compete significantly with American producers and Alberta production ships predominantly east. The only serious competition from Canada is concentrated in the West with three American and one Canadian producer all within five hundred miles of one another.

And there, to the extent petitioner has a competitive problem, it's with other Americans, not Canadians. NORPAC argues the tariffs would add meaningless pennies to the cost of newspapers. The newspapers will tell you otherwise. If what NORPAC claims were true, that relief would be trivial, one would have to ask what the point of the petition could've been.

But sadly it's not true. NORPAC doesn't care whether it accelerates decline and puts newspapers out of business. After all, by then, One Rock Capital will have shed this purchase that it surely regrets and moved on, leaving behind the wreckage of what has been since the nation's founding, a pillar of the First Amendment. Thank you very much.

MR. BISHOP: Thank you, Mr. Feldman. Will the panel in support of the imposition of antidumping and countervailing duty orders please come forward and be seated? Mr. Chairman, this panel has sixty minutes for their direct testimony.

MR. JONES: I guess we should get started. This is Steve Jones from King & Spalding representing the petitioner North Pacific Paper Company. Good morning, members of the Commission. Our first witness today is Craig Anneberg.

STATEMENT OF CRAIG A. ANNEBERG

MR. ANNEBERG: My name is Craig Anneberg and I am the Chief Executive Officer and North Pacific Paper Company, or NORPAC, the position I have held since October, 2016. Prior to becoming CEO, I served as both President and Mill Manager at NORPAC. Prior to that, I worked for thirty-seven years for Weyerhaeuser in a variety of positions including research and development, and a variety of engineering roles.

I've spent my entire career in the paper industry. We appreciate the opportunity to be here today. These investigations are very important to the survival of our company, and we welcome the opportunity to provide you with information that will support an affirmative material injury determination.

NORPAC produces uncoated groundwood paper at our mill in Longview, Washington. The Longview mill houses three state-of-the-art paper machines and has the capacity to produce 770,000 metric tons of paper per year. The mill was built in 1979 and until 2016 was owned by a joint venture of Weyerhaeuser Corporation and Nippon Paper.

On November 1st, 2016, the mill was purchased by One Rock Capital Partners, LLC, a private equity firm that invests in and promotes manufacturing in the United States. Our mill is the largest in the United States producing uncoated groundwood paper and employs about 385 people directly and many more indirectly who provide a host of goods and services to the mill.

NORPAC has experienced significant negative effects as a result of dumped and subsidized imports of uncoated groundwood paper from Canada. Low-priced imports from Canada have taken sales volume from us, depressed our prices and also undersell our uncoated groundwood paper in the United States. Dumped and subsidized imports caused prices in the United States to fall significantly over the period of investigation.

And this unfair competition significantly eroded our profitability and other financial indicators during the period forcing us to shut down our Paper Machine One, which accounts for about one-third of our paper making capacity. Only the filing of this petition for this, and in the affirmative ITC preliminary determination and the preliminary duties set out by the Department of Commerce, reversed this trend.

As a result of these post-petition effects starting in the last quarter of 2017 through the present, our production is up, our capacity utilization is higher. Our shipments are increasing, and our profitability is up. We were also able to restart Paper Machine One in May of 2018, bringing back sixty employees who had been laid off when we shut the machine down.

Demand is declining for uncoated groundwood paper and for all printing and writing papers. This has forced the U.S. industry to become as lean and efficient as possible. NORPAC has done everything in its power to trim costs. For example, we have taken cost-cutting measures with respect to fiber utilization, chemical usage, machine reliability, supply chain optimization, labor costs and energy conservation projects.

However, despite all our efforts to reduce costs and despite the closure of several mills in the United States and Canada over the past five years, subsidized Canadian imports continue to depress and suppress market prices in the United States, which resulted in deteriorating profitability and cash flow for our company. We put facility upgrades and research and development efforts on hold due to the pricing environment. These difficulties are described in greater detail in our questionnaire response.

The reason the prices in the United States remain so depressed over the period of investigation is the large availability of Canadian supply, and the intense price competition by Canadian producers. In 2012, U.S. producers held close to 60% of the U.S. market. In 2014, however, U.S. producers' market share plummeted to about 40% as a result of a jump in subject imports of about a half a million tons, an increase of 20% in a single year. And keep in mind that this increase occurred in the face of falling demand.

U.S. producers were never able to recover as the onslaught of unfairly priced Canadian imports continued. And from 2014 until 2017, 2.3 million metric tons of uncoated groundwood capacity has been shuttered in the United States. There are now only two U.S.-owned producers of uncoated groundwood paper remaining.

The numerous closures throughout the industry are detailed in our prehearing brief. These closures include Resolute's shutdown of two machines at this mill in Calhoun, Tennessee in September of 2017, representing idling of another 356,000 tons of capacity and the loss of 222 jobs. What was particularly galling about the Resolute closure, however, is that while Resolute was closing down capacity in the United States, it reopened one of its idled paper machines at its Alma mill in Quebec in order to service U.S. customers.

Canada now dominates the U.S. market, not because of any inherent advantage, but because of massive assistance that the Canadian producers receive from their provincial governments and the Canadian federal government as the Commerce Department's preliminary determined and verified.

The Canadian market for uncoated groundwood paper is less than one-fifth of the U.S. market and yet Canadian producers now have more than 70% of North American capacity. As a result, Canadian producers are, by necessity, highly export-oriented. And the United States is their most important market.

It's important to understand that the production of uncoated groundwood paper is highly intensive. For example, a greenfield pulp mill and paper facility with one paper machine would cost about $700 million to construct today. These mills are designed to run continuously, 24 hours a day, 7 days per week, and profitability is dependent on maintaining high capacity utilization rates.

When we run at lower operating rates, our operating efficiency is significantly reduced, and our costs are significantly increased. When we can no longer sell our uncoated groundwood paper profitably, we are forced to take extended down time on our paper machines. If we are unable to sell profitably over an extended period of time, we have to shut the paper machine down.

And in fact, the terrible market conditions brought about by low-priced Canadian imports forced us to idle one of our three machines in October of 2017. This led to a reduction of over a hundred positions at the mill. The market conditions also forced us to ask the remaining employees to reduce their pay. We had to stop the company's matching program for our employees' 401K plan as well.

Fortunately, due to improving prices in the market, following the filing of our petition in this case, we were able to restore our employees' pay, bring back 401K matching and restart that paper machine. Currently we have been able to hire back 60 full-time employees as part of the restart of that paper machine.

We are hopeful that we can bring back all the jobs lost during the shutdown in the near future. But we will only be able to continue to add more employees if domestic uncoated groundwood paper industry is granted relief from unfairly priced Canadian imports.

We are not the only U.S. producer who has been able to restart operations during the improved market conditions seen after the petition was filed. In May of 2017, White Birch shuttered its Bear Island mill in Ashland, Virginia, put the facility up for sale and replaced Bear Island's production with shipments from its three mills in Quebec.

But just last week, White Birch announced that it plans to restart the mill in the next three months producing newsprint. What's more, Cascades, Incorporated, a Canadian paper company, announced they will invest $275 million to build a pulp mill at Bear Island, creating 160 new jobs. The re-establishment of U.S. capacity both at NORPAC and at White Birch, would not have taken place without the pressure put on Canadian producers by these investigations to stop their unfair pricing practices.

In short, we have been materially injured by dumped and subsidized imports from Canada. Moreover, while the domestic industry has seen improvements in the market due to the filing our petition, the future of the U.S. industry producing uncoated groundwood paper is bleak unless affirmative final determinations are reached in these investigations.

Despite the demand issue in this industry, U.S. producers can be profitable given a fair market to compete in, as demonstrated by the imminent restart of the Bear Island mill. However, if we are not able to level the playing field in the United States, the future of our mill is in jeopardy. On behalf of NORPAC paper and all of our employees, we ask the Commission to reach an affirmative material injury determination in these investigations. Thank you very much.

MR. JONES: Our next witness is Rob Buckingham from NORPAC.

STATEMENT OF ROBERT W.A. BUCKINGHAM II

MR. BUCKINGHAM: My name is Rob Buckingham and I am the Vice President of Manufacturing for NORPAC, a position I have held since March, 2017. As Vice President of Manufacturing, I oversee the day-to-day operations of our mills' three paper machines and integrated pulp mills. Prior to my current position, I was NORPAC's paper mill manager and worked in various production management and engineering positions throughout NORPAC and at several other integrated paper mills earlier in my career. I have thirty years of experience in the paper industry.

I would also like to thank you for the opportunity to be here today. This case is critical for our company and our workers. NORPAC's paper mill is world-class. We have some of the most efficient machines, a highly trained and dedicated workforce, an ample supply of fiber, and ready access to other raw materials. NORPAC's Longview, Washington mill has three paper machines with 770,000 metric tons of total capacity. With our machines, we can produce the whole range of grades of publication paper and newsprint.

Our mill has significant scale and flexibility throughout our production processes which allows us to efficiently optimize our grade mix to meet the constantly changing demands of our customers. We are fully integrated with one of the largest thermomechanical pulp mills in the world and we have an onsite recycling facility.

NORPAC has been producing uncoated groundwood paper since the mill started in 1979. Until prices began to plummet in 2015, we continually invested in technical upgrades to optimize the efficiency of our operations, develop high-performance work systems, deliver recognized top-quality products to a challenging market, and have introduced innovative manufacturing techniques to keep us at the top of our game. In addition, we have put in place cost-cutting measures to remain competitive.

Uncoated groundwood is produced from mechanical pulp, chemical pulp, mineral fillers and other additives. Chemical pulp, typically added for a strength reinforcement for some grades, can either be produced by the paper producer or it can be purchased on the open market. The mechanical pulp is typically bleached to improve the optical properties of the paper.

NORPAC produces a full array of uncoated groundwood papers, from standard newsprint to high-bright and super-bright newsprint to book papers, almost all of which are shipped in roll form. All of these products have the same basic physical characteristics, but are made in a variety of brightness levels, basis weights and calipers to serve a customer's particular need and budget.

We can produce a variety of grades, from 40gsm newsprint on the low end, to 82gsm book grade on the high end. Higher brightness levels are achieved by adding a higher percentage of high-bright fillers, additives and bleached pulp to the slurry mix. High-bright papers and regular uncoated groundwood paper are interchangeable and can be used in the same way, on the same printing presses and for the same types of publications in printing materials.

Book papers, a type of high-bright paper, are made to very strict tolerances for the caliper of the paper, as this is an end-use where strict consistency in color and caliper are critical. We make all types of high-bright paper and newsprint on the same machinery and equipment using the same workers and using the same inputs.

As Craig noted, paper production is highly capital intensive. In addition, certain operational efficiencies are lost when we operate below full capacity, resulting in higher unit costs. Given the need to cover higher fixed costs and to operate most efficiently, paper producers have an economic incentive to run their paper machines constantly and at maximum reliable rates. The complexity of managing the operational considerations of the machine also incentivize consistent operation in order to minimize employees' safety risk and deliver a reliable product quality and repeatable customer delivery performance. The machines are designed to be run 24/7 with planned scheduled shoutdowns for preventative maintenance. They cannot simply be turned on and off without encountering potential technical problems upon restart and without incurring significant costs.

From an operational perspective, NORPAC is a world-class manufacturing facility that can compete effectively with any other producer in the North America. Our machines consistently rank in the top tier of Pulp Paper Products Council operating efficiency benchmarking results. Regarding cost management, we have consistently implemented energy conservation measures, redesigned our work and invented numerous new grades.

But in order to be successful, we need to be able to compete in a market free from dumping and subsidies. Unfairly traded imports from Canada have taken a heavy demoralizing and economic toll on all in our company over time. This climaxed in November when we had to shut down our Paper Machine Number One. Prices for uncoated groundwood paper had dropped so low, we couldn't justify keeping all three of our machines going.

This heart-wrenching development affected not only our employees and their families, but also our suppliers, customers, contractors and their families that have worked together to create a world-class enterprise that all are proud to be affiliated with. It was therefore with great relief that prices began to recover with the imposition of preliminary duties in January of 2018.

This allowed us to restart our Paper Machine Number One in May, to hire back 60 employee and to restore the pay cuts and benefit reductions we'd made in 2017. The duties are helping us by offsetting the unfair advantage Canadian producers have from government subsidies. Please make these duties permanent by making an affirmative determination.

MR. JONES: Next witness is Tom Crowley.

STATEMENT OF LEO THOMAS CROWLEY

MR. CROWLEY: Thank you. My name is Tom Crowley. I am Vice President of Sales and Marketing for NORPAC, a position I've held since June, 2014. In this position, I oversee the sales and marketing of all of our paper products in both our domestic and export markets. Prior to my current position, I was Senior Vice President for Sales and Marketing at Catalyst Paper and before that was Vice President of International Sales at Abitibi, Consolidated. I have twenty-six years of experience in the paper industry.

Imports of uncoated groundwood paper from Canada serve the entire range of end uses in the U.S. market and we compete against these imports in every product category and at the vast majority of our major accounts. Before the preliminary duties were imposed, we were under constant pressure from our customers to lower prices and our customers frequently invoked Canadian pricing to get us to do so.

Uncoated groundwood paper is a highly standardized product. For this reason, it is both fungible and highly price sensitive. The imports from Canada are completely substitutable with the uncoated groundwood paper made by domestic producers. It may be that the Canadian producers who will testify this afternoon will seek to differentiate their product from ours, but our experience has been that there is no significant end use application within the scope of the investigation for which we do not compete.

Moreover, the quality of the uncoated groundwood paper produced in the United States is identical to the uncoated paper produced in Canada. Imports from Canada also serve the entire U.S. geographic market, and we compete with those imports throughout the United States and at most of our customers. In order to serve our markets east of the Rockies, we maintain warehouses in Chicago, Illinois and Chambersburg, Pennsylvania.

As others have noted, demand for uncoated groundwood paper is in secular decline as a result of primarily a replacement of paper with online purchasing and advertising and the rise in popularity of digital medium. In our sales negotiations with our customers, we attempt to emphasize our product quality and reliability.

Unfortunately, our customers are under intense pressure to reduce their own costs and all our major customers have had imports from Canada as a supply option. The U.S. market is essential to each of the Canadian producers and they must sell most of their volume in the United States.

To make sales, the imports from Canada routinely undersell us. Thus, we have had to reduce prices to maintain sales volumes. As had been noted, the production of uncoated groundwood paper is highly capital intensive and the paper machines are not designed to be turned off and on.

Every producer wants to run 24/7 and this fact has undeniable implications for competition among uncoated groundwood producers. In short, producers are loath to lose volume and will sacrifice profit margins in the short term to keep paper machines running. Uncoated groundwood paper is sold to paper merchants and to end users. End users include newspapers, publishers, commercial printers and retailers.

Regardless of the purchaser, however, uncoated groundwood paper is ultimately shipped directly to the printer or print facility. This is true for both U.S.-produced and Canadian uncoated groundwood papers. Virtually all uncoated groundwood paper is quoted and sold on a delivered basis.

It is also important to note that demand for high-bright paper has decreased at a much slower pace than the decline in newsprint demand and there are signs that the downward trend is flattening out. Your staff report shows that the U.S. standard newsprint consumption declined 16% over the POI.

By contrast, consumption of high-bright papers only declined by 4%. Consumption of high-bright paper actually rose from 2015 to 2016 before falling in 2017. The high-bright segment is important to our business and we have experienced the same pricing pressure from Canadian competitors in this segment as we have in newsprint.

There has been no safe harbor. Customers' buying power for uncoated groundwood paper has grown more concentrated over time, particularly in the newsprint segment. This concentration of buying power is a result of several factors, including a reduction in a number of news publishing companies, the reduction in the number of printed pages per publication, mergers and consolidations in the newspaper industry, and the increased use by independent publishers and distributors of buying groups who band together to negotiate uncoated groundwood paper prices.

Gannett which is testifying here today runs one such buying group. This increased concentration of demand has made it even easier for customers to leverage lower Canadian prices and renegotiate their contracts causing us injury and making us even more vulnerable to unfair trade from Canadian producers.

While uncoated groundwood paper is sometimes sold under contract, contracts generally do not specify a fixed price or volume and in reality, volume projection change and prices are frequently renegotiated. The market for uncoated groundwood paper is very transparent with respect to prevailing prices.

Several publications, including RISI and in the past, Reel Time, provide price ranges in their reports. And as a salesman, I usually have a very good sense of what prices are being offered in the market at any given time. In their brief, respondents have asserted that the market for newsprint is regional and that the mills in the Western U.S. do not compete with the Canadian mills in the East.

I can tell you from my own experience that newsprint is nationally priced. A price change in the East Coast will quickly ripple through the U.S. market and impact the West Coast. Large buying groups will leverage their pricing deals with subsidized Eastern Canadian suppliers and force that pricing on U.S. West Coast producers. So even when NORPAC was not shipping significant volumes of newsprint to the East Coast, we were still affected by pricing in that region.

Plus NORPAC ships significant volumes to the U.S. South over the period of investigation, where we face stiff competition from Canadian mills. As already noted, we ship high-bright and book papers nationwide and compete with imports from Canada in every region. So it is simply not true that our competition is limited to the Western U.S.

I am also pleased to note that since preliminary duties were imposed a few months ago, NORPAC has been able to increase our sales of newsprint to the eastern region of the United States. Respondents also claim that newspapers are moving towards the use of lighter basis weight newsprint and that U.S. producers either cannot or will not make it.

I cannot speak for other U.S. producers, but that is certainly not true for NORPAC. We made 40gram newsprint until we closed Paper Machine Number One, and we will make it again if justified by market pricing. I cannot talk publicly about our specific performance result, but it is well-known that during the period of investigation, U.S. market prices were not producing adequate operating returns.

We had to lower our prices to meet competition from dumped and subsidized Canadian producers, which significantly reduced our revenue over the period of investigation. Pricing finally reached the point where we had to shut down one of our three paper machines; however, prices have risen since preliminary duties were imposed with all Canadian producers announcing price increases. This has allowed us to increase our prices and restart Paper Machine Number One. I appreciate your attention, and I look forward to your questions.

MR. JONES: Our next witness is Bryan Lucas.

STATEMENT OF WILLIAM BRYAN LUCAS

MR. LUCAS: Hello. My name is Bryan Lucas and I'm a Senior Fiber Control Room Operator at NORPAC. I have worked at the mill for thirty-eight years. Both my parents worked at the mill from the time it first started up in 1978. I started working there when I was a senior in high school. Being around a production plant making paper was interesting and exciting. I loved the family atmosphere at NORPAC. Everyone knew everybody's name and cared for each other like a family.

I was hired fulltime at NORPAC in 1980 and worked in the maintenance department. I eventually got a job in the pulp mill. We take the raw material like wood chips and transform them into a pulp which is made into paper. Over the years, I climbed through the ranks to become a Senior Control Room Operator.

During my time in Longview, I got married and started a family. My wife and I have three wonderful kids. The oldest two went to college and have great careers, and our youngest is still in college. Over the last few years, it has been unsettling watching paper sales decline and mills close as Canadian imports push prices down. With all the instability in the market due to Canadian imports, lots of talented people with years of experience have fled the mill to find more steady employment for their families.

Losing people with significant experience has a severe impact on morale. When NORPAC announced that it was shutting down Paper Machine Number One last year, it really hit home. Close to one-third of our employees were laid off and we had reductions in pay and lost our 401K benefits. I was concerned that if I were laid off, I wouldn't be able to pay for my son's schooling. Finding another job at my age would be difficult.

Our community has already been hit hard by the closure of Reynold's Aluminum and other paper mills. With NORPAC going down, it would be another huge hit, not only for the employees, but for the community as well. Now that duties have been imposed, NORPAC's business has improved. Paper Machine Number One has restarted. We have hired back 60 employees. Our pay and benefits were restored and morale and our performance are improving.

Keeping NORPAC running is vital to our families and the community of Longview. I want to mention that I am joined here today by Scott Markanen and a electrical technician who has worked for NORPAC for two years. And Frank Enriquez, a furnace operator who has been with NORPAC for over twenty-eight years, who is a second-generation NORPAC employee, who also has a son working in the paper mill. The three of us are here today to represent all the workers at NORPAC who ask you to make a affirmative determination in this case. Thank you.

MR. JONES: Our next witness is Greg Pallesen.

STATEMENT OF GREGORY A. PALLESEN

MR. PALLESEN: Thank you. Good morning. My name is Greg Pallesen. I'm the President of the Association of Western Pulp & Paper Workers Union, the AWPPW, the position I've held since January of 2017. Prior to being elected to the president position, I was the Vice President and Political Director since 2003. The AWPPW was established in 1964 at which time we had 24,000 members. Today we represent 4,000 pulp and paper workers nationwide.

In my time with the union, I have seen hundreds of paper mills downsized or closed. Thousands of workers have lost their jobs. While some of these closures can be attributed to the decline in printing and writing papers, much of the pressure to close has come from unfair competition from major producing countries like Canada.

With respect to uncoated groundwood paper, there have been significant capacity closures of AWPPW mills in the past five years. In 2012, SP Fiber closed a paper machine at its mill in Newberg, Oregon. That machine produced newsprint and our trade adjustment assistance application which was certified, filed December of 2012, related to that machine shutdown, we noted that the closure would result in the layoff of 275 employees and was a result of SP Fiber moving production from Oregon to a mill it owned in Canada.

In January of 2014, SP Fiber converted its Paper

Machine Number Five in the Newberg mill to production of lightweight packaging, but continued to produce newsprint on its Paper Machine Number Six. Then in 2015, SP Fiber idled its remaining paper machines and sold the mill to WestRock Company. While we were given reasons to expect that WestRock would restart the mill, the company announced in January of 2016 that it was permanently closing the mill, throwing 220 workers out of work.

In our application for TAA worker assistance filed in October of 2015, we stated that the U.S. paper industry faced significant global competition from Canada and China, and that the U.S. is the top importer of Canadian converted paper products such as those produced in Newberg. The AWPPW is working hard to get the Newberg facility reopened, including working with a potential buyer that wants to restart the mill, but so far, there's been little progress.

Another AWPPW producing uncoated groundwood paper mill closed in 2017. This was a mill owned by Nippon Paper in Port Angeles, Washington. You will hear more about that closure from Andy Grossell in a minute. I think it's important to point out that your staff report is missing the complete story about what has happened to the uncoated groundwood industry in America. The data is in the staff report does not capture the impact of many closures that have occurred since 2013.

In addition to the two AWPPW mills I already mentioned, the following mills also closed: The Catalyst Newsprint Mill in Snowflake, Arizona in 2013, which cost 313 workers their jobs; the Great Northern Mill in Millinocket, Maine, in 2013, resulting in the layoff of 225 workers; the FutureMark mill in Manistique, Michigan, in 2015, which put 150 workers out of a job; White Birch's Bear Island paper mill in Ashland, Virginia in 2017, resulting in the layoffs of 165 workers; and the Resolute mill in Calhoun, Tennessee, in 2017 which led to the layoff of 222 workers.

Most of these mills were represented by United Steel Worker mills. All but one was certified for TAA assistance. Due to the impact of Canadian imports and because Canadian producers moved production from the United States to Canada, in all, 1,600 workers have lost their jobs because of unfairly traded imports from Canada. You're not going to read that in your staff report, but the job costs are documented in the Labor Department applications filed by separated workers.

And for every one of our jobs, a ripple effect causes another five jobs lost in the communities where these mills have closed. I would point out that these are good jobs. The pay on average is $26 per hour plus benefits. Those wages and benefits have stagnated, however, due to the impact of dumped and subsidized product from Canada.

More mills have shut in the U.S. than in Canada, and many more jobs have been lost by American workers. Why? Canadian mills particularly, the least efficient of those mills have long been protected by their provincial governments, which provide a safety net in the form of big subsidies.

Kruger, for example, was found by the Commerce Department to benefit from twenty-one subsidy programs. Resolute benefits from nineteen subsidy programs and Catalyst benefits from eleven subsidy programs. The provincial governments are breaking world trade organization rules when they do this, but they don't seem to care. They only care about preserving jobs in the forest-related product sector.

This comes at the expense of mills and jobs in the United States. Our members support International Trade that has fair standards. Canadian subsidies are not fair. Speaking on behalf of U.S. paper workers, I ask that you make final affirmative determinations in this case. Thank you very much.

MR. JONES: Our next witness is Mark Cutshall.

STATEMENT OF MARK CUTSHALL

MR. CUTSHALL: Good morning, Commissioners. My name is Mark Cutshall. I'm a heavy equipment operator at

Ponderay Newsprint Company, where I've worked since the mill opened 29 years ago.

I'm a member of the Association of Western Pulp and Paper Workers Local 422 and I've been a member since the mill unionized in 2011.

I really appreciate the opportunity to testify here today and to give you perspective of the workers in a mill that has long been battered by unfairly traded imports from Canada.

This mill is a joint venture between Resolute Forest Products and a group of newspaper publishers, Gannett, McClatchy, Media News, and Copley Press.

The mill has a single machine that produces exclusively newsprint, which has the capacity to produce 226,000 metric tons of paper per year.

We are located in Usk, Washington on the Ponderay River in a beautiful rural area 45 minutes from Spokane and close to the Idaho border. The mill employs about 143 people.

I love my job. I started the day the mill opened its doors and know the facility like the back of my hand. I performed several jobs at the mill for my time on the start up for the thermal mechanical pulp mill, to working on the fluidized bed boiler, to helping start up the de-inking mill.

While the job is hard, it's good, honest work and it pays a decent wage. It has allowed me to send my kids to college of which I'm extremely proud. The mill's really important to our region, as there are not many other jobs that would have the same level of pay and benefits.

And it's important to consider that it's not just about the jobs at the mill, but also, all the jobs that support the mill's operations, including a whole lot of companies that provide inputs and services to the mill.

For example, we get our wood fiber from eastern Washington, northern Idaho, western Montana. Our mill supports those timber jobs and the jobs those that transport fiber to the mill. Our taxes support the local schools with fire and police departments and local businesses.

We all support each other. I am the president of our local school board and I feel privileged to be able to give back to my community. The model I've tried to live my life by is in the interest of all.

The owners of our mill don't support this investigation, but I can tell you that the workers sure do. Resolute has a whole lot more production in Canada than they do in the United States. The gap between Resolute's Canadian production and American production keeps getting larger, especially after Resolute shut down three machines in the U.S. in 2016 and 2017.

The other owners of Ponderay, the newspaper publishers, naturally, they don't want to see the prices go up, so they don't support this case either, but I can tell you on behalf of the people who operate our mill, as well as our families and members of our community who rely on paychecks we bring home to sustain this small corner of Washington state, that we strongly support the efforts to make sure we can compete on a fair basis. We want to see that unfair trade from Canada is fully addressed, otherwise Ponderay might be the next mill to close. Thank you.

MR. JONES: Our next witness is Andy Grossell.

STATEMENT OF ANDREW GROSSELL

MR. GROSSELL: Thank you. My name is Andy Grossell. Until I was laid off in January of 2017, I worked at Nippon Paper Industries Uncoated Groundwood Paper Mill in Port Angeles, Washington. I started work at Nippon in 2012 after having worked in another paper mill in Grand Rapids, Minnesota.

In Grand Rapids, I was a member of the teamsters and in Port Angeles, I was the union president of AWPPW, the local 155. At the Port Angeles mill, I held a variety of positions, including work on the paper machine winders and cores. The Port Angeles mill originally had two paper machines that produced directory, newsprint, high bright, and Bible paper.

The facility also had a pulp mill and a bio mass electric cogent plant built in 2012. In 2014, in response to intense competition from Canadian imports, Nippon decided to shut down one of the two machines. This left a good portion of the workforce jobless and the morale of the remaining workforce unstable, diminished, and uncertain of all their family's future.

As the union said in our trade adjustment assistance filing at the time of the closure, competition had pushed Nippon out of the market and forced the company to downsize. Our TAA application also noted that subsidies of the Canadian industry resulted in below market price product, traveling across U.S. borders, placing a significant pressure on U.S. paper mills to compete.

Ultimately, the Labor Department agreed with us and granted our request for TAA worker assistance. Nippon then decided to produce packaging paper, in addition to newsprint and directory paper on its one remaining paper machine.

This included the production of paper bags and butcher paper. Unfortunately, paper prices continued to decline in 2015. And in 2016, Nippon decided to put the mill up for sale in the summer of 2016.

While waiting for a buyer, Nippon shut down the mills remaining machine in January of 2017. Nippon did end up selling the Port Angeles mill and cogeneration assets to McKinley Paper Company, a U.S. subsidiary of Bio-PAPPEL, a leading paper products producer in Mexico.

McKinley has stated its intention to retrofit the mill and restart operations, but so far, this has not happened. I would really urge you to look at the list of subsidies that the Canadian mills benefit from. It is amazing to me the lengths at which the Canadian provincial governments will go to to keep their mills in operation.

When the Labor Department issued its TAA certification for the mill closure in 2017, it found that increased imports contributed significantly to the worker group separations and the sales prediction declines at Nippon.

My last day on the job at Nippon Paper was January 19th, 2017. Since then, I've been unable to find work that utilizes my training and years of experience at another paper mill. Instead, I've been doing tree trimming work. I've taken a big cut in pay and lack the benefits I had when I worked for Nippon.

Overall, about 250 people lost their jobs when the Port Angeles mill closed last year. Those people are not around to tell you that the mill closure was a direct result of unfair trade by Canadian producers and their governments.

The data for this mill isn't reflected in your staff report either for the simple reason that Nippon isn't around to fill out a questionnaire response, but I would urge you to take into consideration the thousands of jobs that have been lost, the many companies that aren't around anymore, and the many American working families left reeling and scraping due to these unfairly priced imports when taking your injury determination into consideration. Thank you.

STATEMENT OF DANIEL W. KLETT

MR. KLETT: Good morning, I am Dan Klett, an economist with Capital Trade, testifying on behalf of NORPAC. I will address five issues.

First, certain conditions of competition. Second, volume effects including the implications of missing questionnaire data from the U.S. producers that have closed. Third, price effects. Fourth, impact, particularly regarding losses incurred by the U.S. industry over the entire POI. And fifth, alleged adverse effects for U.S. newspapers as the result of ADCVD duties.

Uncoated groundwood paper can be characterized as a mildly differentiated commodity. As shown in slide 1, it is sold in a finite number of combinations of basis weights, brightnesses, grades, and forms, which form a well-defined continuum.

Uncoated groundwood paper is more than just newsprint and on a value basis high bright products are a large share of U.S. producers' sales and of the market. Each category of UGW paper falls on a commodity end of the spectrum of product types and U.S. producers and subject imports compete in all categories.

Unlike copy paper, there's no consumer branding strategy to differentiate one producer's uncoated groundwood paper from another.

In the elasticity estimates, your staff took the various attenuated competition arguments of Respondents into account and still found U.S. and subject imports to be substitutable. We agree.

Slide 2 shows that U.S. and Canadian mills are located to serve all U.S. regions. Table 2-2 in your staff report shows that while some regional concentration differences between U.S. producers and subject imports exist, particularly for newsprint, significant competitive overlap exists in all regions.

Your quarterly price data for newsprint for four U.S. geographic areas shows both U.S. and subject import sales in each quarter for each geographic area. As packaged, there are no visual differences between a roll of high bright paper, newsprint as you can see in slide 3.

But there is a high weight to value ratio for newsprint. By the way, newsprint is the bottom roll and high bright is the top roll in the picture.

High bright and book grades are shipped nationwide. And you heard from NORPAC that higher prices for newsprint since the preliminary duties were imposed has allowed them to increase their newsprint shipments to the east.

Another alleged attenuation issue raised by Respondents is the availability of lightweight newsprint from U.S. producers, particularly 40 GSM newsprint. As a factual matter, Respondents exaggerate the commercial significance of light weight uncoated groundwood newsprint paper, which accounts for a small share of the total market. Moreover, there is U.S. production of 40 GSM newsprint and competition exists between U.S. producers and subject imports.

There is a high degree of price transparency. As shown in slide 4, key price information for newsprint is readily available from multiple sources, including RISI and Reel Time. Suppliers to the market generally announce price increases in press releases. While price reductions are not generally announced, this information is quickly transmitted into the market.

Even longer term and fixed price contracts allow for price renegotiation during the contract according to your staff report. The relatively small margins of underselling in your price data and the U.S. and subject import prices move in tandem reflect both a commodity nature of each category of UGW paper and price transparency.

Demand for UG paper fell during the POI by 16 percent for newsprint and by 4 percent for paper, other than newsprint. The Commission normally finds the declining demand makes the U.S. industry more vulnerable to competition from subject imports.

Mr. Buckingham described the capital intensive nature of the production process and also operationally efficiency issues that affect cost and profit margins as capacity utilization falls.

Given the significant cost downside of operating below optimal capacity levels, uncoated groundwood paper suppliers are going to be reluctant to attempt to maintain higher prices in the face of price reductions by competitors.

This value related downside is magnified by the commodity-like nature of the different types of UGW paper and the transparent nature of pricing.

Thus, the Commission is less likely to see injury reflected in market share shifts or even enlarges of underselling, although we have both in this case. In this context, the question of downward price leadership also is important as a causation factor.

Prior to 2015, prices were sufficiently high to support operating profit, operating paper mills at positive profit levels. Price declines from 2014 to 2015 led to capacity closures in 2015 that exceeded the demand decrease.

These closures led to price increases, but due to import competition, newsprint prices during the POI never regained the levels they reached at the beginning of the POI. Prices for high bright paper continued to fall throughout the entire POI.

Turning to volume effects, subject imports are a significant part of the U.S. market. Your staff report shows that imports from all sources account for over 50 percent of the market and we know that imports from Canada dominate imports from all sources.

This means the pricing behavior in the U.S. market by subject imports from Canada had a significant effect on market price levels overall.

In fact, subject imports from Canada increased their share of the U.S. market over the POI. When estimates are made to account for missing questionnaire data for U.S. shipments by U.S. companies that close both the market share loss by U.S. producers and the market share gained by subject imports are greater than reflected in the staff report. And we have those calculations in Exhibit 4 of

NORPAC's pre-hearing brief.

For price effects, the Commission must rely on the quarterly prices in the staff report. These prices are on a delivered basis and coverage for both U.S. producers and subject imports is high in relation to their total U.S. shipments.

Some Respondents argued in their pre-hearing briefs that underselling is not significant, relying on average unit value data for shipments. However, during the preliminary phase, the Respondents argue that the Commission should rely on the pricing data due to differences in product mix and basis weight.

Slide 5 is from public data in Table 5-14 of the staff report on underselling. Subject imports undersold U.S. producers very consistently in 60 of 72 comparisons or 83 percent of the time and in 91.7 percent, the subject import volume associated with the pricing products, there was underselling.

Respondents cannot claim that underselling is not significant because the underselling margins are low. Rather, the margins are low because of the commodity nature of this product, price transparency, and the costs and margin consequences of losing sales volume if price exceeds the price of competitors.

Given the inability to maintain price above that of competitors, the issue of downward price leadership is important. Although confidential, the pattern of prices in your quarterly data showed downward price leadership by subject imports from 2014 to 2015, as well as during the POI of this investigation.

Moreover, purchasers most often -- more often reported Canadian producers are price leaders than U.S. producers, including when prices fall.

Respondents contend that demand downturns, not competition from subject imports, fully or largely explained the price declines experienced during the POI. Declining demand would have put downward pressure on market prices. However, as found by the Commission in its preliminary phase investigation, capacity reductions would have put upward supply side pressures on price and the relative declines in demand and supply were comparable.

The data are confidential, but the same relationship exists in the final phase POI. In fact, your staff report understates the capacity reductions since they don't include information from companies that closed.

Given the significant capacity reductions during the POI, prices should have increased more than they did, but they were overpowered by the impact of subject import pricing.

In sum, the key demand supply price

relationships are as follows. Significant price declines from 2014 to 2015 were led by subject imports and resulted in a turn from positive profits in 2014 to losses in 2015.

These financial losses led to significant capacity reductions, which more than offset secular demand declines and prices therefore increased from their 2015 lows for newsprint, but not for high bright paper.

However, 2017 prices remained below both 2014 and 2015 levels with continued gross and operating losses. Based on the staff's variance analysis, the decrease in operating profits during the POI was primarily attributable to unfavorable price variance.

The net effect of the adverse price and volume effects are in such indicia as plant closures, production and capacity utilization, employment, and industry financials.

Slide 5, which shows declines in U.S. capacity for UGW paper from Table 3-4 of the staff report, as well as additional capacity reductions from U.S. plant closures not reported in your questionnaires.

On this basis from 2015 to 2017, U.S. capacity declined by 812,000 metric tons or by 30 percent. As shown in slide 7, total U.S. production also fell and reported U.S. capacity utilization fell from 92 percent in 2015 to 85 percent in 2017.

As shown in slide 8, there were significant declines in the number of production and related workers and hours worked and wages paid.

The last item I want to address relates to allegations that AD CVD duties on newsprint imports from Canada will have severe detrimental effects on newspapers, causing them to reduce circulation and to lay off workers.

NORPAC has reviewed publicly available financial statements for certain newspaper publishers. Slide 9 shows that newspapers have been able to significantly increase their subscription prices to offset declines in circulation even as newsprint costs per page remained relatively flat.

Slide 10 shows that the cost of operating cost associated with newsprint costs has fallen significantly in the recent past.

To put this in context, I use the Commission's AD and CV COMPAS model with the elasticities and market shares from the staff report as inputs to estimate the price effect of the AD CVD tariffs.

These models estimate that the duties would result in a weighted average increase in uncoated groundwood paper of less than 1 cent per newspaper circulation copy or less than one half of 1 percent of newspapers' operation cost.

By comparison from 2014 to 2017, the five newspapers that I used in this analysis increased their subscription prices by 12 cents to 39 cents per copy as shown in slide 9. You can go back to 9.

The pre-hearing brief of the news media Alliance included an empirical analysis of Dr. Boberg of Charles Rivers Associates. The crux of his findings is that AD CVD tariffs will result in large price increases for newspapers in the U.S. market, resulting in such a large decline in total newsprint demand that U.S. producers will be harmed in future years.

Even assuming these arguments' are relevant under the statute, they are undermined by factual and methodological flaws in his analysis.

Slide 11 shows just a few of the many problems I've identified in the CRA report. It relies on an NMA survey regarding price effects of the tariffs, but mischaracterizes the survey question which did not specify tariffs.

It relies on the same survey for an assumption that newsprint accounts for 20 percent of newspapers' total operating cost when your questionnaire data and other publicly available information shows that it is much lower.

It uses as an instrumental supply side variable in his econometric estimates the price of NBSK pulp because it is a "type of pulp commonly used in the manufacturing of newsprint." However, almost all U.S. newsprint manufacturers are vertically integrated and they produce their own pulp from whole logs or wood chips.

Also, Dr. Boberg's report only covers newsprint and not high bright or book papers, which the staff report notes accounts for one-third of the U.S. uncoated groundwood market.

In analyzing Dr. Boberg's empirical analysis, we attempted to as best we could to replicate his results for a baseline, even though Respondents refused to supply the underlying data and assumptions, such as how he converted annual data for subscriptions to a monthly series.

In my opinion, the CRA study is highly flawed and not a useful tool to determine whether the domestic industry was injured by dumped and subsidized imports from Canada during the period of investigation. Thank you.

MR. JONES: That concludes our presentation. Thank you for your attention and we'd be happy to answer your questions.

CHAIRMAN JOHANSON: Thank you, Mr. Jones and the rest of you in the panel for appearing here today. Given the time of Congressional witnesses this morning, let's go ahead and break for lunch right now and come back here at 12:45. So we'll see you then. And I would like to remind people that the room is not secure, so please be sure to take any proprietary material with you. So we'll now recess for lunch until 12:45.

(Whereupon, at 12:04 p.m., a lunch recess was had to reconvene at 12:45 p.m.)

AFTERNOON SESSION

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

COMMISSIONER BROADBENT: I want to thank the witnesses for coming. We really appreciate having you here. This question would be for Mr. Jones, please. Does the subject paper exist on a continuum? What defines the clear dividing line between uncoated groundwood paper and other forms of paper that are included on the continuum?

MR. JONES: Commissioner Broadbent, we covered this is our -- I think pretty well in our pre-hearing brief and certainly we're respond to the arguments by the Respondents in our post-hearing brief, but there are a number of things that differentiate according to your like product criteria uncoated groundwood paper from other types of paper.

The physical characteristics of uncoated groundwood paper are different than other types of paper, such as free sheet, which made with a different kind of pulp and it doesn't yellow over time to the degree that uncoated groundwood paper does, differs from coated groundwood paper, obviously, because it's uncoated and not coated. They have different end uses, uncoated and coated groundwood papers.

The machinery that is used to produce uncoated groundwood paper differs from machinery used to produce other types of papers. Mr. Buckingham could comment further on that, but certainly a difference with super calendared paper is the significant machinery that's required to calendar paper to create that glossy look that super calendared paper has.

People in the industry view uncoated groundwood as a distinct category. It's lighter weight and more desirable for uses where weight in mailing costs are a consideration. There are a number of bright lines, Commissioner Broadbent and we certainly would treat it in more detail in our post-hearing brief, but I think I've given you some of them.

COMMISSIONER BROADBENT: Well, as I understand it, the Respondents, Resolute and Kruger, argue that newsprint can or should be considered domestic-like product from other types of uncoated groundwood paper.

MR. JONES: Right.

COMMISSIONER BROADBENT: Which you didn't address in your comments. They're arguing, essentially, that newsprint is used distinctly from other types of uncoated groundwood paper and so that you'd be using newsprint for newspapers and it's not used for book publishing, directories, or high bright applications. Do you recognize these distinctions?

MR. JONES: I'm sorry, Commissioner Broadbent, I thought you were asking me to address differences between uncoated groundwood paper and other types -- other categories of paper, but within the uncoated groundwood category, we don't see any basis for breaking out newsprint. According to your six factors, we think there is a continuum of brightness, basis, weight, smoothness in the category. The like product includes standard newsprint, high bright newsprint, super bright, directory and book publishing paper.

There are overlaps in the end uses within the category.

COMMISSIONER BROADBENT: Yes, that's what I'm sort of interested in. Newsprint is used for newspapers, so what are the overlaps.

MR. JONES: Yes. We have a sample here. This is just a newspaper from Longview, Washington, a local paper there. And in it there are several different types of uncoated groundwood paper used in just this one edition of the newspaper, just the one copy with high brights and standard newsprint used throughout the paper for different sections and so on, but the choices that are made in terms of printing are -- they're basic attributes that provide a little bit better, for example, graphics on a high bright paper than on a standard newsprint, but there are choices that are made along the way and the products can be used interchangeably, depending on the choices of the publisher.

COMMISSIONER BROADBENT: But aren't most of the newspapers -- the large majority of newspapers that we're hearing from it's all made from one sort of newsprint, right?

MR. JONES: I think the -- I'd ask the industry guys to comment on this. I don't think the Longview paper is necessarily unique or unusual in terms of newspapers using different types of uncoated groundwood. Mr. Crowley?

MR. CROWLEY: Certainly, industry data or industry association tracks uses of newsprint and over the years the percentage of newsprint that's used in non-newspaper publisher has grown -- has expanded as a percentage of the total, so now it represents -- so newsprint that's produced that is used in other than newspaper applications and that's a broad range of applications from commercial print and retail flyers and all kinds of different publications. That's grown to about 30 to 35 percent of total newsprint capacity.

COMMISSIONER BROADBENT: Okay, but newspapers are using news print.

MR. CROWLEY: Sure. Sure. That's their primary paper.

COMMISSIONER BROADBENT: Okay. Mr. Jones, how do you respond to Resolute's argument that the Commission should analyze two regional industries, Eastern and Western?

MR. JONES: I'd start by saying it's a novel argument. The regional industry provisions of the statute were intended to benefit domestic producers by relieving them of the need to demonstrate injury on a nationwide basis. If they sell all or almost all of their production in region and the subject imports are concentrated in that region and the statute, first of all -- the first point is the statute is not intended to carve out the case that was brought on a nationwide basis.

The statute's remedial and it's intended to be applied in a manner consistent with its purpose, but if you were to try to apply the regional industry provisions of the statute to this case, as suggested by Resolute, it would be like sticking a round peg into a square hole. But again, if you tried to do it, you'd have to first of all conclude that newsprint is a separate like product or else it doesn't make any sense at all, so you'd need that first before you went and tried to apply the regional industry provision of the statute.

But it doesn't look to us, based on the data in the record, that the shipments in shipments out requirement of the regional industry statute would be satisfied in this case and it doesn't appear to us that the import concentration requirement of the statute would be satisfied in this case, so I don't think the regional industry provision can be applied in this case, even if you were inclined to do that.

COMMISSIONER BROADBENT: Okay. Mr. Anneberg, on page 2-15 of our staff report there's a statement from one firm estimating that demand for uncoated groundwood paper has declined by more than 70 percent in the last 10 years. Is this a reasonable estimate, in your opinion? And if so, can you describe your long-term approach to coping with this decline in structural demand.

MR. ANNEBERG: I think that demand has declined in the uncoated groundwood market, newspapers in other ways that uncoated groundwood paper is used, it is true, demand is declining. I think for NORPAC we have done a lot of things to cope with that declining demand. We have worked hard on reducing our input costs, and I mentioned that in my testimony that reducing energy costs, reducing fiber costs, reducing labor cost, so there's just been a constant pressure to continue to try and compete in the market as prices go lower with falling demand.

Every once in a while, a paper machine will go down and we see that periodically, prices get so low some higher-cost machine eventually has to come out of the market. When a machine closes and shuts down, prices recover for a while and you're able to catch your breath again and keep competing. For NORPAC it finally came to the point where prices were falling, and continued to fall. You hold on as long as you can, making any adjustments you can to the machines or your costs structure to where eventually, for NORPAC, we ended up having to shut down a paper machine. We believe that that's because of the subsidized and dumped product into the United States by the Canadian manufacturers.

We might not have had to shut down a machine because at NORPAC these machines -- you have to recognize these machines are world class paper machines, well invested in. We spent about a billion dollars investing in NORPAC when it was built. We should be able to compete with anybody, anywhere.

COMMISSIONER BROADBENT: Okay. Can you just talk just very quickly because my time is out, but the kind of subsidies you're seeing in Canada the Commerce Department found that --subsidies that you're not getting locally in your production site?

MS. BYERS: The Commerce Department in its preliminary determination and post-preliminary determination found the existence of about 46 different subsidy programs that were benefiting the Canadian industry. These ranged from input subsidies for electricity, stumpage, all kinds of grants -- employment grants, loans, debt-to-equity infusions, equity investments by the Quebec Government, export -- the log export ban in British Columbia, which benefits domestic paper producers in that province.

COMMISSIONER BROADBENT: That's a little off point, but I was just curious. Thank you.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay, thank you. I'd like to thank all the witnesses for being here as well.

I want to go back to the question about domestic-like product. And specifically -- and I think you mentioned this, so super calendered paper is an uncoated groundwood paper. Correct?

MR. JONES: That is correct.

COMMISSIONER SCHMIDTLEIN: You're not arguing that that should be swept into the like product here.

MR. JONES: No, Commissioner Schmidtlein. Super calendered paper is a distinct industry, different like product, and in that investigation the Commission undertook a pretty rigorous analysis, as I recall, and determined that super calendared paper was not like other types of uncoated groundwood paper.

COMMISSIONER SCHMIDTLEIN: So can you talk to me about what the bright line was in that case versus the difference between newsprint and let's start with high bright and then go to book paper.

MR. JONES: I'll start and my colleagues may have some additional comments, but I think the clearest difference between super calendered paper and other types of uncoated groundwood paper is in the type of machinery that's used to produce the paper. There is significant additional machinery, calendering machinery necessary to produce super calendered paper. There's some calendering of all paper, but for super calendered paper you need specific machinery that enables you to achieve the glossiness that's necessary in the market and that's a --

COMMISSIONER SCHMIDTLEIN: But isn't there additional machinery that's necessary to bleach the paper to get it to high bright? That's really the essence of my question. So this stuff is all sort of produced, initially, on the same types of machines and then there's additional processes that are required to get it to that level of brightness that requires additional machinery, right?

MR. JONES: I'm going to defer to Mr. Buckingham on this, but I believe we're talking about the same machines to produce newsprint and high bright products.

MR. BUCKINGHAM: If I may, I'll talk about NORPAC's journey.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. BUCKINGHAM: And it ties into the question from Commissioner Broadbent. The demand decline for newsprint's been going on for decades and it really happened in 2001, so at that point, originally, our bleaching system -- because you alluded to a bleaching system, two basic kinds of bleaching systems. There's reductive bleaching and there's oxidative bleaching and what you really need to be able to do is look at what your chips are and say what's the incremental brightness I need to get to whatever product I'm trying to get after. So NORPAC being in the Northwest, we ended up going to oxidative bleaching and invested the capital to do that out of our profits. You know no subsidies, anything like that, and to be able to economically make newsprint.

Over time as newsprint was declining, we started learning and experimenting to go into higher brightness grades and we started near the brightness of newsprint and then started moving up to a point where now we make -- if you see in the product samples in the green folder there, you'll see a lot of different kinds of paper made on the same machines like I said in my testimony earlier, the same machines, the same people.

In 2009, we were thinking that might not be enough, so we, ourselves, looked into super calendering grades and it's different -- there's a third dimension. You have basis weight, and caliper and then you have the optical and the brightness and the third dimension is the smoothness and the glossiness. And that third dimension is a function of not only calendering, but of the wood chips and the stock prep refining equipment.

When we tried to enter the market, we spent our time and the paper makers remember, there was a lot of sweat equity and trying to deal with the existing equipment. It took us a year to determine that we couldn't do it with the existing equipment and with small investment. The capital investment quotes we received were well over $100 million on one machine only.

COMMISSIONER SCHMIDTLEIN: So what about book paper?

MR. BUCKINGHAM: Book paper is, as we said earlier, is difficult to make, but we use the same raw materials. We changed the product recipes because it's a bulkier paper than newsprint, but we changed how we make the pulp and then we also on the paper machines you have different variables on the machines and you decide how to make it get the -- not just the basis weight, but the caliper at the correct density ratio and manage that across 30-feet of machine at 55 miles an hour. You need pretty good controls, but it's the same controls as you have to make high speed, high efficient newsprint or other high brights.

The difference is the quality criteria are so tight you may throw away or off grade a little bit more paper and then the economic incentive is how to do that and minimize that waste. But the price of the book is higher than newsprint and that helps us with dealing with the incremental waste costs on a book paper grade versus a newspaper grade.

COMMISSIONER SCHMIDTLEIN: So NORPAC has three machines, right?

MR. BUCKINGHAM: Yes, we do.

COMMISSIONER SCHMIDTLEIN: Okay, so do you make each of the types of paper on all three machines or do you have a machine that's dedicated to newsprint, a machine that's dedicated to --

MR. BUCKINGHAM: We are blessed with three --

COMMISSIONER SCHMIDTLEIN: In fact, not theoretically.

MR. BUCKINGHAM: Yes, we are blessed with three machines and two pulp mills, so we make book paper. We can make book paper on two out of the three machines because of the nature of the third machine's wet end is a little bit two-sided. The book customer cares not only about what it looks like in the spine, but they care about one side versus the other and so one of our forming zones, we don't think is good enough for the chip species we use, so we sort of move other grades to that. But we can make anything from -- all the things that I said, 40 GSM to 82

GSM basis weight. We can do that, not just on book paper, we can do that on high brights. We can do -- you know on all different brightnesses. So most of the grades -- book paper is the only one we put on one and two machine. Our third machine we do 92 bright. We do all the way down to newsprint and all the way back up. We make over 200 grades of paper in this one mill. An operator will have to deal with five or six grade change a shift and they could go anywhere from newsprint basis weight all the way up to 84 bright in one 12-hour shift.

COMMISSIONER SCHMIDTLEIN: Okay, so excuse me. And so let's -- I'm sorry.

MR. GROSSELL: If I could just jump on that statement real quick.

COMMISSIONER SCHMIDTLEIN: Sure.

MR. GROSSELL: At the Port Angeles Mill, before it shut down, we were able to make all three kinds of those, literally, within the same day, but we couldn't make super calendered paper.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. GROSSELL: So if that helps at all.

COMMISSIONER SCHMIDTLEIN: Okay. And then what about directory paper, the directory paper was originally within the scope, it's now not within the scope and is that in the same domestic-like product?

MR. JONES: Yes, it is Commissioner Schmidtlein. It is within the same domestic-like product. We did remove directory paper from the scope because it is no longer made in the United States. It used to be made at Port Angeles, where Mr. Grossell used to work. And unfortunately, that mill shut down, but it's no longer made in the United States, so we excluded it. It is part of the domestic-like product, however.

This situation came up in the washers' case. And my understanding of what the Commission did there was it did not automatically exclude from the domestic-like product the product that had been excluded from the scope, but instead, it applied the normal six-factor test to determine whether that excluded product should be within the domestic-like product.

COMMISSIONER SCHMIDTLEIN: Natural large or something, right? The extra large machines, if I recall.

MR. JONES: I don't remember the facts. Maybe Mr. Bay remembers precisely what --

COMMISSIONER SCHMIDTLEIN: I'm sure there's somebody in the room here who remembers.

MR. BAY: It was large, residential washers from Korea and Mexico.

COMMISSIONER SCHMIDTLEIN: Yes, I know the case. I was just wondering what particular product.

MR. JONES: I did not work on the case myself, but there was -- so that issue came up and the Commission applied the six factors. We think if you applied the six factors to directory paper you need to find that it's within the same like product as the other types of uncoated groundwood paper.

COMMISSIONER SCHMIDTLEIN: Okay, just so I'm clear, for high bright and book paper, you're saying there are no additional machines that are required to make that particular product. It's all the same machines that you use for newsprint; is that right?

MR. BUCKINGHAM: I would say -- just like we say chips are different, the bleaching systems are different. I would say the Respondents would say, well, some of the mills aren't outfitted with oxidative bleach and they would have to do some level of capital to retrofit an oxidative bleaching system, but there are other ways to get brightness. It's not all with pulp. You could use fillers. You could change the chemistry at the wet end to get cheaper filler, those kinds of things. All of those things NORPAC did over time as part of innovation adaption, and continuous improvement. The whole paper industry does that. And so it really is dependent on the business on what they want to spend their money on. Improving their core competency like uncoated groundwood or jumping into a different platform.

COMMISSIONER SCHMIDTLEIN: I see. And the employees that make these different types, putting aside super calendared, they can switch from one to the other. You don't have a group that does newsprint versus a group that does high bright?

MR. BUCKINGHAM: May I defer to Mr. Lucas to explain how some of his days work. I mean he's in the pulp mill and he can explain how a day would work transitioning from a newsprint kind of pulp to a high bright pulp.

MR. LUCAS: I work in the fiber line department which is a thermo mechanical pulp mill. Throughout a shift I mean we might make several grades of paper, so basically, we have grade recipes and stuff we follow. And it begins with chips -- species changes, bleaching changes, freeness changes and whatever the specs require for that particular customer. So I mean there's times when I --

COMMISSIONER SCHMIDTLEIN: Everyone's trained to do all types?

MR. LUCAS: Yes. We have two pulp mills. We're side-by-side in the same control room. We all work together and we all do the same thing and everybody knows their job.

COMMISSIONER SCHMIDTLEIN: Alright, thank you.

MS. BYERS: Commissioner Schmidtlein, may I just add one thing.

COMMISSIONER SCHMIDTLEIN: Just briefly, my times up. Yes.

MS. BYERS: I just wanted to point out too that there are a number of producers, both in the U.S. and Canada that produce both the high bright and the newsprint. This would include the Resolute Mill in Calhoun as well as Resolute's mills in Canada. White Birch, Alberta, Catalyst and Kruger all produce both the high brights and the newsprint.

COMMISSIONER SCHMIDTLEIN: Okay, good. Thank you.

CHAIRMAN JOHANSON: I would like to begin by thanking all of you for appearing here today. My first question is this, is there a U.S. price for uncoated groundwood paper, or is there an eastern U.S. price and a western U.S. price?

MR. CROWLEY: Tom Crowley with NORPAC. There is -- so RISI is probably the most referenced price supplier. They are an observer and they publish prices, an independent organization who publishes prices for our industry. They publish prices for high brights as one price, and then they publish it for -- they have published an east coast and a west coast newsprint price.

So in the grades that are considered here, they have separated. So one price nationally for different grades of high brights, and then a distinction for newsprint, an east and a west price.

MR. KLETT: Mr. Chairman, this is Dan Klett. But I think we also should say -- Dan Klett with Capital Trade. We also should say that there's not in the sense an eastern price and a western price. I mean if you look at your pricing data where you did collect prices by region, there are some slight differences in the delivered price by region, but they all move together within a fairly narrow gap, and I think as one of the witnesses said, because of some of the buying groups there's arbitrage across regions.

So that there is close linkages between prices among the different regions in the United States that are not separate and affected by distinct supply and demand characteristics.

CHAIRMAN JOHANSON: Thank you for your responses. Exactly what is RISI?

MR. CROWLEY: RISI is an industry -- it's an organization, independent organization that provides industry observation and commentaries on the U.S. industry, particularly they track pricing and they supply commentary on how the paper industry is faring.

CHAIRMAN JOHANSON: Okay, and Mr. Crowley you mentioned that for some grades, they do have different eastern and western prices. Do you know where they draw the line? Like geographically, do you have any idea?

MR. CROWLEY: Tom Crowley, NORPAC. I do not know exactly, but I suspect it's the Rocky Mountains.

CHAIRMAN JOHANSON: Okay. Thanks for your responses. Could you all please comment on Respondents' assertions that uncoated groundwood paper mills, sell newsprint primarily to customers who are located in the same or similar geographic regions?

MR. CROWLEY: So Tom Crowley, NORPAC. We put up a bubble chart here which shows our shipments from -- these are all of our U.S. uncoated groundwood shipments, volume and destinations for May, June, July 2018, and you can see it represents, and we are a large uncoated groundwood producer, and we've listed them by -- each color represents a different grade. So you can see it is a national footprint for NORPAC, and that bubble chart I think tells that story pretty clearly.

MS. BYERS: This is Bonnie Byers with King and Spalding for NORPAC. I would just add that we also, NORPAC also maintains warehouses in the eastern part of the United States to serve that part of the market.

CHAIRMAN JOHANSON: Does NORPAC sell newsprint in the eastern part of the United States?

MR. CROWLEY: Tom Crowley, NORPAC. We have not sold a lot of newsprint through the POI into the eastern part of the United States, primarily because of severe competition but we have sold all of our other uncoated groundwood grades consistently throughout.

Since the imposition of the preliminary duties, we have expanded our newsprint footprint pretty dramatically and our shipping newsprint much, much farther east because of the pricing that permits that to happen, which is what we conjectured would happen the last time we were here, that higher prices would allow us to ship farther, and that's in fact what is happening.

CHAIRMAN JOHANSON: Do you know how much further east you have shipped?

MR. CROWLEY: All across the country.

CHAIRMAN JOHANSON: Okay. So all the way, let's say, to the east coast?

MR. CROWLEY: Yep, yes.

CHAIRMAN JOHANSON: Okay. Could you please comment on the claim by Resolute at pages 33 to 34 of their prehearing brief, that there's no evidence or no allegation of an adverse impact on the economic performance of U.S. newsprint producers of the subject merchandise in the east of the United States caused by subject imports?

MR. STEVE JONES: Chairman Johanson, Steve Jones. We will of course address this in our brief, and I think it will involve discussion of some proprietary information. But I would note that there have been -- there has been injurious impact on the east coast.

The closing of White Birch's Bear Island mill in 2017 is certainly a huge impact for the industry and for the workers who worked in that mill, and it's obviously good news that they've decided to reopen that mill and bring back the workers as a result of this case and the preliminary duties. But we will certainly address that in more detail in our brief.

CHAIRMAN JOHANSON: Okay, thank you Mr. Jones. Could you all please describe the modes of transportation that are used to ship uncoated groundwood paper to customers, especially to those in -- located long distances from your plant?

MR. CROWLEY: Yes. Tom Crowley, NORPAC. We use certainly the closer we are to the mill and in the west coast, the primary mode of transportation is truck. As we move to the midwest and east, the primary mode is rail and some intermodal. As Ms. Byers mentioned, we do have warehouses in Chicago and Pennsylvania, and we ship into those warehouses via rail, and then from there we deliver trucks to our customers.

CHAIRMAN JOHANSON: If a decline in U.S. -- in Canadian groundwood paper to the eastern coast declines, if there is less paper coming from Canada to the east coast, will this increase transport costs and thus would that lead to increased costs overall of uncoated groundwood paper?

MR. CROWLEY: Tom Crowley, NORPAC. Certainly it costs more to ship paper to the east, and but as we have -- I guess as I testified and I've spoken, we have done that. We have consistently shipped quite a lot of uncoated groundwood paper to the midwest and to the east through -- for through the POI and before that.

So there's nothing inherently about the cost of transportation that would prohibit us from delivering paper into the east. Obviously you want to recover as much of that additional freight cost as you can in the form of pricing.

CHAIRMAN JOHANSON: Thank you, Mr. Crowley. Could you all please comment on Kruger's assertion at page 32 of their prehearing brief that customers' growing reliance on Canadian sources for lower base weight newsprint is driven by lack of supply from sources in the western United States?

MR. STEVE JONES: This is Steve Jones. I'd just start out by saying that the domestic industry can produce the lower basis weight newsprints, and I'll let NORPAC comment. But my understanding is that they can make 40 GSM newsprint all day long if the price is sufficient to enable them to earn a reasonable return.

MR. BUCKINGHAM: Yes. Rob Buckingham from

NORPAC. So my purview of the -- and the discussion in the last year it was talked about a specific chip species in a region of the southeast called Southern Yellow Pine. It's a different type of fiber and it was what the proposition was, compared to the white spruce, black spruce up in Canada, which is a finer, more flexible, easier to develop fiber.

While it's true those fibers are different, we have the same experience in the Northwest, the difference between, for example, western hemlock and pine and spruce and Douglas fir, and we've proven the ability to using Douglas fir to make 40 GSM paper, just as -- which is a similar chip species as southern yellow pine.

You do need -- you do need to modify your recipes, like Brian was talking about, in terms of, you know, the issue with the southern yellow pine is it's easier to see through, just like Douglas fir. It's a coarser fiber, easier to see through the sheet and the customers may not like that. So then you use your filler to compensate for that so you can't see through it as easy. The filler weakens the sheet and so then you use softwood kraft, chemical kraft to supplement that, which is where when Steve was talking about "as long as the price is right," we can make that.

So that's the decision-making that has to occur and the dialogue that occurs between supplier and customer, regardless of the region, regardless of the chip, you know, how much does it cost, what's the price, whether or not we should make it.

On the machines, there are machine variables that you can adjust in order to manage that light basis weight. But to be fair, if you would talk to the publishers in the press rooms, it's harder to run lighter basis weight sheets as well.

So again, when a publisher/ press room is looking at should I go to a 40 GSM versus a 45 GSM, they have to look at the total productivity, the total waste versus their cost of their acquisition of that 40 GSM versus 45, because it is -- it is a lighter sheet and it's more delicate.

CHAIRMAN JOHANSON: Okay. Thank you for your response, Mr. Buckingham.

MS. BYERS: Mr. Chairman, can I just add one --

CHAIRMAN JOHANSON: Sure. Just real quickly please.

MS. BYERS: Yeah, I will. It's Bonnie Byers with King and Spalding. I would also just add, and the information is confidential, but I would just refer you to Resolute's U.S. producer questionnaire, where they break out the sales by basis weight, and that will be very telling for you. So you should have a look at that.

CHAIRMAN JOHANSON: Okay. Thank you, Ms. Byers. My time has expired. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, and I too want to express an appreciation to all the witnesses. Continuing along that last line, and Ms. Byers' comment may be applicable. You mentioned that I guess newspapers have to decide whether to go to the lighter basis, is it in their advantage to go to the lighter basis weight.

What is the fact? You mentioned that it's lighter, but I guess it's harder. You can see through it. So on what type -- are there certain publications, types of publications where they're more likely to do it? I'm just trying to figure out how significant this trend is on the continuum.

MR. BUCKINGHAM: So I'll just speak to my perspective from manufacturing. But if I'm the customer looking at paying for a ton of paper, and I can get more surface area in that roll of paper and get more words on that surface paper and not to have to use as many tons of paper then I want to do that, assuming that it runs the same in the press room.

And so years ago, the nominal basis weight of newsprint was 32 pounds, which is -- 52 gsm, thank you. Over time, because of what's called a yield effect, the customer wants to drive down because the words are just on the surface. So that's why the customer wants to do that.

The assumption is that I can get as reliable operation of my press and my customers, the final readers, won't care about that for I can make it thick enough or look, I can't see through it by how I make the paper. What the industry is learning as you get down from 52 to 40 GSM to 45 to 43 to 40, as you get down to that level, that's what directory started as, and it's a little bit different. It's more fragile, so it's easier to see through.

So you have to make the adjustments with filler, and then you have to reinforce with strength so that you have the same performance. So it's a technically, you know, difficult thing to do but everybody can do it. The issue is is it's not free to do it, and a customer has to want to -- or they have to get that value out of that less tonnage for the same surface area. That's press room dependent.

MR. KLETT: Commissioner Williamson, this is Dan Klett with Cap Trade.

COMMISSIONER WILLIAMSON: Yeah.

MR. KLETT: Also you asked the significance of this 40 GSM. The RISI data, where the basket that includes 40 GSM is about 20 percent of the newsprint market, you collected data on this. So as a percent of the total uncoated groundwood market, it's going to be smaller than that, just to put that particular type of paper in perspective.

COMMISSIONER WILLIAMSON: Okay, okay. And I was particularly going to ask maybe post-hearing, look at Tables III-8 and IV-4, and kind of so we can assess the significance of this. Is this a significant condition of competition I guess? Is the lighter weight paper and an indication of a trend towards that a significant condition of competition?

MR. KLETT: Commissioner Williamson, this is Dan Klett. Those are the two tables that break out for U.S. producers and importers by basis weight.

COMMISSIONER WILLIAMSON: Right, yeah.

MR. KLETT: So as I said, it's maybe a condition of competition, but given that 40 GSM is a fairly small part of the market, you know, in terms of its significance, maybe not so much. But we can discuss the actual numbers in our post-hearing brief.

COMMISSIONER WILLIAMSON: Okay.

MR. STEVE JONES: Steve Jones, Commissioner Williamson. I would just add that of course the numbers that are in your staff report for 15, 16 and 17 are during the POI and impacted by the low priced imports from Canada. So we will certainly address your question, but I think what NORPAC's testimony is that, you know, they would make 40 GSM in a fair pricing environment, and so the numbers we would suggest that you've collected are a little bit skewed in terms of fair market environment.

MR. ANNEBERG: Craig Anneberg, NORPAC. I would just like to comment that our machines are designed to make lightweight newsprint, including 40 GSM newsprint. If we can make that product at an economical return, we'll make it. We can make it, we will make it. It's just that we've had to compete with these subsidized products out of Canada. But if that turns around, we can make 40 GSM and would make 40 GSM.

MR. HARNISH: Pete Harnish, NORPAC. In your sample pack, you have a sample of 40 gram newsprint from NORPAC.

COMMISSIONER WILLIAMSON: Okay, yes. So I guess the question, are you saying that they are -- are they more unfairly pricing in the 40 GSM compared to the other weights, and is this distorting the consumption? Yes, go ahead.

MR. STEVE JONES: Steve Jones, Commissioner Williamson. I don't think that's what we're saying. It would be an interesting analysis to undertake, I don't think we've done that, to try to see whether they're -- within the subject merchandise there are certain products that are being sold more unfairly than the others. We'd be happy to take a look at that. I'm not sure whether we'll be able to make that determination, but we'll see if we can and if we -- if we can do that, we'll provide you with some information in our brief.

COMMISSIONER WILLIAMSON: I'm just trying to assess the significance of their argument about 40 GSM. Yeah, go ahead.

MR. HARNISH: Pete Harnish, NORPAC. The Pulp and Paper Products Council over the last three months has reported a five percent increase in 40 gram production from the U.S. suppliers. So 40 gram is on the rise in the U.S. over the last three months, up five percent, with an additional three percent -- with an additional three percent in the 43 gram category. So light weight production is on the rise in the U.S.

COMMISSIONER WILLIAMSON: And that implies the demand for it is on the rise too. Is that a fair statement?

MR. HARNISH: Correct.

MR. CROWLEY: Well I think -- Tom Crowley, NORPAC. I think a shift has happened, whereas more of than 40 gram is being supplied. A higher proportion is being supplied from the U.S., as opposed to from Canada. I think the demand has, from all the indications that we have the PPPC stats is that demand has kind of flattened out around 20 percent of total newsprint demand in the U.S. over the POI, and we supplied 40 gram over the POI. So it's -- and it's kind of stabilized around 40 percent of the total demand. Twenty percent, sorry twenty percent.

COMMISSIONER WILLIAMSON: Okay, good. That's helpful. That's putting it in context. Okay, thank you. Let's see. Would you agree that competition is greater in the western region or in the west than it is in the east, and if so why? Competition between domestic and importer product.

MR. CROWLEY: Tom Crowley, NORPAC. So the question is competition greater in the west than in the East?

COMMISSIONER WILLIAMSON: Yes.

MR. CROWLEY: From Canadian?

COMMISSIONER WILLIAMSON: Yes, or just in general.

MR. CROWLEY: Yeah, well we think the competition is intense everywhere in the U.S. and you have as we have described a declining demand environment and too much capacity and subsidized capacity in Canada so there is intense competition across it and since we operate and compete across the United States we are in a pretty good position to look at all the competition from West to East and I think there is intense competition everywhere.

COMMISSIONER WILLIAMSON: Commissioner Johanson had gotten into this question about whether the price of newsprint was lower in the West than in the East and I was really trying to get it why might that be?

MR. CROWLEY: Tom Crowley, NORPAC. I think we address that by saying RISI reports two types of pricing for newsprint, once type of national pricing for high-brights and super-brights and I think that is what RISI reports. I think our experience and our reality is there is a one price because big buyers who buy lots of newsprint will insist on one price across if you supply them they will insist on the same price whether you supply them in the West or in the East or in the Midwest so it ends up, despite the fact that it appears from RISI data that there are two types of pricing our experience and our reality is that there is really one newsprint price driven by the very largest buyers that buy nationally.

COMMISSIONER WILLIAMSON: Okay, so you would disagree with the contention that the prices are lower in the West?

MR. CROWLEY: I would disagree with that. Yes. Tom Crowley, NORPAC.

COMMISSIONER WILLIAMSON: Even for non-regional consumers?

MR. CROWLEY: Yes.

COMMISSIONER WILLIAMSON: Okay, good. Well my time has expired so thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Broadbent?

COMMISSIONER BROADBENT: Yes, you all provided this chart which I'm trying to get clear in my mind and you show that national shipments, you're showing national shipments here and I understand that you're saying it's an indication that NORPAC ships a diverse product mix all over the country. Can you explain a little more what the bubbles mean in this chart?

MR. HARNISH: Pete Harnish, NORPAC. The bubbles represent the volume of paper shipped. So larger bubbles mean more volumes, smaller bubbles mean --

COMMISSIONER BROADBENT: Because they are all pretty much the same.

MR. HARNISH: Well, there is big bubbles in the East. That's all. The colors represent different grades.

COMMISSIONER BROADBENT: Okay, so the size of these, and you've got them --

MR. HARNISH: I didn't put the legend on the bubble size, maybe that would have been helpful.

COMMISSIONER BROADBENT: I'm just trying to understand. So if it's -- to me it looks like all these bubbles are about the same size but there's a few bigger ones in the East, I guess. What is this big one around Washington, DC? Looks like it's a nuclear bomb.

MR. HARNISH: Tom can describe the customers in the East in Pennsylvania.

MR. CROWLEY: Yeah, that is primarily meant to, a lot of that is our book publishers. A lot of them are located in that area so we ship a lot of book paper to that region.

COMMISSIONER BROADBENT: Okay, so you've got pie charts here so it depends on the type of paper I guess and they're different colors meaning different types of paper?

MR. HARNISH: Those are different grades, so each color represents a different grade of uncoated ground wood paper.

COMMISSIONER BROADBENT: So what would purple mean? What grade?

MR. HARNISH: We'll provide that in the post-conference brief.

COMMISSIONER BROADBENT: Okay.

MS. BYERS: Commissioner Broadbent, it's Bonnie Byers. We will provide you the key on an APO basis in our posthearing brief.

COMMISSIONER BROADBENT: Okay. And then this data is for this year 2018; May, June and July you say at the top? Would it look much different from 2015 to 2017?

MR. CROWLEY: Tom Crowley, NORPAC. It would look very similar except as the data shows and as we acknowledge we did not ship much newsprint into the East during the POI that this is a new trend for us after the imposition of the preliminary duties.

COMMISSIONER BROADBENT: Okay, so we really have a really different map for the POI?

MR. CROWLEY: Yes.

COMMISSIONER BROADBENT: Okay.

MR. CROWLEY: Slightly different in that regard as I mentioned.

COMMISSIONER BROADBENT: Mr. Crowley, in your posthearing brief can you provide greater detail on where your shipments are sent out of the western region during the Period of Investigation? Were these shipments primarily sent to states nearby in the Western region like Texas or Oklahoma or were they sent to other locations? We really need some granularity on that if possible and something that I can understand because I'm sorry, I'm having a little hard time with this map.

I guess this would be for either Mr. Crowley or Mr. Buckingham. In your industry there are reductions in both demand and supply over the long term however while demand falls in small sort of integrative amounts supply tends to fall in big pieces every time a big paper machine closes. Can you describe the dynamic that occurs when a paper machine closes? Does it lead to a sudden shift in business to other companies that have not recently closed down a paper machine?

I guess what I am getting at is would this dynamic lead to kind of constant market shifts jumping around between suppliers irrespective of the price competition?

MR. CROWLEY: Tom Crowley with NORPAC. Yes, I think you've described something that is the reality of the business, that demand decreases kind of steadily and slowly or in the case of newsprint not so slowly over time but capacity does come out in chunks, in big blocks and of course when capacity does get shut down it does cause the buyers who happen to be supplied from that particular mill that was affected to find replacement tons.

So that, depending on the capacity and where it gets shut down or how it gets shut down that leads to movement in the industry. Without the capacity shut, incumbent capacity at a particular customer is very, very difficult. It can hold on to meet competition and hold on to market share so what happens is only at the time of capacity closure then does market share shift.

MR. KLETT: Commissioner Broadbent, this is Dan Klett with Cap Trade. In addition to the kind of the volume effects there is also pricing implications of what you described and that is what happened during the POI is the prices got so low in 2015 that there were two large capacity reductions which is as Mr. Crowley indicated would have some volume effects but also had a price effect in terms of from 2015 on you saw some firming of newsprint prices because of the capacity reductions. Those price increases were sufficient enough so that most recently the two mills that had closed during the POI are now reopened so there is that dynamic as well.

COMMISSIONER BROADBENT: Okay. Mr. Anneberg, although demand for uncoated ground wood paper, particularly newsprint has been on decline One Rock Capital purchased NORPAC. What were the motivating factors behind One Rock Capital's decision to purchase NORPAC and what's the general plan for moving forward?

MR. ANNEBERG: Craig Anneberg, NORPAC. You're right. One Rock is a Private Equity Company, not a hedge fund, and purchased NORPAC from Weyerhaeuser and Nippon Paper back in November of 2016. I think as they came to NORPAC and reviewed the mill through management meetings, they liked our plan and our team. They commented that the mill was one of the best mills they had ever been into.

One of One Rock’s managing partners is the ex-CEO of International Paper. He was CEO for 13 years. His name is John Georges and his comment to us, he'd seen many mills as part of being the CEO of International Paper around the world. He said this is the finest paper mill he had ever set foot in. To our managing team he said this is also one of the best managing teams that I had seen in any of the operations.

It was that confidence that gave him the recommendation to One Rock to purchase NORPAC. They have kept the managing team in place. It's the same group that was there back in 2016 and we are executing the plan that we had set forward during the sale, which was something we worked on with Weyerhaeuser and Nippon at the time.

So we're executing the management plan we had and I think they've also been able to attract some capital for us. As a private equity company they have access to capital and we have been able to make some investments in the plant. We've expanded a little bit of our operation around some of the premium writing grades. We plan to do more of that in the future.

COMMISSIONER BROADBENT: Say a little bit more about the future plan?

MR. ANNEBERG: You know we really have not communicated our strategy in a public way. I think we could probably share some in the posthearing brief but I think just in general we know that demand is declining for printing and writing grades and we plan to build a strategy that will compensate for that reduction over time.

COMMISSIONER BROADBENT: That would be helpful in the posthearing. Thank you.

MR. ANNEBERG: Good.

COMMISSIONER BROADBENT: Mr. Crowley, can you please comment on Kruger's assertion that purchasers' growing reliance on Canadian sources for lower basis weight newsprint is driven by a lack of supply from sources in the Western United States?

MR. CROWLEY: Tom Crowley, NORPAC. I am not aware that that's the case. The Western certainly when I think about Western newsprint producers whether it be Inland Empire or Ponderay or NORPAC, all are capable of producing to my knowledge and are capable of producing 40-gram newsprint so I'm not sure. There seems to be no lack of 40-gram newsprint in the West.

MS. BYERS: This is Bonnie Byers with King and Spalding. I would just add again I would have you look at Resolute's U.S. Producer questionnaire and specifically in relation to the question you just asked.

COMMISSIONER BROADBENT: Thank you very much.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay, Mr. Crowley. I guess I want to go back to a line of questions I think maybe Commission Williamson was pursuing with regard to shipments from the East to the West or the West to the East and I know that there's been testimony from NORPAC that NORPAC ships nationwide or wants to ship nationwide and has been more with newsprint since preliminary duties went in effect.

So my question is how often do you see competition in the West from producers that are located in the East? How often are producers that are manufacturing in the East shipping across the Rocky Mountains?

MR. CROWLEY: Tom Crowley, NORPAC. There is, I would say a limited uncoated ground wood market, there is a limited amount of competition from Eastern suppliers into the West. The exception to that would probably be Alberta Newsprint, that's more located kind of in the West. My understanding is that much of their shipments would go into the Midwest but certainly we do see them in the West. Really, beyond that there is not that much activity from the Eastern Producers into the West.

COMMISSIONER SCHMIDTLEIN: Okay, and the Canadian product that you are competing with is mostly from Catalyst, is that correct?

MR. CROWLEY: Tom Crowley, NORPAC. When you ask that, in the West that is true. The Canadian competition in the West is primarily from Catalyst. I would quickly add that since we do compete nationally then we run into competition from Eastern Canada in the Midwest and East.

COMMISSIONER SCHMIDTLEIN: Okay, so if Eastern producers aren't shipping that much into the West, when you testified that large buyers will insist on the same price that they get in the East also in the West how do they have that kind of leverage, if they're not really, you know because obviously you're not going to get that price unless you can source it from an alternative supplier, but if these East Coast suppliers aren't really shipping across the Rocky Mountains then you know, how do they have the leverage to lower their prices with a price that is in the East?

MR. CROWLEY: Tom Crowley, NORPAC. Because they're, you don't have to necessarily convince the East Coast supplier to supply paper in the West to leverage the price. You have to convince a West Coast supplier to meet an East Coast price to not, in a market where operating rates have tended to be lower throughout the POI, the incumbent suppliers of the Western suppliers would not want to lose their market share so they would meet the price, an Eastern price and compete, choose to compete.

COMMISSIONER SCHMIDTLEIN: So you're saying that other U.S. Producers will lower their price in response to that?

MR. CROWLEY: Western producers including Canadian Producers.

COMMISSIONER SCHMIDTLEIN: Including the Canadian Producer? Do you see Canadian product from the East coming across the, aside from the Alberta Company, coming across the Rockies?

MR. CROWLEY: Tom Crowley, NORPAC. We do not see much of it, no.

COMMISSIONER SCHMIDTLEIN: Okay, so I still don't understand how then, why they would meet that price if in fact no one's really going to supply that product at that price, especially if they are going to have to incur the additional transportation cost to get it all the way to the West Coast, right?

MR. CROWLEY: It's a national, I mean really it's a national market and so there is still the capability of Eastern to ship to the West and vice versa. With that said, in a market that has been chronically over supplied it is not hard to use a price in the West or a price in the East to convince everyone to meet that price on a national level and when you have significant buying power that is in essence what happens.

COMMISSIONER SCHMIDTLEIN: So do you have any you know communication with these large buyers that's been documented that you could put on the record where they're using East Coast prices to leverage down the price that you're getting in the West?

MR. CROWLEY: Yes, we do.

COMMISSIONER SCHMIDTLEIN: Okay. That would be helpful in the posthearing if you could put that on the record for us.

MR. CROWLEY: Okay, happy to do that.

COMMISSIONER SCHMIDTLEIN: Great, thank you. Okay, let's move on to pricing in general, I think. Start with underselling. Mr. Jones, this might be a question for you or Ms. Byers.

In at least Resolute's Brief they make an argument that we should look at the AUV data that's been reported for the various types of newsprint which I think is what they focus on in determining whether or not there is significant underselling and so when you look at the pricing products that we ask for, I think the coverage was 60/40 I believe, 60 percent for one and 40 percent for the other.

MR. KLETT: Commissioner Schmidtlein, this is Dan Klett. I think that's right. The coverage was a 40/60 split or something.

COMMISSIONER SCHMIDTLEIN: Right, I can't remember which one it was had the greater coverage. I think maybe imports had the greater coverage but so I guess my question is given that the AUV data is broken out by type of newsprint and presumably the shipment volumes is this coverage better, so would this be a better approach to looking at whether or not there is underselling and if not, why not?

MR. KLETT: Commissioner Schmidtlein, this is Dan Klett. The FOB/AUVs there are distortions if you were to use those to compare for purposes of underselling. One large distortion especially for newsprint is that transportation costs are a high share of cost and if you are a buyer you are interested in what is delivered cost to my location not the FOB costs at different, you know your different suppliers.

That's one distortion where I think you really have to use your pricing data, which is on a delivered basis versus the FOBs which are on an FOB basis. The other is that you could have potential product mix problems and your pricing data gets around that. Your pricing data also is very good coverage so I think it's also representative of what's going on in the newsprint market.

You've got pricing data for four different regions and the reason that pricing data was collected for four different regions was because of this regionality issue and you wanted to control for transportation cost distortions. Lastly in the preliminary phase of this investigation I think that Respondents were fairly adamant that you should be looking at delivered prices and not FOB price comparisons.

MS. SCHMIDTLEIN: But aren't the pricing -- isn't it FOB price?

MR. KLETT: No, the pricing data is on a delivered price basis.

MS. SCHMIDTLEIN: Okay, then maybe I -- I mean, in the tables, it says weighted average FOB prices.

MR. KLETT: Uh --

MS. SCHMIDTLEIN: Is that not correct?

MR. KLETT: I don't believe that's correct. I'm fairly confident that the pricing data is on a delivered basis.

MS. SCHMIDTLEIN: Okay, all right, I'm looking at the staff, but we will --

MR. KLETT: Yeah.

MS. SCHMIDTLEIN: We'll get the answer to that.

MS. BYERS: This is Bonnie Byers with King & Spalding.

MS. SCHMIDTLEIN: Okay.

MS. BYERS: All the pricing product data was reported on a delivered basis --

MS. SCHMIDTLEIN: It was --

MS. BYERS: -- provide both importers and U.S.

producers.

MS. SCHMIDTLEIN: Okay. Okay. All right, as far as the product mix question, is there really -- I mean, when I'm looking at the description of the pricing products, you know, they're -- some of them are fairly broad at least in the bright -- you know, there's a brightness range for them. Now it is broken out into region. I mean, is it that much of a mix problem when you're talking about a specific weight?

MR. KLETT: Commissioner Schmidtlein, I think the -- I agree, I think the major problem has more to do with the delivered versus FOB, which is going to cause the greatest distortion, especially for newsprint.

For -- but even within some of the categories where you have FOB pricing, I think you could even within some of those categories have some product mix issues and your pricing data for say the 65 -- you have pricing data for 65 bright and pricing data for 80 bright, which are specific brightness levels. And so they are more precise and also on a delivered basis. So I think those two things make your pricing data especially given the good coverage much better for purposes of your underselling analysis.

MS. SCHMIDTLEIN: Okay. Okay, thank you very much. I have a few more questions, but we'll wait till the next round.

CHAIRMAN JOHANSON: At the beginning of Resolute's brief at page 2, Resolute argues that NORPAC is the only domestic producer of subject merchandise publicly, claiming the domestic industry is injured by reason of imports from Canada. Do you agree and if so, why is that the case?

MR. JONES: Chairman Johanson, Steve Jones. I'm not going to comment on the confidential record, but I will just note that the domestic producers that are U.S.-owned are not affiliated with Canadian producers have shall we say more incentive to support the case than the affiliated mills of the Canadian producers who are controlled by their Canadian management.

So it was not surprising to us to see that Resolute's mills in the south and White Birch's mill in Ashland, Virginia, you know, might not support this investigation.

CHAIRMAN JOHANSON: Okay, thank you, Mr. Jones.

My staff showed me a copy of a letter that NORPAC sent to the Congressional leadership that is dated June 4th and I assume that this is public as it is posted online by the Florida Press Association.

In that letter, NORPAC refers to the domestic industry as comprising NORPAC, Resolute, and Inland Empire. We have read little about the firm Inland Empire and they're not represented here today. Do you know why that might be the case?

MS. BYERS: This is Bonnie Byers from King & Spalding. Inland Empire is a producer in the northern part of Washington state. They have one paper machine. They produce exclusively newsprint.

They are privately owned by a family that also owns the Spokane newspaper. So they supply to themselves and supply to others. We don't know for sure, but we suspect that they probably, because of the fact that they self-supply, decided not to participate in the investigation in this final phase. They did provide you with a questionnaire response in the preliminary phase. And I would urge you to look at that.

CHAIRMAN JOHANSON: Okay, thanks, Ms. Byers. Did the market share held by subject imports in the U.S. market change significantly during the period of investigation?

MR. KLETT: Mr. Chairman, this is Dan Klett with Capital Trade. In your staff report, there were decreases in the market share held by U.S. producers and increases in market share held by subject imports.

Those market -- the market share increases by subject imports and the declines for the U.S. producers are understated to some degree by reason of -- that you had three mills that closed during the POI for which you did not or from whom you did not get questionnaire data.

I mean, fortunately in this industry, there's fairly detailed data on mills and the capacities of -- on those mills and when they closed. And we know that mills must operate at relatively high capacity utilization rates. So we were able to make an estimate of what the production and the U.S. shipments of those mills would have been in the United States based on that information.

And in Exhibit 4 of our brief, we give some, you know, an alternative market share table trying to take those missing data into account.

CHAIRMAN JOHANSON: Thanks, Mr. Klett. Do you know what were the driving factors behind the shutdown of these mills?

MS. BYERS: Bonnie Byers for NORPAC. We do know what they listed in their TAA applications. Perhaps Mr. Pallesen would like to elaborate, but all of them cite to imports as a factor, if not the factor for the mill closures. And they also cite specifically to imports from Canada.

MR. PALLESEN: Greg Pallesen, AWPPW. Yes, if you look at the application for every one of the mills for the TAA benefits, you know, there's the main application form and then there's supporting documents. And all of them point to imports coming into the United States from Canada. Other countries also, but as we sit in newsprint especially, Canadian was a high percentage.

CHAIRMAN JOHANSON: Okay, thank you for your response, Mr. Pallesen.

Could you all please address Resolute's assertions that NORPAC did not make substantial changes in its uncoated groundwood paper operations to address the decline in demand for this product, particularly with regard to newsprint? And this is discussed at page 9 of Resolute's pre-hearing brief.

MR. ANNEBERG: Craig Anneberg, NORPAC. I think the decline in newsprint and in all printing and writing grades has not been a secret. Electronic substitution was being discussed in the mid '90s.

And you know in the early 2000s, you began to really see the disruption of electronic media and what that meant to advertising in particular as advertising started to leave and become more electronic.

So declining demand hasn't been a secret and it hasn't been a secret to NORPAC. We looked at this, and we used to make exclusively newsprint on all three paper machines. Over time, as Mr. Buckingham commented, we found a way to innovate and make other grades of paper, in particular high bright grades, started at the lower brights, 65 bright, 70 bright, some of the insert grades, but we continued to learn from the capability of equipment and some of the flexibility and the creativity of our employees to where eventually we entered into book paper market. We were able to make paper for "New York Times" bestsellers and started disrupting the uncoated free sheet market replacing that with groundwood types of papers.

We were able to do all of this without a significant investment in capital. Again, as Mr. Buckingham commented, we did look at well, maybe we just need to get out of printing and writing papers all together.

But remember, we had made a billion dollar investment in making groundwood papers at NORPAC. Making groundwood papers is what this mill is designed to do. It has the largest TMP mill, it has a recycle mill, three very efficient paper machines, now to get out of groundwood paper, whether it's for newsprint or for inserts in your Sunday paper, or for book publishing or other grades, it's like making a left turn and that turn can be very expensive, especially super calendar grades and things like that.

But even if you get into these grades, as others commented earlier, such as tissue or packaging, there's no guarantee that those investments, which can be hundreds of millions of dollars, will be wise investments to make.

If everybody rushes into those grades, those markets would be oversupplied, and the price would decline. And many of the other grades, the demand, especially in printing and writing grades continues to go lower and in particular the uncoated free sheet market.

CHAIRMAN JOHANSON: Thanks, Mr. Anneberg.

Has NORPAC refused orders from customers or put customers on allocation?

MR. CROWLEY: This is Tom Crowley with NORPAC. The answer to that is we have not. You might be referring to a period during 2017 when we had an effluent treatment problem and lost a fair amount of production in a short period of time. We acted aggressively and mitigated the impact, largely mitigated the impact on our customers by putting our export customers, our international customers on allocation, delaying shipments to them, and selling paper out of inventory.

And so, we were able to not completely avoid any problems supplying paper to customers, but for the most part, like as I mentioned, largely mitigated.

CHAIRMAN JOHANSON: Okay, thank you, Mr. Crowley. My time's about to expire, so we will now move to Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. This question of the 40 gram came up earlier, but are you aware of U.S. mills that do make this lightweight 40 gram paper from southern yellow pine?

MS. BYERS: Bonnie Byers again for NORPAC. I would just urge you to look again at Resolute's U.S. producer questionnaire.

COMMISSIONER WILLIAMSON: Okay.

MS. BYERS: Confidential otherwise.

COMMISSIONER WILLIAMSON: Thank you. Okay, what about the -- you know, White Birch has sort of said they, you know, they were -- that plant was closed because of not being able to make adjust to the lightweight paper. And I think you're continuing to hear something -- they're not the reason why that plant was closed and so trying to resolve this conflict as to --

MR. KLETT: Commissioner Williamson --

COMMISSIONER WILLIAMSON: Yeah.

MR. KLETT: This is Dan Klett. The press release announcing the closure did mention soft prices is a reason --

COMMISSIONER WILLIAMSON: Yeah.

MR. KLETT: -- or one of the reasons for the closure. So it wasn't -- so price was a factor. And I think that although there's not a press release, there was a newspaper article announcing the re-opening of the mill just recently. And former prices was mentioned as a factor for why they reopened.

So the notion that it was just purely a quality issue is contradicted by White Birch's own statements about why they closed and why they reopened.

COMMISSIONER WILLIAMSON: Thank you.

Mr. Buckingham, you're nodding your head. Maybe you agree?

MR. BUCKINGHAM: I strongly agree. I would say that as I said earlier, there's different ways of making paper, putting together the pulp, those kind of things. And there's -- but there's a lot more to shutting a machine down, because I had to be part of that at NORPAC PM1. There's a lot -- you don't just do it for one thing. There's a whole lot and most of it has to do with the economics and the viability of the business associated with that machine in terms of profitability.

But the last thing you want to do is shut the machine down and impact the people. So when their press release that says the reason they're starting back up is the pricing is better, I believe that a lot more.

COMMISSIONER WILLIAMSON: Okay, thank you.

In NORPAC's pre-hearing brief at page 55 indicates that in 2015 -- March 2015 as an important turning point with regard to subject imports and their effect on the domestic industry. So what happened in 2015 and how was it different from the preceding years?

MR. JONES: Commissioner Williamson, Steve Jones, sorry for the delay.

COMMISSIONER WILLIAMSON: Yeah.

MR. JONES: Going to the brief and looking at what you may be referring to.

UNIDENTIFIED SPEAKER: Can you repeat the page we're looking at?

MR. JONES: Yeah, so page 55, Commissioner Williamson, is that the page?

COMMISSIONER WILLIAMSON: Yeah.

MR. JONES: Yeah, I -- you know, I'm looking at that page and I think I know what you're referring to here. And I just -- I don't think I can characterize that argument publicly and be sure that I'm not disclosing anything. So I think I'd like to defer that.

COMMISSIONER WILLIAMSON: You mean, address it post-hearing?

MR. JONES: Post-hearing.

COMMISSIONER WILLIAMSON: Okay, that's fine. In discussing the issues and price cost squeeze, you argue that Canada initiated the price declines that occurred between 2014 and 2015. And the question I have is how can we see in the record that Canadian imports initiated the decline?

MR. KLETT: Commissioner Williamson, this is Dan

Klett.

COMMISSIONER WILLIAMSON: Uh-huh.

MR. KLETT: I mean, we can go into this in the post-hearing brief --

COMMISSIONER WILLIAMSON: Right.

MR. KLETT: -- but I mean, if -- when you look at your quarterly pricing data and the kind of the patterns of, you know, who went first in terms of the decline and who follows, I think that's one piece of evidence for who initiated the price decline.

The other is in your purchaser questionnaires, there were questions identifying price leaders. And on that, I think Resolute was by far listed as the largest or the company most often as a price leader and some of the other Canadian companies were listed as well. NORPAC was listed, but much less than Resolute and on par with some of the other Canadian producers.

So I think it's a pattern of -- a question of looking at the pricing patterns quarter to quarter, U.S. versus Canada, as well as what the purchasers said about, you know, who was the price leader in the market.

COMMISSIONER WILLIAMSON: Okay, and post-hearing, could you also address the question of competition in the west and who might be sort of price leaders there and --

MR. KLETT: Sure, Commissioner Williamson, we have --

COMMISSIONER WILLIAMSON: -- the imports are, domestic producers.

MR. KLETT: We will do so.

COMMISSIONER WILLIAMSON: Okay, thank you. Let's see going back to this chart, I'm not going to question on it, but when you address it post-hearing, I would also appreciate some indication of the magnitudes of relative you say to your total production, the magnitudes of these shall we say exports to the east? Just to help us put it in context.

And I guess there's also the question of the high bright paper and do we see less of a decline in pricing of that product and so what are the reasons for that, the difference in the performance that -- the high bright?

MR. KLETT: Commissioner Williamson, this Dan Klett. I mean, at least from your data, the price declines for high bright were I think in general as significant as they were for the newsprint and in fact did not recover, did not begin to recover somewhat from their lows in 2015 to the degree that newsprint prices did.

So even though demand did not fall as great for high brights, the pricing pressure was just as great, if not greater. And maybe the NORPAC could talk a bit about that issue.

COMMISSIONER WILLIAMSON: Okay, yeah.

MR. CROWLEY: Tom Crowley with NORPAC. There is pricing pressure on all grades, all uncoated groundwood grades. I think Dan just explained our situation perfectly well.

The demand, although the demand for high brights fell a little bit slower and slower pace than for newsprint, that didn't make uncoated groundwood or high bright papers exempt from pricing pressure, especially as Canadian producers wanted to grow share, grow share of their production and grow share of the U.S. market.

MS. BYERS: This is Bonnie Byers --

COMMISSIONER WILLIAMSON: Yeah, okay, uh-huh.

MS. BYERS: -- on behalf of NORPAC. I would just add that we saw something very unusual happen in 2016. We actually saw a new entrant into this market, if you can believe that. Irving Paper decided they wanted to produce and ship newsprint and high bright papers to the United States. I think the entry of -- I mean, Mr. Crowley can confirm this, but I think the entry of Irving Paper into the U.S. market had a very downward impact on the price of high bright paper during the latter part of the POI.

COMMISSIONER WILLIAMSON: Okay, thank you. What was going on with the demand for high bright? Why was that maybe holding up a little bit better?

MR. CROWLEY: Tom Crowley, NORPAC. If you look at the end users for high bright paper, although not buoyant they're probably affected to a little bit lesser degree than the market dynamics or the demand dynamics for the newspapers.

COMMISSIONER WILLIAMSON: What's the uses for them?

MR. CROWLEY: So it can be used in retail insert flyers, it can be used as supplements in newspapers. It can be used to print as an alternative for uncoated free sheet, some of the super bright papers and catalogues and different kinds of publications.

COMMISSIONER WILLIAMSON: The stuff that gets stuffed in your mailbox?

MR. CROWLEY: Part of it is the stuff in the newspapers, and part of it's in different and other kind of publications that you see, and of course books. And I shouldn't, of course, shouldn't forget that.

Books, the book paper, which is a subset of the high bright, book demand has actually -- printed book demand has actually increased over the last few years, and that has certainly had a positive impact on demand in general and demand for book papers from NORPAC.

COMMISSIONER WILLIAMSON: Okay, interesting.

And that is both, I guess, trade press as well as books used in schools and textbooks and all of that?

MR. CROWLEY: Tom Crowley, NORPAC. Yes. We supply paper for educational books. I would say the majority of the kind of paper we supply, although some goes into educational, much of it goes into what's called trade book, which is what you would go into a book store and buy.

COMMISSIONER WILLIAMSON: Okay, thank you. Well thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Broadbent.

COMMISSIONER BROADBENT: Mr. Crowley, you stated that in order to serve your customers east of the Rockies, you maintain warehouses in Chicago and Chambersburg, Pennsylvania. According to the data in our staff report, 99.5 percent of domestic shipments are produced to order as opposed to sold from inventories. U.S. producers' inventories are very low. Can you explain how you used your eastern warehouses?

MR. CROWLEY: Tom Crowley with NORPAC. Yes. So of course we would not speculate. It would unwise for us to speculate on the kind of paper we would put in that warehouse. So what we do is we have -- we do, we maintain inventory for customers that have regular, repeat business with us, and so we will make inventory for them, knowing that it's highly likely, very likely, incredibly likely that they will buy that inventory from us in the months, in the months coming.

So we manage the amount of inventory. Obviously, we don't have unnecessary inventory. We manage the amount of inventory so that we replenish it on a monthly basis, and we keep up with what and we monitor how much they take from us, and we replenish it to those levels, so that we have the right amount of inventory, not too much and only deal with customers that we're confident will buy that inventory from us.

COMMISSIONER BROADBENT: Okay. This is for Ms. Byer and then Mr. Jones as well. What is relevance of U.S. producer opposition to these petitions within our material injury analysis? If most U.S. producers state that they are not injured subject imports, how can the Commission find material injury to the domestic industry?

MR. STEVE JONES: Steve Jones for NORPAC. Commissioner Broadbent, this is not the first case the Commission has ever had where there was opposition within the domestic industry to the petition. I think the way that the Commission manages that issue is through the related party provisions of the statute.

If the -- and you look at the data, and you look at the producers in the industry, whether they are primarily domestic producers or primarily importers. There are a number of other things that you look at to determine whether a company, a mill in this case that's affiliated with producers of the subject merchandise should be included in the industry or excluded.

And in this case, we think that the producers that are affiliated with the Canadian mills should be included in the industry because they're primarily domestic producers. Inclusion of their data would not skew the data in any way. The trends are very similar across the industry, and those are domestic producers.

You know, I cannot answer why the Canadian affiliated mills believe that they are not injured. I would just note that the data that we submitted and the other factors that are public that we know certainly show injury across the entire industry as a whole, not just NORPAC, not just the western producers, but all across the industry.

So I think that's how you analyze it and how you manage a situation where there's not unanimity among the domestic industry in terms of support for the petition.

COMMISSIONER BROADBENT: What are the cases that you're referring to?

MR. STEVE JONES: Well, one that's near and dear to my heart is wooden bedroom furniture from China back in 2004.

COMMISSIONER BROADBENT: It's near and dear to your heart?

MR. STEVE JONES: Well, I worked on it.

COMMISSIONER BROADBENT: I know the feeling.

MR. STEVE JONES: A lot of sweat equity in that case.

COMMISSIONER BROADBENT: I get it.

MR. STEVE JONES: But that was a case where there was significant opposition on the other side of the case, significant opposition from domestic producers, and I believe in that case the Commission may have excluded one or two. But I think for the most part the opposing producers were included in the industry, and the Commission used that entire industry database to make its determination.

COMMISSIONER BROADBENT: Okay. Are there any other cases we ought to look at?

MR. STEVE JONES: None come to mind, but we'll take a look at that and we'll let you know in our post-hearing brief.

COMMISSIONER BROADBENT: Okay. Mr. Jones, in your post-hearing brief, can you address Resolute's Exhibit 2, and indicate whether you agree with the presentation of capacity closures that took place in the United States and Canada between 2014 and 2017. If you'd like to add anything to that also, please do so.

MR. STEVE JONES: Thank you. We'll certainly look at their list. We have a list of our own in our prehearing brief. I believe it's Exhibit 3. I'll be corrected on that from someone if it's not 3. But we'll certainly look at Resolute's exhibit and give you some comments on that.

COMMISSIONER BROADBENT: Okay. When discussing the change in market share, NORPAC notes the absence of production and shipment data from uncoated groundwood paper mills owned by Nippon Paper, West Rock and Futuremark, which created a survivor bias in the data. Could you please explain why you did not identify these firms as producers of the domestic like product in the petition?

MS. BYERS: This is Bonnie Byers from King and Spalding. I drafted the petition. We didn't list them as current producers of the product because they'd already gone out of the business by the time we filed the petition in August of last year. We did list all of those companies, however, in the injury section of our petition, as having been producers during the course of the POI.

COMMISSIONER BROADBENT: Are these firms related to any U.S. producers listed in the petition?

MS. BYERS: No, they are not.

COMMISSIONER BROADBENT: What products did these mills produce?

MS. BYERS: They produced a combination of newsprint and high bright papers.

COMMISSIONER BROADBENT: And what were the driving factors behind the closure?

MS. BYERS: All of them cited in their TAA applications to imports from Canada.

COMMISSIONER BROADBENT: Okay.

MS. BYERS: We also have a representative here obviously from one of those closed mills at Port Angeles. I don't know if you want to say anything about -- you were one that -- you were one that filed the TAA application. Maybe you can comment on that, Andy.

MR. GROSSELL: I don't know. Andy Grossell, SWPPW Local 155 Port Angeles. I don't know a whole lot that I can lay out there, other than the fact that, you know, what we cited in the TAA was direct pressure from Canada was how we lost our, almost our entire newsprint game altogether, and then we were forced to kind of move into a different, try to get our foot in the door on a different product line, and pretty much went out the door on that. That's where we ended up, so Greg, I don't know if you can elaborate any more on that.

MR. PALLESEN: Greg Pallesen, AWPPW. That location has actually been certified twice. I don't know if you need the data on that application of what we filled out for the background but -- and again Canadian imports had a major factor.

MR. STEVE JONES: The TAA applications and certifications from the Labor Department are included as exhibits to our prehearing brief.

COMMISSIONER BROADBENT: Okay. Mr. Anneberg, what is your response to Resolute's assertions that actions taken by Weyerhaeuser prior to selling its share of NORPAC to One Rock Capital had a negative effect on NORPAC's uncoated groundwood paper operations?

MR. ANNEBERG: Were they specific about what Weyerhaeuser actions were taken, or just about selling the mill in general?

COMMISSIONER BROADBENT: I think, and part of this I think is pretty redacted. I think and I'm actually not exactly sure I can elaborate on that any more. But if you could take a look at Resolute's assertion and just comment on it, if you had a reaction.

MS. BYERS: Commissioner Broadbent --

(Off mic comment.)

MR. STEVE JONES: Thank you. Commissioner Broadbent, we'll comment in our post-hearing brief on that issue.

COMMISSIONER BROADBENT: Okay, and then just lastly I wanted to kind of get your sense Ms. Byers and Mr.

Jones, sort of how we should take on board all the members of Congress that came in earlier today. I mean that's quite a showing of disconcern and political focus, and is there anything in our statute that would instruct us how to weigh that, or how would you advise us on what we do with that to our amount of testimony?

MR. STEVE JONES: Commissioner Broadbent, Steve Jones. The statute does not, does not contain a public interest test, and we've looked for cases where it's come up and we found what we thought was a good quote from 1990, a case involving industrial nitrocellulose, where the Commission said "We note that what Respondents are actually urging is that the Commission make a negative determination even if there is material injury, if an affirmative finding would have negative consequences for the public. This type of consideration of the public interest clearly is not contemplated by the statute."

And I would note that at that time, 1990, the Uruguay Round of trade negotiations was underway. There were different drafts going back and forth and the negotiations were very intense.

U.S. trading partners very much wanted to insert into the WTO agreements a public interest test, and the United States opposed that and ultimately prevailed in the negotiations, because a public interest test was not included in the Uruguay Round, and therefore was not included in the Uruguay Round Agreements Act, which is the statute that governs your investigations.

So we have the utmost respect for the 20 or so, however many there were Members of Congress that came today to testify, but they are asking you to do something that the statute does not permit you to do.

MR. PALLESEN: If I may just comment on that. I find it interesting, our union, like most all unions --

MR. BISHOP: Could you identify yourself please?

MR. PALLESEN: Oh, I'm sorry. Greg Pallesen, AWPPW, thank you. Our union like most all unions, whether it's the USW, the Teamsters, other unions that have been mentioned here, over the years for the most part have opposed a lot of the Trade Acts because of the language and the guidelines that are there. I find it interesting from basically every politician we've ever dealt with, some who, you know, came here today with all due respect, try to always reassure us, don't worry, we're going to have the safety net. We're going to go after enforcement.

Well ensure that enforcement is going to be fair and we'll look at the facts, you know. On the surface, we certainly hope that happens. But you know on the surface on some of the public comments they make, it makes us wonder.

MR. BAY: Commissioner Broadbent, this is Ben Bay from King and Spalding. One thing I would point out is, especially when the senators from Maine were testifying this morning, they both mentioned that they did not think that under the statute you should take a public interest test into consideration, especially with Senator King, who bluntly said that it was not part of the statute as per his review of the statute.

So if you have Congress telling you that Congress did not intend for you to take this into consideration when it wrote the statute, then I think that's a pretty strong indication of what you must do.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

SS Okay, thank you. I just had a couple more questions about pricing. Mr. Jones, you are arguing price depression, right, and that just so -- and this is a bit of a maybe technical legalese type question, the price depression really happened from 14 to 15. Is that how -- is that correct in how I'm understanding your brief?

MR. STEVE JONES: That was certainly a significant price drop, which as Mr. Klett was discussing, resulted in a significant, significant capacity closures in the U.S. So from newsprint, there was some upward movement in prices due to that, the capacity shuts and the supply demand imbalance at that time.

In fact, so much supply was taken out, more supply was taken out than the decline in demand that prices should have increased more than they did. But they were -- the prices were depressed by the subject imports from Canada that were underselling U.S. producers and keeping prices down, even though the supply demand dynamic in the market suggested that prices should be increasing more.

COMMISSIONER SCHMIDTLEIN: So did NORPAC attempt to increase prices more in '16 and '17, and were unable to do so?

MR. STEVE JONES: Yes. In fact, in the summer --

MR. BISHOP: Could you identify yourself?

MR. CROWLEY: Sorry. Tom Crowley, NORPAC. In the spring of 2017, we announced a newsprint price increase in the west and tried to push prices up further, and unfortunately were not able to achieve it.

COMMISSIONER SCHMIDTLEIN: In 20 --

MR. CROWLEY: '17.

COMMISSIONER SCHMIDTLEIN: '17, okay. And that was because buyers cited subject imports to you?

MR. CROWLEY: Buyers cited options other than NORPAC including subject imports.

COMMISSIONER SCHMIDTLEIN: Okay. So again, do you have contemporaneous documentation of those types of interactions you could put on the record?

MR. CROWLEY: Tom Crowley, yes we do.

COMMISSIONER BROADBENT: Okay. That would be very helpful. My last question has to do with the TAA, and the TAA applications and the companies that closed. The standard for TAA is different than the standard we apply here, right? So how are we supposed to consider the fact that those companies who aren't here to give us more information, nor were they --

I don't know where the executives are from those companies, but we have no information about them other than they applied for and received TAA, which is under a different legal standard. So what are we supposed to do with that information?

MR. STEVE JONES: Well, we think it's relevant. Steve Jones. Commissioner Schmidtlein, we think it's relevant. You know, it's another agency in the federal government taking a look at what happened and determining that imports were a cause of the workers' separation. It's not going to give you the same degree of evidentiary support that you would have based on questionnaire responses from the producers that said that. But it's the best we have.

It's the best information you have on what happened at those companies, and I think it's -- it's significant that all of the workers in all those different companies included in their application imports from Canada as the reason why they were separated. We think that's pretty telling and pretty significant and should be a factor in favor of an affirmative determination.

COMMISSIONER BROADBENT: Do you all attempt to reach any of the owners of those mills or the executives, to see if they could participate today?

MS. BYERS: This is Bonnie Byers from NORPAC. I did try to reach the former manager of the mill in Manistique, who I knew from prior days. He's now selling cars in New Jersey, was not able and not willing to come. The mill in Port Angeles now has a new owner.

They are considering whether to reopen the mill. They were not willing to come or not interested in coming to discuss this case. But we do have obviously Andy here, who was willing to come and talk with you about that.

COMMISSIONER BROADBENT: Okay, okay. You know, I meant to ask this question at the beginning and I probably could Google this, but would somebody want to explain why the Financial Times is pink, and how -- I guess how is it pink? Do they just add a little pink food coloring in the pulp mix there, and is that just their brand? Is that why they do that, or is there other practical benefit to having a pink newsprint?

MR. CROWLEY: It's Tom Crowley with NORPAC. I'll let Rob Buckingham talk about what it takes to make salmon or peach newsprint or pink newsprint, but certainly I think if you ask the Financial Times, that is their brand. The color of the newspaper is, that's how they identify. That's how they brand it and it's been that way for over -- I guess over a 100 years plus. So they think there's value in keeping that brand and that color.

COMMISSIONER BROADBENT: Is it more expensive? I'm just curious.

MR. BUCKINGHAM: So sorry, Rob Buckingham speaking. So to your point, food coloring may not be the right term, but dyes, tinting dyes can be used depending on the -- whether it's an acid environment or an alkaline environment would determine which kind of dyes to use, and it's more than one dye to get the tinting and the shade exactly right because you want to get a repeatable product, because all pinks are not created the same.

But in terms of more expensive, I'm not myself aware of what the relative pricing is. But if I was making the pink, if Craig asked me to make pink paper, first I have to work with the guys on that, but there's part of a water system that's part of a paper machine that you would have to go from white to pink and back to white. You would need to purge the water and the stock in and out.

That's basically from a business point of view "waste," and so it increases the overall unit cost of making it. So my assumption is that the people making it are recovering enough in the price to pay for that waste.

COMMISSIONER BROADBENT: Yeah. It's a very expensive paper, so my guess is they are recovering it. Okay. Oh great. Okay, thank you. That concludes my questioning.

MR. PALLESEN: Commissioner, if I may on the Trade Adjustment Assistance application, for our organization, I have assisted on every one of them that have been filed. For instance, the Newberg, Oregon, one who WestRock is now the owner; they're not here. We work intimately with the employees when we can.

There's the customer surveys that go through all of the actions that's there. It's very defined, as I think you well know on the TAA application on what's there, but you know, we get the data and submit it and on all those again, you know, Canadian imports played a significant role on that. Even though the employers are not here, I'm the one that worked on those applications and back through the, either the Washington State Labor Council in Washington State, or working with the Oregon State Officials, Malanano's.

COMMISSIONER SCHMIDTLEIN: All right. Thank you very much.

MR. BISHOP: Mr. Chairman, we have another Congressional appearance with us now. The Honorable Robert B. Aderholt, United States Representative from the 4th District of Alabama.

STATEMENT OF U.S. ROBERT B. ADERHOLT

HONORABLE ADERHOLT: Good afternoon. I'd like to thank the Commissioners for the hearing today and as you review whether Canadian imported paper used to produce newsprint has been subsidized and sold in the United States for less than a fair value.

First, let me say that I strongly support the President's efforts to support domestic manufacturing jobs and to build opportunities here in America. This administration's actions, from repealing hundreds of anti-business regulations to reforms against punitive taxes, have helped kick-start job creation and competitiveness throughout the United States. These are necessary to reverse actions by previous administrations which have caused American manufacturers to cease to make many finished products, as well as to drop out of the supply chain of large manufacturers.

President Trump has sent a strong message to all U.S. businesses that he expects large companies to seek out American as subcontractors and suppliers and I certainly support that message. I also support the president's decision to put the American worker first in our trade deals and to stop giving unfair advantages to foreign competitors.

I've been proud to work with the president to advance policy such as Buy American, a provision that mandates the use of American-made iron and steel and publicly funded infrastructure projects. And I applaud his efforts in fighting the growing trade deficits and his focus on expanding manufacturing jobs and American, especially in rural America.

My own upbringing in rural Alabama has instilled a firm belief that our rural communities deserve to be treated with respect. My desire to help these communities was driven by a lot of the president's policies. Like everything else, however, the world of business and government oversight, any time you deal with that, there will be occasional exceptions due to particular circumstances.

In the case of these tariffs, the cure could be worse than the cause. Although the tariffs are intended to support the United States' newsprint paper industry, they could end up in doing the exact opposite by forcing their customers in the newspaper industry out of business. Increased product costs leave many papers with little choice but to use less newsprint, either by reducing days of distribution or shutting down print entirely.

This negatively impacts coverage of local government actions by high school sports, community dues and local event despite strong demands for printed newspapers from our nation's seniors, as well as small towns and rural areas across the country.

I have seen this firsthand in the area that I represent in the 4th Congressional District of Alabama. The Cullman Times which is located in Cullman, Alabama, recently decided to stop issuing the Sunday paper. They join a growing number of local Alabama papers such as the Birmingham News, the Huntsville Times, the Decatur Daily, in reducing the number of times that they print per week.

During my time in Congress, I've been interviewed by various reporters from Fox News to the Washington Post, New York Times, but there's something special about being featured in your hometown newspaper, which in my situation, the Northwest Alabamian in my hometown of Haleyville. The local newspapers has long been a central part of family life in rural communities. It provides helpful resources to keep up with current events and the activities and challenges faced by friends and neighbors alike.

And I have found this to be particularly true for seniors, especially in the day and age where many seniors are not comfortable with the internet. They depend particularly on the newspapers. Many of us remember reading the Sunday newspaper with our families after church. We would have important connections and resources would be provided through those newspapers to our families and those around us.

When local newspapers close or when their frequency publications cease, local communities lose the local news, the U.S. paper producers lose customers. As the demand for newspapers has declined over the past few years, so has the number of newsprint producers.

According to a national newsprint association, the U.S. market only requires 75% of the newsprint it did ten years ago, and as a result, most of the newspaper's paper mills have shifted to producing other paper products. Domestic newspaper producers are simply not able to meet the current needs of our nation's newspapers. Therefore, our newspapers have turned to using uncoated groundwood paper to meet their demands.

This unique situation with newsprint shows the need for a tailored solution. The simple fact is that these tariffs which were requested to help roughly 300 or so jobs in the State of Washington, will potentially cost thousands of jobs nationwide as local newspapers go out of business. Again, I support strong trade remedy laws in protecting American jobs from unfair foreign competition. However, this trade issue will not be resolved in a week and yet our local newspapers do go out every week.

Simply put, my concern is that tariffs on Canadian newsprint will cause further harm to many remaining newspapers and they will simply close their doors and cease publication. I suggest this is not the outcome that any of us are looking for, especially given the reliance of our communities on local newspapers and even when those newspaper have gone from dailies and even now to weeklies. I believe that tariffs on newsprint need to be carefully evaluated as the Department of Commerce and ITC conduct their final determinations.

Government action in this agency should be consistent with the goals of helping all Americans. And as I mentioned, it particularly has a great impact on rural America as we support American workers. Pending the outcome of this investigation, I believe these tariffs should be suspended instead of raising costs on all newspapers at the request of one paper-producing business in one state over the objection of other U.S. paper companies.

In closing, the ability of citizens to exercise the privilege and the responsibility of exchanging ideas for the free press and contribute to civic discourse in their local communities is a cornerstone of American democracy and it certainly should be protected. Thank you for your consideration of this issue as you move forward, and I appreciate the opportunity to come and testify before you this afternoon.

CHAIRMAN JOHANSON: Thank you, Representative Aderholt. Any Commissioners have questions? None do. We appreciate you being here today.

HONORABLE ADERHOLT: Thank you very much.

MR. BISHOP: Mr. Chairman, we are also jointed by the Honorable Phil Roe, United States Representative from the 1st District of Tennessee.

STATEMENT OF U.S. REPRESENTATIVE PHIL ROE

HONORABLE ROE: Good afternoon, Chairman Johanson and distinguished members of the International Trade Commission. My name is Phil Roe and for over nine years, I've had the distinct honor of representing the 1st Congressional District of Tennessee. One of my highest priorities in Congress is in advancing policies that encourage economic growth and job creation throughout East Tennessee and our state and nation.

I understand that the Commission's in the final phase of its investigation to establish if antidumping and countervailing duties are appropriate in its investigation of the importation of uncoated groundwood paper from Canada. I share President Trump and Secretary Ross' belief that we should fight against unfair trade practices that leave

American companies at a competitive disadvantage to foreign competitors.

But it should be done in a way that does not do significantly more harm than good to other American companies and manufacturers that rely on goods from foreign markets that aren't readily available in the United States. At a time when the print industry is already facing significant market challenges, I would urge you to consider the inevitable loss of domestic jobs that will be created by increased tariffs on paper imports.

Local papers offer unique and irreplaceable public service in rural areas such as my home district in East Tennessee and Rural Appalachia. Tennessee is the home to a total of 831 printing and publishing businesses employing nearly 19,000 people. Within my Congressional district, there are twelve publishers in the tri-city areas alone, along with seventeen local newspapers, most of them are struggling, but maybe after this election will struggle a little less when we put advertising in there.

These business remain an integral part of our regional economy serving as an important employer that provide workers with good-paying jobs, as well as a steady stream of local revenue. In addition to serving as a significant source of employment, local print newspapers offer another means by which individuals connect with the community, especially in rural areas facing a lack of broadband services.

According to the Federal Communications Commission 2018 Broadband Development Report, at the end of 2016, twenty-four million Americans still lacked access to broadband internet and rural areas in America lagged significantly behind urban areas in mobile broadband deployment. In areas such as these, local newspapers serve a much more critical function.

If this Commission restricts paper imports, it seems likely to result in a net domestic job loss. In addition, it will result in publications limiting content by instilling page limits, staff layoffs, increased prices for consumers and ultimately the closure of local businesses. I am hopeful that when you consider any potential duties, you also consider the potential harm to rural areas like East Tennessee by not restricting the supply of newsprint paper.

I would also ask that the Commission give careful consideration in this investigation to our local newspapers and ensure that this industry and its workers and the impacted communities are provided with an opportunity to compete now into the future. Thank you for addressing this important issue. I look forward to continued communications as these proceedings move forward. And I appreciate your time.

CHAIRMAN JOHANSON: Thank you, Representative Roe. Do any Commissioners have questions? No. We appreciate you being here today.

MR. BISHOP: Mr. Chairman, that concludes our additional Congressional testimony at this time.

CHAIRMAN JOHANSON: All right. We will now resume Commissioner questions. I have just one or two. At Page 44 of Resolute's brief, it is asserted that NORPAC only pointed to effluent issues and not subject imports when it cut workers' benefits in May, 2017. Could you all please respond?

MR. ANNEBERG: Craig Anneberg, NORPAC. Was this in a news release?

CHAIRMAN JOHANSON: This is at Page 44 of Resolute's brief. That is what they're referring to. And I don't have that in front of me.

MR. ANNEBERG: Yeah, I do know that we did have a news article that was printed by the local paper and the local paper heard about this through employees or something like that around, you know, what NORPAC's actions were. It just happened that the timeliness of our reduction in benefits and our profitability also coincided with an effluent event that made it into the press.

As Tom Crowley mentioned earlier, it did have a financial impact on us, but in all honesty, I mean these types of things happen from time to time. You have upsets in the process of making paper whether it's an effluent event or a steam event.

CHAIRMAN JOHANSON: All right. Thank you, Mr. Anneberg for your response. I have just one more question. And this is probably best answered post-hearing, although you're welcome to try to answer it here today. In the first sentence on Page 51 of Resolute's brief, Resolute presents an argument about subject import underselling. Could you please comment on that argument and especially the analysis in the accompanying Exhibit 14?

MR. KLETT: Mr. Chairman, this is Dan Klett with Capital Trade. We will do that in the post-hearing. I'd like to review what they said in the exhibit.

CHAIRMAN JOHANSON: Okay. Yeah, I certainly understand. That concludes my questions. I appreciate you all being here today. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Okay. Just a couple of questions. Mr. Jones, do you agree that we have enough data on the record to make a determination in terms of whether this should be a regional case or not?

MR. JONES: Commissioner Williamson, Steve Jones. I don't think you do. I'm a little bit hard-pressed to tell you specifically how you would structure a questionnaire in a regional industry case, if one was requested by the domestic industry. We can do that and help you to understand what the Commission has traditionally asked for, what kind of data have been requested. But there are specific data that you need to apply the statute in a regional industry case. And there's nothing in this questionnaire that was intended to be directed to enable you to do that kind of analysis.

COMMISSIONER WILLIAMSON: You earlier had mentioned some things that I thought -- I think you said that were missing or needed -- and you did that in a very abstract way. Post-hearing, could you maybe be more concrete about what the data show, what it doesn't show and -- 'cuz I said, when I heard it originally, I was trying to think exactly what he's talking about here.

MR. JONES: Steve Jones, Commissioner Williamson. Sorry for my abstractness. It's a way to hopefully prevent from disclosing confidential information. But we certainly will address that issue in our brief. We'd be happy to.

COMMISSIONER WILLIAMSON: Okay. Thank you. Also, if the nonsubject imports stay nonsubject, what shall we make of that? And particularly their growth?

MR. JONES: We think that the data on the record supported an affirmative determination whether White Birch is included in the subject merchandise or not. Whether they're included or excluded. So we, you know, we would urge you make an affirmative determination, even if the Department of Commerce in its final determination, excludes White Birch from the orders.

COMMISSIONER WILLIAMSON: Okay. Thank you. And does that, whether or not they did not say anything about the nature of the competition here? Given what's happened to those imports?

MR. JONES: We don't think so. And we'll give that some additional thought and address that. And I would imagine in final comments, you'll be getting some specific comments on that because those'll come after the Commerce makes its final determination, so we'll know exactly what they did and we'll be to address it, but we don't think there are anything that would prevent you, or make it, you know, -- obviously the volume of imports is lower, but I'm not aware of any specific competitive factors that would change the determination in any way.

COMMISSIONER WILLIAMSON: Okay, thank you. And just one other question. And I've asked this of the respondents too. When you look at the map and you show where there's production of the subject product, you can see there's great big vast gap with the Midwest, like, it's going all the way from Pennsylvania almost to the Rockies, and I wondered about how that came about. And what does that say about the cost of transportation of the subject product?

I'm sure there's historical reasons partially, but where the forests are located, but --

MR. JONES: Steve Jones again, Commissioner Williamson. Somebody who is, you know, knows the history of the industry better than I do would need to think about that and --

COMMISSIONER WILLIAMSON: I wasn't sure if the industry people wanna comment --

MR. JONES: Yeah. I don't know. We'll discuss that and we will, if we can answer that question, we will in our brief. I don't see anybody volunteering here though, unfortunately.

COMMISSIONER WILLIAMSON: Mr. Buckingham?

MR. BUCKINGHAM: I'll give it a shot. I grew up in Wisconsin. And there were a lot of paper mills. And there were some Kraft and sulphite chemical pulp mills, but not a lot of mechanical groundwood mills. There's the electrical power required to make groundwood, it's a different pulping process that, over time, if you looked at the Northwest, there's a lot of trees, there's also a lot of big rivers and a lot of hydroelectric power generation over in the East and in Canada, you have the same kind of recourse dynamics kind of thing. The Midwest is, there's a lot of corn there and there's cows. But not quite the same infrastructure as East and

West, but that's my personal "I grew up there" impression, not an expert.

COMMISSIONER WILLIAMSON: That makes sense. Thank you for those answers.

CHAIRMAN JOHANSON: So any other Commissioners have questions? I don't think any do. So why don't we go ahead and bring up the respondents' panel? And we appreciate petitioners -- Oh, I'm sorry. My apologies. I'm relatively new at this. Do staff have any questions for the petitioners?

MS. HAINES: Elizabeth Haines. Staff has no questions.

CHAIRMAN JOHANSON: Okay. Do respondent counsel have any questions for the petitioners? I take that as a no.

MR. ELLIS: No.

CHAIRMAN JOHANSON: Okay. Then I heard no there. So -- I'm sorry? Neil Ellis has no questions. Nor do other -- okay. Yeah, I think he might in a while, but okay. So with that, we conclude the petitioners' panel. We appreciate you all being here today. I was about to say, we appreciate you being here this morning, but this has gone on longer than most hearings. So I think we're now ready for the respondents.

CHAIRMAN JOHANSON: And in fact why don't we take just like a 5 minute break? But when I say 5 minutes, I mean let's try to make this very quick, okay?

MR. BISHOP: If the panel in opposition to the imposition of the duties will please come forward and be seated.

(Break)

MR. BISHOP: Will the room please come to order and everybody find a seat? Mr. Chairman, the panel in opposition to the imposition of the antidumping and countervailing orders have been seated. This panel has 60 minutes for the direct testimony. You may begin when you're ready.

MR. FELDMAN: Thank you Mr. Chairman, Commissioners. Again, I'm Elliot Feldman of Baker Hostetler on behalf of Resolute Forest Products and for purposes of this introduction the Respondent parties.

But before I go on -- Commissioner Broadbent I wanted to follow-up on one point -- a question that you asked as to how you might address all the commentary that came from Congress today. And I referenced 19 USC 1677f(h) which provides for an opportunity for comment by consumers and industrial users and requires the Commission to provide an opportunity for them to submit relevant information concerning material injury.

And the relevant information here is that putting newspapers out of business will put the industry at issue in this investigation out of business. Nothing could be more closely tied and I think that you can put all of that testimony into that perspective.

Again, we’re presenting eight witnesses and an independent party. We’ll begin with the like product -- Rob Wise, General Manager of Resolute's Mill in Grenada, Mississippi will explain the differences between newsprint on the one hand and other uncoated groundwood paper on the other -- this was obviously a subject of importance to you today and we're happy now to have the opportunity to elaborate on it.

Three witnesses will then discuss the condition of the uncoated groundwood paper industry in North America. John Lafave, Senior Vice President for Pulp and Paper of Resolute will overview the industry and illustrate its steep decline.

David Angel, Executive Vice-President and Chief Financial Officer of Kruger and Edward Dwyer, President and Chief Executive Officer of Catalyst will explain the nature of the industry and competition in their respective regions of the continent and how they are coping with secular decline in demand.

They will explain there is no threat of injury and that NORPAC's competitive challenges are appropriately, with other American companies. Two witnesses will then testify as purchasers of the subject merchandise, Frank O'Toole, President of Gannett, the leading purchaser of newsprint in North America, and Patrick Henderson, Director of Government Affairs of Quad/Graphics, one of the leading printers appearing today as an independent party.

They will explain the damage this Petition is doing to consumers of the subject merchandise. Two witnesses will speak on behalf of the News Media Alliance and newspapers generally -- Andrew Johnson, Publisher of the Dodge County Pionier and President-elect of the National Newspaper Association, and Paul Tash, Chairman and Chief Executive Officer of the Tampa Bay Times and Times Publishing Company.

They will echo and elaborate upon much of what you heard from members of Congress and the Senate this morning. Jennifer Lutz of Economic Consulting Services will complete our presentation with analysis of the data collected by the Commission and a statistical report on the uncoated groundwood paper industry.

She will explain that NORPAC's alleged injury from Canadian imports is about the temporary closing of a single machine caused entirely by the nature of the deal struck by One Rock Capital with Nippon Paper Industries and Weyerhaeuser and the wastewater treatment failure that you just moments ago heard minimized but had a much more dramatic impact on the company. Between them, the deal and the environmental problem, NORPAC had to shut down a machine. There was no other reason. There will be no further introductions from me or anyone else. We'll begin and move directly through the witnesses beginning with Mr. Wise, thank you very much.

STATEMENT OF ROB WISE

MR. WISE: Good afternoon, my name is Rob Wise. I'm the General Manager of Resolute's Grenada, Mississippi newsprint mill. I've been in the paper business for 26 years, including paper production and chemical sales -- the last 5 and a half years in Grenada.

I'm here to explain what makes newsprint different from all other uncoated groundwood papers and why the Commission should treat it as a distinct-like product. I submitted a Declaration with Resolute's pre-hearing brief that details the differences among uncoated groundwood paper products and addresses all the Commission's like-product criteria.

I would be happy to answer any questions about the details. Newsprint -- as everyone with connection to the business knows -- is made on high-speed machinery without some of the add-ons required to produce high bright, book or directory paper.

Newspapers are published on newsprint, not high bright, directory or book paper. When advertising budgets are tight, advertisers might use the lowest price paper available or newsprint for printing ads.

I'm not aware of newsprint that's sold to directory or book publishers. I brought some samples of different types of uncoated groundwood paper if the Secretary would pass those out? As they reach you, if you have questions please interrupt me. Also, the briefs talk about different wood fiber, the southern yellow pine we use in Grenada and the spruce, pine, fir that grow in Canada, I brought some wood chips so you can see the difference.

One critical difference is the brightness. The brightness in newsprint is drab, while the higher brightness of high bright and book paper allow more vivid colors. Brightness starts with the wood fiber. Southern yellow pine wood chips as you can see have a natural yellow shade, especially as compared to the SPF from Canada.

In this natural state, unbleached pulp from southern yellow pine range from 50 to 54 brightness, on the International Standards Organization scale. We can brighten southern yellow pine to about 60 or so with our sodium hydrosulfite system.

Northern SPF has a naturally whiter shade. Unbleached SPF fibers have a brightness of 55 to 60. Bleaching on a hydro system can increase the brightness of

SPF fibers to about 65 or even up to 68 or 69 with other additives.

A peroxide bleaching system, often a bleaching tower, can increase the brightness by another 10 points. So a peroxide bleaching system is required to make high-quality, high bright or book paper with southern yellow pine.

A bleaching system costs 10 to 15 million dollars or more and requires specially trained employees. We don't have either of those in Grenada. You can see wood fibers of different shades in the blank directory paper which is typically the lowest quality paper in terms of consistent fiber color.

Newsprint, although drab, has a more consistent fiber color. Supercalendered, paper which is also an uncoated groundwood paper, is subjected to more intense calendering with different additives, giving it the slight sheen that you can see. Book paper is also brighter than standard newsprint with a range similar to high bright paper. The main distinction of book paper is the precise consistency of page thickness or the caliper which is not precisely controlled for newsprint.

Consistent caliper starts with the fiber which is carefully screened and re-screened to produce the right size and type of fiber for the pulp input. Then, at the end of the paper machine, a specially-arranged calender stack, applies consistent pressure.

Precision calendaring and pulp screening requires some additional equipment that we don't have in Grenada. A difference you can't see in the paper is the characteristics of the wood fibers themselves. During the fiber development process of southern yellow pine, some reduction in fiber length is experienced.

A mixture of developed fibers and shortened fibers must be controlled to produce a sheet of paper suitable for the end use. Generally speaking, a much higher degree of fiber development is required for grades such as lighter weight directory paper.

The characteristics of southern pine make it very suitable for some grades of paper such as newsprint, but not suitable for others. The thick wall and the stiff nature of the southern pine fiber doesn't lend itself to successful use for grades of paper requiring a much higher degree of fiber development.

Chemicals added in the pulping and forming stages are also different, resulting in different ink adherence characteristics. The chemical difference means that newsprint ink rubs off the page more easily. I'm sure you've seen the effects on your hands or clothes if you handle a newspaper for any length of time.

Different chemicals used for other uncoated groundwood paper keep the ink on the page longer. As you can see the different papers are made with different machines using different chemicals. They're used for different purposes and are sold to different purchasers.

This investigation has already segregated Supercalendered paper and directory paper. The Commission should recognize the most important paper or newsprint -- the paper that's produced and used the most is not interchangeable with the others. Thank you for your time, I'll be happy to answer any questions that you have.

MR. BISHOP: Before we continue, Mr. Chairman we have another Congressional appearance joining us -- the Honorable Doug Jones, United States Senator from Alabama.

STATEMENT OF SENATOR DOUG JONES

SENATOR. JONES: Mr. Chairman and Commissioners thank you, good afternoon and thank you for providing the opportunity for me to testify today on this very important issue. This issue first came to my attention back in March when Bo Bolton, the publisher of the Monroe Journal in Monroeville, Alabama -- home of Harper Lee, traveled all the way to Washington, D.C. to meet with me and my team.

Bo's message was urgent and clear -- newly implemented tariffs by the Department of Commerce threatened the livelihood of his small town newspaper and thousands of other small community papers that serve as the lifeblood of their communities throughout this country.

Since that meeting I had a regular stream of publishers visit with me sharing the exact same message -- asking for any relief possible that they'd have to start cutting their services or laying-off what few staff they might have.

Or really even more appalling to me was how we came to be in this position in the first place. The sources for domestically produced newsprint are quite scarce -- requiring the newspapers around the country to purchase their newsprint from Canadian suppliers.

In other words the domestic jobs that would be protected by these tariffs is relatively miniscule compared to the number of jobs in the United States that these tariffs threaten. But one domestic producer, NORPAC, N-o-r P-a-c which is owned by a New York hedge fund, filed a complaint with the Department of Commerce alleging Canadian newspaper suppliers were being subsidized by their government and thus able to sell below market value.

As I understand this common practice, the Commerce Department levied a preliminary tariff of 6.53% in January. That jumped to an average of 22% in March when a Canadian producer was found to be below the market price.

Here's what I just don't understand -- why would this administration levy these outrages tariffs when our own newspaper publishers, logging industry and paper suppliers do not support the decision? It seems to me that the only thing being protected by this tariff is a small portion of a Wall Street hedge fund's portfolio.

It certainly isn't protecting the 600,000 printing and publishing jobs across the country including jobs at every newspaper in the State of Alabama. But you don't have to just take my word for it. I've heard directly from newspapers across my state about how they're hurting -- the Decatur Daily is facing an increase of $450,000 over their 2017 cost and they've eliminated 11 full-time positions already.

Aside from payroll, newsprint is their single largest expense. You'll hear that refrain from many small papers. Samuel Martin, the publisher of the Birmingham Times in Birmingham, Alabama wrote to me saying that they are "hanging on by our fingertips, all ready to survive and things like these tariffs will be the difference on surviving for so many."

Russell Quattlebaum from the Southeastern Sun went a step further writing, "Metro newspapers are struggling and have been before the tariff. This may be the nail in their coffin!" The alarm bells that are being rung by these small business are a chorus that you just cannot ignore. Please do not ignore. This tariff is killing jobs and threatening an industry that is vitally important for our communities and it's already struggling.

While some big name media outlets have found their footing in the digital age, that's not the case for everyone. For many in small towns in Alabama and across the country, folks still like to get their news from actual newspapers. They still like to read a paper front to back, hold it in the hand. They cut the coupons, they read the local events calendar.

They learn about what their elected officials are doing or in some cases, not doing. Frankly, there are still far too many places where Americans still struggle to get access to broadband. These folks don't have the option to go online to get their news.

The digital model just doesn't work there -- at least not yet. These small newspapers cover local news that wouldn't make it into larger regional papers if they were to shut their doors. Local businesses would lose perhaps their only outlet in which to reach their customers.

The biggest losers in this fight ultimately will be the residents who rely on their local newspapers to stay informed. So when I say these papers are the life blood of their communities, it is not an exaggeration -- it's a fact. That's why I've been so deeply concerned about this tariff.

If it's not rolled back it will present an existential threat to local newspapers that are already strapped.

It is why I left duties on Capitol Hill this afternoon to come here today to urge you to reconsider this tariff and instead consider the significant impacts it has already had on these small American businesses. I hope you take to heart the urgent calls you're hearing today and make the right decision to eliminate these tariffs and protect this industry and the valuable service it provides to all of us.

Mr. Chairman and the Commissioners, thank you very much for allowing me to come in a little bit out of order today, thank you so much.

CHAIRMAN JOHANSON: Thank you Senator Jones. Do any of the Commissioners have questions? There are none, we appreciate you being here today, thank you.

MR. BISHOP: Mr. Chairman, that concludes Congressional testimony at this time.

CHAIRMAN JOHANSON: Thank you, you may resume.

STATEMENT OF JOHN LAFAVE

MR. LAFAVE: Good afternoon. I'm John Lafave from Resolute Forest Products. Thank you for this opportunity to participate in these proceedings. I'm going to talk about developments in the uncoated groundwood paper.

MR. BISHOP: Could you pull that mic a little closer please?

MR. LAFAVE: In the uncoated groundwood paper industry in North America -- is that better? You're hearing a lot about “secular decline.” As Senior Vice President for Pulp and Paper Sales and Marketing for Resolute Forest Products, the leading producer of uncoated groundwood paper in North America, I understand every day what it means.

The demand for paper has been falling steadily since 2000. I will focus my discussion around newsprint as newsprint represents approximately two-thirds of uncoated groundwood demand in North America.

You can see from slide 1 that since 2000, newspaper circulation has been in steady decline. Most everyone agrees that the problem accelerated with the proliferation of handheld devices -- IPhones, IPADS and the like -- mini computers that could reproduce newspapers in an instant and could summon up virtually all sorts of information very quickly.

It's like carrying the entire Encyclopedia Britannica in your pocket or all of the day's newspapers but without any books to shelve or stacks of paper to recycle. This move to digital changed our business completely and forever.

Although there might be a floor for demand (and those of us who make paper certainly hope so), as some people will always want newspapers and will not want to read everything on their computers. Those newspaper readers, however, are aging and the younger generation is less interested in print.

The steep decline in newspaper circulation has been happening at every level, with every kind of newspaper -- large and small, daily and weekly. The smaller newspaper audience in the smaller towns and rural areas of the country appear to embrace their printed newspaper more than the larger towns and cities as they are more dependent on it for local news and notices.

Neighborhood stories are less likely to be found on the internet. As newspaper circulation declined, so did demand for newsprint. In slide 2, you can see in 2000 newsprint was produced in most regions throughout North America.

In and near cities there were paper mills that used ONP, recycled newsprint, to produce newsprint while further from the cities paper mills were more likely to make non-recycled newsprint from wood fiber, typically from logs or residual woodchips, a by-product from saw mills.

Ironically, perhaps what we all thought was environmentally friendly recycled newsprint turned out to be too costly to produce. Further with single-stream collection of old newspapers and therefore more contaminants in the collected fiber -- the overall quality of recycled newsprint deteriorated versus non-recycled newsprint and was unacceptable to most newsprint customers.

These recycled mills were part of the many inefficient paper mills that subsequently closed. No recycled newsprint mills currently operate in North America. You can see on these next slides that the rapid decline in demand was followed by the rapid closure of uncoated groundwood paper mills -- both in Canada and the United States.

Since 2000, 98 uncoated groundwood paper machines have closed. Today we're left with fewer mills, the most cost-efficient mills, concentrated in certain geographic areas. They generally sell to the nearest available consumers because transportation costs defeat the long-distance selling.

Resolute's United States mills are in Georgia and Mississippi. Currently there are no other producers of uncoated groundwood in the southeastern United States. Competition for Resolute's Canadian production, concentrated in Quebec and Ontario, is limited almost entirely to other Canadian producers, essentially the other companies represented here today.

The other American producers are out west -- they could no more afford to ship newsprint east than we can afford to ship west. As our Canadian production competes with other Canadians and Northeast, NORPAC, Inland Empire and Ponderay compete with each other in the west. Catalyst and Alberta Newsprint supplement supply in the west, but the competition is primarily among Americans.

You've heard from other witnesses about the immediate supply/demand situation in North America. The industry started closing inefficient mills in Canada and the United States many years ago as supply began to outstrip demand.

Demand, however, is continuing to decline and soon there will be too much supply and the industry will once again close the least efficient paper mills. I have no more time but would be happy to answer questions about what's happening in the industry and the kind of things we, as the largest producer in the U.S. and on the North American continent are doing about it, thank you.

STATEMENT OF DAVID ANGEL

MR. ANGEL: Good afternoon, my name is David Angel. I am the Executive Vice President and CFO of Kruger, Inc. -- a family-owned private firm in Montreal. Kruger was founded in 1904 as a paper distributor but over time grew into a diversified forest product company.

We have traditionally been one of the three largest producers of UGW paper in Canada. More than two decades ago, Kruger's leadership recognized the need to change direction in order to protect the company, our employees and their communities. In the mid-1990's publication papers such as newsprint, provided most of our revenue but those products were threatened by the digital revolution.

A secular decline in demand became the basic fact of life for publication papers. Kruger's strategic response was two-fold. First, we invested in a range of new and attractive businesses including tissue products, packaging, renewable energy, wines and spirits and real estate.

As a result, Kruger now has investments in Tennessee, Maine, New York, Virginia, Rhode Island and Washington, D.C. None of our U.S. operations makes publication papers.

And as Exhibit 1 shows, the share of Kruger's revenue from publication papers has steadily and significantly declined since 1996. Kruger's -- what used to be our largest division now generates less than 20% of our revenue.

Second, over the past decade we have converted or closed many of our newsprint and other publication paper machines in Canada by investing in packaging products and specialty papers which have positive growth prospects.

Such conversions have not been easy or cheap.

Many required substantial investments in equipment and facilities and their impact on our capacity has been dramatic. Kruger's newsprint capacity is being cut roughly in half. In March of last year at the the Trois-Rivieres mill, we invested 250 million Canadian dollars to convert a machine producing more than 200,000 tons of newsprint. This year at our Brompton Mill, we will convert another newsprint machine and next year we will begin conversion of a third.

These changes will remove another 200,000 tons of newsprint capacity by 2020. As Exhibit 2 indicates, Kruger will cut production enough by itself to account for almost half of the decline in U.S. demand for newsprint from 2016 to 2020, and the process is not complete as we are continuing to evaluate additional opportunities to diversify.

These changes, I should emphasize, are not a response to this case. Our strategic plan long predated the Petition and will continue regardless of how the Commission votes. Also, these changes are permanent. We are not idling machines in the hope that demand will somehow reverse course.

Kruger has never returned to making newsprint or other UGW paper on a machine that it converted or closed. Given the long-term decline in demand, it would make no sense for any company to make new investments in newsprint machines.

The challenge is to manage the decline -- in contrast to NORPAC which has not permanently closed or converted any capacity, Kruger and other Canadian firms have done more than their share in recent years. These conversions create market opportunities for the domestic industry.

Beyond declining demand and in conversions, I would also like to share Kruger's experience with three distinctive aspects of this industry. First, the market for UGW paper in North America is highly regionalized. Kruger does not ship newsprint west of the Rockies. In fact, the contract for one of our largest customers states that Kruger will not ship newsprint to the west -- the transportation cost is simply too high. Competition and prices are both regional, not national.

Second, Kruger has seen a major shift towards lighter basis-weight newsprint. A decade ago most newsprint was 48.8 grams per square meter, but newspapers have shifted to lighter grades.

At the beginning of the POI, 40 gram was only a tiny fraction of our U.S. newsprint shipments. By 2017 that share has risen to more than 20%. Analysts expect that the shift to 40 gram will continue into the future.

This shift matters because Canadian producers have feedstock better suited to making 40 gram newsprint than southern yellow pine -- the predominant feedstock in southern states. Finally, Kruger has maintained long-standing relationships over decades with multiple U.S. customers including Gannett, Hearst and Advance.

Major publishers do not change suppliers lightly and certainly not in response to small differences in price. Quality, reliability and availability are key considerations. Given these trends and the competitive dynamics of the U.S. market it is difficult to accept the notion that Kruger is somehow responsible for the struggles of NORPAC and I hope the Commission will issue a negative determination.

STATEMENT OF EDWARD DWYER

MR. DWYER: Good afternoon, my name is Ed Dwyer, I'm President and CEO of Catalyst Paper Corporation based in British Columbia. I've spent over 32 years in the pulp and paper industry working globally in various senior management positions including two years as President of Great Northern Paper, a former newsprint producer based in East Millinocket, Maine.

Catalyst produces pulp and paper products, including uncoated groundwood paper, at three mills in British Columbia. Catalyst mills have played an important role in satisfying U.S. market demand for paper for over a century.

Our Powell River mill began producing newsprint in Canada in 1912. It was the first newsprint mill on the west coast and was built to service the American newspaper industry. In the early 1990's our mills entered the high bright and supercalendered markets.

While we presently operate only in British Columbia, in the past we've also had operations in the United States, in Arizona, Maine and Wisconsin. We sold our Maine and Wisconsin mills, which produced non-subject products, in June of this year to another operator who continues to operate those same production lines today.

I'd like to discuss two general topics pertaining to our industry -- first, significant trends in supply and demand, and second, the regional nature of competition. First, over the past few decades we've witnessed permanent demand destruction in the paper industry.

The decline in demand covers the full range of products that consume -- of products that consume uncoated groundwood paper, including directories, newspapers, retail inserts and general commercial printing.

Newsprint has been hit particularly hard. We do not expect demand for these products to increase in the future. As such, producers of uncoated groundwood paper have had to eliminate production capacity in their struggle to survive.

Catalyst and other major North American producers have taken these painful steps in a rational way -- by closing the oldest and most inefficient paper machines. We anticipate that this trend of closures will continue.

For our part, Catalyst has idled and shut-down paper mills throughout North America. It made the most economic sense to close our least efficient machines, irrespective of whether these facilities were located in the United States or Canada.

Since 2010, Catalyst has shut down uncoated groundwood paper machines in Elk Falls, British Columbia, Snowflake, Arizona and most recently paper machine number 9 at Powell River, British Columbia.

These closures are difficult but the reality is that they're inefficient -- due to their inefficiency these paper machines are unable to compete in a market facing irreversible decline in demand.

Second, I'd like to discuss competition in the uncoated groundwood paper market. Of note, the relatively high cost of transportation compared to the value of the product greatly affects competition for uncoated groundwood paper.

As a result, we find the competition particularly in the lower value newsprint market, is limited to producers within a particular region. In addition, because newspaper publishers are critically dependent on a reliable, daily supply of newsprint, they strongly prefer to purchase from nearby suppliers.

Both Catalyst and NORPAC's newsprint sales are concentrated in the western United States where the newsprint market is dominated by U.S. producers, namely NORPAC, Ponderay and Inland Empire.

Catalyst mills produced newsprint in the west long before the other -- NORPAC and the other U.S. producers. From the moment the U.S. producers entered the western newsprint market, they engaged in price undercutting in order to gain market share, causing the Catalyst Mills to lose revenue and sales.

This behavior continued during the period of investigation. NORPAC's claims to the contrary were remarkable to us since we've never felt the need to undercut U.S. producers due to our established position in the west. We presented evidence of such undercutting by U.S. producers confidentially during the preliminary investigation and can provide additional confidential examples in our post-hearing submissions.

In fact, U.S. producers undercutting of Catalyst has not been limited only to newsprint but extends as well to high bright grades. Finally, due to our head-to-head competition with NORPAC, we've observed first-hand the effects of NORPAC's problems with its effluent treatment plant.

During this time, customers came to us because of NORPAC's inability to supply. This, no doubt, affected NORPAC's financial health during the period of investigation.

In closing, I believe our success in the uncoated groundwood paper market is due to our ability to offer a complete product portfolio, reliable supply and exceptional service. Nonetheless, Catalyst, like all producers across North America, must contend with and react to the permanent demand destruction in our industry.

In the west we must also contend with the aggressive pricing by U.S. producers. These factors, as well as the unique production and financial problems facing NORPAC and not uncoated groundwood paper imports from Canada, are the true cause of any injury suffered by NORPAC. Thank you for your time.

STATEMENT OF MR. FRANK O'TOOLE

MR. O'TOOLE: Good afternoon. My name is Frank O'Toole and I am the president of Gannett Supply Corporation, a wholly owned subsidiary of Gannett. I've been with Gannett with 24 years. Gannett operates 109 local media organizations in 34 states and Guam, as well as NewsQuest in the UK and our flagship national publication, USA Today.

I manage the company-wide paper program where we purchase newsprint from 12 domestic and global suppliers for our own publications and to resell to many unrelated newspapers. We are the largest buyer of newsprint. Newsprint is not fungible. Instead, it is ordered based on exact specifications that vary depending on the press configuration, diameter, web-widths, cores, and basis weight. Our presses are designed to run only a specific newsprint core type, which limits the mills that can supply them.

Now I would like to speak to four issues that I believe that are critical for the Commissioners to understand. First, print media, as a means of delivering news is in decline. Print circulation is down in the U.S. by 10 percent or more. As newspaper circulation decreases, so does demand for newsprint. The contraction in the market has nothing to do with imports and everything to do with the rise of digital media. As our print advertising revenue and many other aspects of our businesses are impacted, we have had to cut costs which cannot simply be passed through to subscribers in a declining print market.

The second issue is that we have tried to contain our costs by changing the product itself in ways that do not sacrifice subscribers' experience. One way to do that is to narrow the newspaper itself. Another is to lighten the basis weight of the newsprint. This is what we call lightweight newsprint and it has been a significant development in the last few years. In 2014, Gannett was more than 95 percent 45 gram or higher newsprint.

In 2015, we started trials of lighter weight 40 gram newsprint. Today all but one of our in house newspapers is printed on 40 gram and we're working to get it to 40 gram. All of our UK newspapers print on 40 gram. Lightweight newsprint is more expensive on a per ton basis, but we get a yield advantage that is even greater than the difference in price. Generally speaking, producers in the Eastern United States have not been well situated to produce lightweight newsprint because of the Southern Yellow Pine source available to them has a shorter fiber. This was a problem for the Bear Island facility.

As you know from my testimony in the preliminary phase, Bear Island is not well suited to produce lightweight newsprint and the recently announced reopening with substantial investment by Cascade appears to be focused on preparing the mill to produce packaging grade and any potential production of newsprint is temporary.

On the other hand, unlike Bear Island and the other Eastern U.S. producers, all Canadian newsprint producers have access to SPF fiber that is longer and stronger and is far better suited to producing lightweight newsprint than Yellow Pine. We prefer lightweight newsprint from the Western U.S. and all Canadian mills when we have the choice. The reality is we do not always have a choice. Some U.S. producers can make lightweight newsprint, but they choose not to. This explains why some of our orders have been won by Canadian vendors. The product is simply different and some U.S. producers either can't or won't make it.

My third point is that the United States newsprint market is segmented by region due to proximity from the mill to the pressroom and the impact of transportation. The United States is divided into two primary markets, East and West with the dividing line being the Rocky Mountains. The U.S. eastern mills are grouped in the Southeast. There is very little overlap of competition between these two markets. I would not choose to source newsprint from a western producer to supply print locations in the East if I had any way around it.

Also, newsprint mills in the West are not always set up to provide newsprint rolls with rounded metal tipped cores. For example, NORPAC will not provide us with rounded metal tip cores needed by several of our largest eastern pressrooms. The pressrooms in the region are set up to utilize the core types of the mills in that region. I brought core samples here today and I'm happy to answer questions about them.

There are safety issues in not using the proper core type designed for a press. Recently, we have had such supply shocks due to this case that we have had to consider shipping newsprint farther than makes any rational sense, but that is only because this case has lead to an irrational market.

This brings me to my final point, which is how NORPAC's case is going to affect demand. We now have a critical supply shortage as producers have accelerated their plans to produce non-newsprint products just because of this case. In our business, we try to have no less than 30-days newsprint on hand. In the past months, because of this supply disruption we're down to only days at many of our sites, including two pressrooms locally here in the Baltimore/Washington area.

I've had to transfer rolls from one site to another, sometimes over great distances, just to keep production going. At a time of severe undersupply, NORPAC's case shocked the market and resulted in shortages like we have never seen before. The cost impact of this case is huge because the increased duties cannot just be passed along to our subscribers as NORPAC would have you believe.

With due respect to NORPAC, they are not a newspaper publisher. The fact is that rising costs cannot be passed along, which means we may have to alter our operations in ways that may negatively impact our product. This would accelerate the decline in demand for newsprint. The downstream affect of this case is devastating to our industry, but it will very likely hurt NORPAC and the other domestic producers. Who will be left to buy their newsprint when publishers are being harmed by this case? This case makes no sense, which is why NORPAC has no other domestic mill supporters here today.

On behalf of our 15,300 domestic employees, I ask that you vote negative and terminate this case. Thank you.

MR. BISHOP: Before we continue, we're joined by an additional congressional appearance. Joining us is the Honorable Cathy McMorris Rodgers, United States Representative from the Fifth District of Washington.

STATEMENT OF U.S.CATHY MCMORRIS RODGERS

HON. MCMORRIS RODGERS: Okay, thank you very much. I appreciate the opportunity to testify today in opposition to the proposed countervailing and anti-dumping duties that have together have added up to 32 percent of new costs on Canadian imports of uncoated groundwood paper or newsprint.

I know you've heard from many of my colleagues earlier, who have expressed their concerns about these proposed duties, but I wanted to provide a perspective from Washington, my home state, which is at the center of the issue.

Washington State is fortunate enough to have three of the five remaining newsprint mills operating in the United States, including the Ponderay Newsprint Mill in Usk, Washington, which is in my district. All three mills provide much needed good paying manufacturing jobs to people in rural communities that lack the same kind of economic opportunities in cities like Seattle or Spokane.

These Washington State mills produce about half of the newsprint that is manufactured in the United States which are responsible for up to 500 direct jobs in our state. So unlike other regions, we have robust instate capacity for newsprint. In fact, according to the ITC's staff report last fall, only 4.6 percent of Canadian imports come to the Pacific Coast. The overwhelming majority of imports, well over 90 percent, serve the Northeast and Midwestern parts of the United States. Given the regional nature of newsprint, the vast majority of imported newsprint does not compete with these three Washington State mills.

As you may have heard from my colleagues, these duties are creating market turmoil for many newspapers and newsprint producers which have already seen markets decline sharply over the last two decades. The managers of the Ponderay Mill have told me that the added cost associated with these tariffs will only accelerate the falling demand for newsprint in the United States. The Ponderay managers are not alone in opposing the tariffs. The Pacific Northwest economic region issued a statement opposing the tariffs, as did the American Forest and Paper Association.

Some 60 of my house colleagues from every region from both parties are on record opposing these tariffs. The demand for newsprint is in decline, down 75 percent since 2000. This is a struggle for newspapers and the U.S. newsprint producers alike. The reality is that readers are switching from print to digital and some are switching to other media for their news, such as 24-hour news cable.

It's technology, not unfair trade practices that are challenging newspapers and newsprint production. Let's not compound those challenges through misguided tariffs. And I thank you for the opportunity to share my views today with you.

CHAIRMAN JOHANSON: Thank you Representative McMorris-Rodgers. Do any Commissioners have questions for the Representative?

HON. MCMORRIS RODGERS: Thank you for squeezing me in.

CHAIRMAN JOHANSON: Certainly, we appreciate you appearing here today.

HON. MCMORRIS-RODGERS: Great.

MR. BISHOP: Mr. Chairman, that concludes congressional testimony at this time.

You may resume when you're ready.

STATEMENT OF MR. PATRICK HENDERSON

MR. HENDERSON: My name is Pat Henderson and I'm the Director of Government Affairs for Quad/Graphics. Thank you for allowing me to appear before you today to discuss the negative impacts these tariffs are having on the price and most importantly, the demand for uncoated groundwood paper. As a printer, paper is, of course, the core component of our products and our customers are extremely price sensitive in respect to their demand for printed products and therefore the demand for paper.

Quad is the largest commercial printing company in the United States with over 50 U.S. facilities spanning 23 states. We provide family-supporting jobs to over 20,000 people across the country. Our product lines cover all aspects of print, including retail inserts, magazines, catalogs, direct mail, books, directories, in-store signage and displays and packaging.

Quad's clients come from a diverse set of industries, including finance, automotive, healthcare, insurance, and of course, magazines, catalogs, direct marketers, retailers, both national brands and local retailers such as community grocery stores.

Now I've mentioned our customers because that is a group that has been disrupted through the technology we just heard about. It is the digital substitution or the digital work that is causing the demand for our printed products to go down. Even with that, Quad and our customers purchase and consume over 600,000 tons of uncoated groundwood paper. That represents 20 percent of the paper moving through our presses.

Newsprint is the preferred paper for our clients across our platform with retail inserts being the heaviest users. And retail inserts are exactly what they sound like, advertisements that are being inserted into the local newspapers. Paper accounts for the second largest cost to our customers, trailing only postage. The price of paper has a significant impact on how much printing our customers are willing to do and, in turn, how much newsprint paper they will demand.

We've heard a lot about pricing pressures today and that pressure is coming from our customers who have a clear option away from print, which is that digital and mobile substitution.

When the initial tariff petition was filed last August, the price per ton for newsprint paper was $614 a ton. Since the announcement of a preliminary tariff the RISI Index price for paper has risen to $764 a ton or $150 a ton increase. This amounts to a 20 percent increase year over year in the cost of newsprint. When you consider the quantity of newsprint purchased by Quad and customers that increased cost will top $90 million a year just for Quad and our customers.

Most of this increase is clearly attributable to the imposition of these tariffs. Canadian paper accounts for two-thirds of the available supply for the United States. This is by necessity due to the abundant availability of the necessary pulp in Canada as compared to the United States. Applying a tariff to that much supply has caused costs to increase significantly. The margins our customers operate under do not allow them to simply take on these higher costs and continue to maintain the same volume as the year before.

Our customers will react and they will react quickly to price increase and that reaction is to print less and therefore demand less paper. So ultimately, they will avoid that $90 million cost increase, but they're going to do it at the expense of the paper manufacturers in this country.

To illustrate this point, the number of pages that Quad has printed on newsprint has steadily declined since the announcement of the preliminary tariffs was made in January. While it's true that some decline is an expected and unfortunate reality of the evolving market and communication universe that we live in, our recent top line volumes decline at the rate of 3 to 4 percent annually. To date, we have seen a cumulative volume decline of pages printed on newsprint of 11 percent as compared to the same six-month period last year and it lags behind as we buy paper in advance.

The volume decline is growing as the full impact of the tariffs is being realized. Volume in July and the forecast for August are down double digits. The demand reduction has been felt throughout our nationwide platform and across all product lines. The fact is tariffs have driven down demand for newsprint paper regardless of where the paper is sourced. Quad is ordering less newsprint from domestic and Canadian mills because, as expected, as the prices increased our customers have responded by demanding less paper and less print.

The customers that do wish to remain in print due to its effectiveness now find their delivery method threatened as local newspapers reduce publication schedules or cut the number of papers. So even if they're willing to pay the amount, they're losing the ability to deliver their product. Small businesses, such as local grocery and hardware stores, are hindered in their ability to market products, which, in turn, harms that local economy.

While these tariffs may be well intended, the realistic consequences that will result in reduction in orders from all newsprint paper producers, including from paper manufactured here in the United States. We urge the ITC to reconsider the tariffs on Canadian imports of newsprint paper, ensuring their prices are not artificially inflated, leaving our customers to be further incented to shift to non-paper digital options.

Thank you for your attention in this matter. It is vitally important to the nearly 20,000 Quad/Graphics employees across the country.

STATEMENT OF MR. ANDREW JOHNSON

MR. JOHNSON: My name is Andrew Johnson. I'm the publisher and owner of three community weekly newspapers in Wisconsin, the Dodge County Pionier, the Campbellsport News, and the Kewaskum Statesman, based in Mayville. I'm also the president-elect of the National Newspaper Association, which represents about 2300 local community newspapers and the current president of the Wisconsin Newspaper Association and Foundation representing 220 Wisconsin newspapers.

My purpose today is to discuss two important points. First, recovering the impact of the tariff within a newspaper company is not as simple as raising the price of a single issue to a reader. And second, without newspapers like mine, small communities in America would be the victims. I bought the Pionier in 1988 with a loan from my father and I later acquired two other weekly newspapers. Circulation of the three newspapers are under 5800 homes. I have a staff of 12 full time and the papers are printed by a commercial printer.

The impact of the newsprint tariffs has been severe. I can afford to pay myself just under $40,000 a year. The price increases from my printer to cover the tariff will be about $23,000 this year. I reduced my page size one inch or 6 percent, so I've already cut out some news space. We no longer have office hours at one of our locations. I've let one full time staff member go and I've also changed another full time to a part time.

Absorbing major cost increases is not as simple as marking up the price of a can of soup. We print our newspapers for our readers, but our readers do not pay the primary costs of producing a newspaper. Our operating cash comes from our advertisers. At the Pionier, for example, 75 percent of our revenue comes from advertising and 21 percent is from selling subscriptions. Our business model is exactly like that of most weekly newspapers, except some weeklies don't charge any subscription price, so they depend only upon advertising.

Most newspapers in the United States are weekly newspapers like mine. A year ago I raised the Pionier's subscription price from $39 to $42 a year to compensate for loss of advertising and I held my breath. It was the first time I had raised my rates in 10 years. The annual household income in my county is around $55,000. I lost some subscribers over the years and I cannot pass along another increase without damaging my business, so my revenue has to come from advertisers, which are the healthcare service businesses, small retail, tourism, and local help wanted ads. I also have some advertising from the local governments, whose advertising rates are set by the state law.

Expecting my advertisers to pay more is tough. First, they are dealing with their own rising newsprint costs if they print their own ads and inserts into my paper. And second, I face advertising competition from Facebook and Google. And finally, my business customers also face pressure because they have new competition from Amazon. They cannot pay me much more. They also are at risk if I take other measures. A higher subscription price for the Pionier means fewer readers for my advertisers. If I trim the size of my printed page any more or reduce the pages, my advertisers will get less space. My cost cutting will affect all of their businesses and all of the jobs that they support. So what can I do.

This is what my colleagues tell me they are doing. For now, they are freezing all hiring and trying to cut pages or page sizes. If they are dailies publishing seven days a week now they may drop to four days, but weeklies cannot cut frequency and remain viable. If the tariffs continue some publishers say they are considering closing newspapers or selling newspapers to bigger companies, which will shrink the paper further to recoup their investment.

The ironic thing is that forcing newspapers to cut pages, reduce days of delivery, or go out of business will not help the U.S. newsprint producer that are supporting these tariffs. The biggest loser is the community and a loss of civic leadership. We are a part of the business fabric of the towns we serve. I've been the president of the Chamber, the Rotary Club, Main Street Mayville, and my story is like that of most small town publishers. In Mayville and other communities, we are committed to covering the news. We cover our city council, schools, local elections, youth sports, and church news. No one else does this work for us. It is no good to say the Internet will take over. The Internet has no reporters in

Mayville and I cannot do more digital publishing without revenues from my printed newspaper.

We cover the community through journalistic skills and we stand by our work because we see our readers every day. When I began talking around town about the impact of the preliminary tariffs, people in my town were really mad. In fact, they were outraged. They wanted to know how Washington could create such a problem for their local newspaper. People in the middle of the country where I live want trade laws to strengthen our communities. Newspaper tariffs do much more harm than good. My town needs my newspaper as well as all the other towns that have small newspapers throughout our country. Thank you.

STATEMENT OF PAUL TASH

MR. TASH: Good afternoon. My name is Paul Tash. I am the Chairman and CEO of the Tampa Bay Times. We are Florida's largest newspaper, covering the Tampa Bay region. I am here today because tariffs on newsprint are causing tremendous damage to American newspapers. The tariffs will harm local communities that newspapers serve, and soon the tariffs will hurt our newsprint producers, including the one that brought this case.

I started working at the Tampa Bay Times as a news reporter 40 years ago. I have seen staggering changes in our business and huge growth in digital media. But customers and communities still rely on newspapers in print. The Tampa Bay Times is committed to uncovering stories the public needs to know. We exposed how our local school board resegregated elementary schools and turned them into failure factories.

We revealed deadly conditions in Florida's mental institutions. For our efforts, we've received 12 Pulitzers, including prizes for investigative and local reporting. But we don't set out to win prizes. We do try to make the world a better place. Two decades ago, we broke the story of a sheriff in the Florida Panhandle who was routinely bringing female inmates to his office, where he forced himself sexually upon them.

Our reporting earned something much more important than journalistic acclaim. It brought justice. That sheriff went to prison. When we broke that story, our news room employed about 400 people. Today, we are down to 140. We can't cover as many stories as we used to, and we can't check as many dark places like that sheriff's office.

This may not be a problem here in Washington. There are plenty of reporters in the major media centers. But in most cities and towns across the country, a story will likely never to come light unless the local paper covers it. Newspaper publishing is a fragile business these days. Our industry suffered through the worst economic collapse in generations, and we have seen our traditional sources of revenue eroded by the rise of digital media.

We have taken our own electronic opportunities as quickly as we can, but for local publishers they do not begin to offset the losses in circulation and advertising revenue. At many local papers, the water is already at our chins, and these tariffs will push it higher. At the Tampa Bay Times, the tariffs would add $3.5 million a year to our newsprint expenses, and that's an extra cost we simply cannot absorb.

Already this year, we laid off 50 employees, including some veteran reporters and editors. After payroll, newsprint is our single biggest expense, and we are cutting back there too. Until last month, we published a free tabloid five mornings a week, but we cut that back to weekly, sharply curtailing a news source for tens of thousands of readers.

In May, our newsprint consumption was down 18 percent from the previous year. Why not just pass higher costs along to our readers? Some have said newspapers will cost just pennies more per copy after the tariffs, but we print more than 300,000 copies of our Sunday paper, and all those pennies add up, not just for us but for our readers.

An extra $40 a year might not seem like much, but it is a real concern for many of our subscribers, especially those on fixed incomes. If we raise prices too quickly, we lose readers and we lose the advertising dollars they bring. Our advertising customers face their own challenges including Amazon. Their budgets for print ads are falling, not growing.

If we raised ad rates, we would lose their business, often to digital advertising on Google and Facebook. In summary, newspapers are hurting and our pain will spread inevitably to our suppliers. Very soon these tariffs will start harming the very companies they are supposed to protect. That is why almost every American newsprint manufacturer has opposed them.

It's not clear to me why this case was launched, but I do hope the Commission will bring it to an end. Thank you.

STATEMENT OF JENNIFER LUTZ

MS. LUTZ: Good afternoon. I'm Jennifer Lutz of Economic Consulting Services. The uncoated groundwood paper consuming industry is experiencing well-documented secular decline and has been for many years. In a June 2016 report, the Bureau of Labor Statistics notes that "few industries have been affected by the digital or information age as much as newspapers and other traditional publishing industries, books, magazines, etcetera."

Employment in the newspaper industry declined by almost 70 percent from 1990 to 2018, and demand for uncoated groundwood paper has likewise been declining steadily over time, with demand declining by eight to ten percent per year over the last 15 years. While the Commission has examined many industries experiencing cyclical demand declines, in this instance demand in this industry is not expected to improve in the future.

Also, as you have heard from witnesses, demand particularly for newsprint is regional, with the Rocky Mountains generally dividing the country between eastern and western markets. The data collected by the Commission in the final investigation confirm this regionality, and made clear that not all suppliers to the market compete head to head, attenuating competition between domestic producers and the subject imports.

While media consolidation has made companies like Gannett very large purchasers of newsprint, newspapers continue to source regionally to minimize unnecessary transportation costs. Equally as important to the declines in demand are declines in supply. Producers of uncoated groundwood paper, responding to long-term demand trends, have systematically been removing capacity in order to keep supply and demand in balance.

Slide 1 shows Petitioners' exhibit of capacity changes since 2014. There are several errors and inconsistencies in this exhibit, and many of the plants identified have been converted to the production of alternative products.

These third party data show significant reductions in capacity, both in Canada and the United States from 2014 until now, and in fact the most recent capacity closures may have overshot the supply-demand balance. Many purchasers report supply shortages and failures to supply in 2017.

Petitioner characterizes all U.S. capacity closures, either before or during the Period of Investigation, as injury caused by the subject imports. Resolute and White Birch directly contradicted this assertion with respect to their own capacity closures in testimony at the preliminary conference.

Many of the U.S. producers identified on Slide 1 have converted this capacity to other products. It is apparently inconceivable to Petitioner that a company might prefer to get out of a declining business and switch to a product for which demand is stable or even growing. The third party sources also identify many plants in other countries that have closed or converted capacity to the production of alternative products.

The Commission has seen many instances of industries experiencing declines in demand, and it often sees a capacity overhang that puts downward pressure on prices. That has not happened in this market during the POI. Reductions in capacity have kept U.S. prices relatively steady and even increasing, despite steady declines in demand.

Third party pricing data published by RECE for North America show prices generally flat in 2014, and declining in 2015 before starting to increase in 2016, as shown in Slide 2. Prices rose during 2016 and flattened out in 2017, increasing more sharply in late 2017 due to product shortages.

By contrast, prices in Western Europe continued to decline in 2016. While European prices were higher than U.S. prices at the beginning of 2014, they declined steadily through 2016 and remained well below U.S. prices in 2017. That price decline would likely have occurred in the United States as well, if not for reductions in capacity undertaken by both the domestic and Canadian industries.

The volume of subject imports declined over the Period of Investigation as did demand, and subject import market share was basically flat. In fact, even the petition showed flat to declining subject import market shares. In the newsprint market, which accounts for roughly two-thirds of total uncoated groundwood paper demand, subject import market share declined over the period.

Thus, despite Petitioners' claims regarding the uneven capacity closures, the data show that subject imports did not gain significant market share. Furthermore, because capacity closures can take large volumes of capacity out at once, some measuring hundreds of thousands of metric tons shifts in market share would not have been surprising.

Petitioners' attempts to create shifts in share through its survivor bias analysis has significant shortcomings, some of which were identified by the Commission during the questions, and should not be relied upon by the Commission. The data collected by the Commission do not support a conclusion that subject imports caused a decline in U.S. prices.

The pricing data show that subject imports and domestic prices are extremely close, with margins of under-selling and over-selling in the low single digits. Purchasers did not report that subject import prices were lower than domestic product. Furthermore, as you have heard from earlier witnesses and can see from the record, purchasers favor long-term suppliers and do not chase lower prices by switching suppliers, because of key factors such as runability or the ability of a roll of newspaper to run smoothly without breakage through a particular printing press.

Purchasers reporting changes in purchase patterns largely cited changes arising from the closure of capacity. It is unsurprising that the lost sales and revenues confirmed by the Commission are minimal.

Purchasers were very clear with respect to the factors affecting prices. As shown in Slide 3, purchasers overwhelmingly identified the decrease in supply of uncoated groundwood paper and decline in print media as the most important factors affecting prices. Even Petitioners' weighted average score for these factors shows availability of subject imports as ranking fifth out of seven in importance.

The regional data collected by the Commission provide additional evidence that subject imports are not driving prices down in the U.S. market. The regional shipment data collected by the Commission established that the western region, where Petitioner is located, has the lowest subject import market share for newsprint of any of the regions in the United States.

If subject imports were driving prices, then the region with the lowest subject import market penetration would be expected to have the highest prices. This is not the case, as shown in Slide 4. In fact, published pricing data for the east and west, show that starting in late 2014, western prices fell relative to eastern prices, and that gap persisted throughout the Period of Investigation.

Petitioners' claim that subject imports are driving market prices is clearly unsupported by this record. Furthermore, this gap directly contradicts the arguments made by Petitioner at the preliminary staff conference and today, which argued in an attempt to show that the market is not regional, that prices deviating would cause supply to shift to the higher priced markets. The data on the record of this investigation clearly confirm the regional nature of the market.

The record also does not support Petitioners' claims that subject imports have caused material injury to the domestic industry. Capacity, production, sales and employment have all declined over the Period of Investigation, as has demand. Subject imports have likewise declined. The Commission has heard testimony at the preliminary conference regarding decisions by Resolute and White Birch to close capacity in the United States, as well as in Canada.

Petitioners attempt to link any U.S. capacity closure to the subject imports is simply unsupported by the record of this investigation. NORPAC, the sole petitioner in this case, has reported issues in its production and financial performances. These problems, however, are unrelated to the subject imports. Neither the impact of the purchase of NORPAC by One Rock, including the loss of 60,000 metric tons of guaranteed export volumes to Nippon, or the production loss due to wastewater treatment disruptions were related to subject imports.

The wastewater treatment disruption in early 2017 is estimated, based on public information, to have caused the loss of over 32,000 metric tons of capacity and production. There was also a second effluent disruption in September of 2017, although less information is publicly available about the magnitude of this disruption.

In 2017, when NORPAC, under its new One Rock management, cut wages by ten percent and ended the company contributions to the retirement plans, it told workers through an internal memo that it needed to take these measures because of the partial shutdown caused by the wastewater treatment issues, not competition with imports.

In late 2017, NORPAC temporarily idled a machine at its plant, and witnesses testified that this was due to prices falling too low to justify continued production. That price decline is not reflected in the prices on Slide 4, which show prices increasing through 2016 and 2017.

This occurred at a time when many -- the closure occurred at a time when many purchasers reported supply shortages, both in general and specific with respect to NORPAC. Also at this time, U.S. prices were increasing due to these shortages. The idling of the plant is insufficient to establish injury by reason of the subject imports. The issues faced by NORPAC are addressed in more detail in the prehearing briefs.

The Commission should find that the domestic industry, whether considered as consisting of one like product or two, and whether or not considered on a regional basis, is not injured by reason of the subject imports. Thank you.

MR. BAISBURD: Yohai Baisburd on behalf of Tembec, that's located in Eastern Canada and also the eastern part of the Panel, just to let you know that Chris Black and Martin Lavoie of Tembec are going to be here as witnesses and available for the Q and A as well. Thank you.

MR. FELDMAN: That concludes our presentation. Thank you all very much.

CHAIRMAN JOHANSON: Thank you Mr. Feldman and other members of the panel for appearing here today. We will now begin Commissioner questions with Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Good. Thank you very much. I'd like to thank all the witnesses for being here, especially the witnesses, the purchasers. I will confess that I like to read my newspaper in hard copy, so we get four newspapers every morning at our house. My husband's a sports junkie, I'm a news junkie, so you know, but I like the digital platform too, so I'm checking it out all the time.

So my first question has to do with that, and I think this is for the lawyers. Can we consider the impact on downstream users? Is that a legally permissible basis for us to take into account?

MR. FELDMAN: In citing 1677f(h) --

MR. BISHOP: Can you pull your mic a little closer?

MR. FELDMAN: In citing 19 U.S.C. Section 1677 f(h), I believe you're required to do so, inasmuch as the statute requires you, "shall provide" the opportunity for comment on relevant information to be provided by the consumers and industrial users. Those are the people you've been hearing from.

They have made the connection for you between the impact on them and the impact on the industry responsible for subject merchandise. So not only can you take this into account, I think you're required by statute to do so.

MS. ARANOFF: Madam Chairman or Commissioner, if I could add something?

(Simultaneous speaking.)

MS. ARANOFF: Sorry about that. One role that's very important for purchasers at the Commission is that the purchasers are the ones there in the market every day buying the product, and you should be giving considerable weight to what they're telling you about how they select their suppliers, what's important to them when they buy a product.

They put in substantial questionnaire and affidavit information on that, on the things that they value and the things that would or would not induce them to change suppliers, and that's something that you should give substantial weight to their opinions on.

COMMISSIONER SCHMIDTLEIN: Right. But the question of the potential injury to those industries as a result of tariffs on a different industry, is that something that we can take into account?

In other words, if the newspaper publishers are being injured by the tariffs on newsprint, how do we weigh that against the potential -- do we weigh that? Do we weigh that against the potential injury on the newsprint industry?

MS. ARANOFF: Well, the statute tells you -- the statute tells you to consider injury to the domestic industry, you know, in the context of all relevant economic factors, and one relevant economic factor, a very important relevant economic factor is the degree to which the domestic industry needs its customers and the customers need the domestic suppliers, and their relationship is symbiotic. So it is a statutory factor that --

COMMISSIONER SCHMIDTLEIN: But isn't that true in every case. I mean almost every case we have as an input into some other -- and I mean we have had a few that are final products, airplanes come to mind.

(Simultaneous speaking.)

COMMISSIONER SCHMIDTLEIN: We've never, we've never said okay, now let's take a look at how this is going to affect the downstream industry.

MS. ARANOFF: What we're telling you is that in this case, it's not so much the direct effect on the downstream industry as the way that that circles back onto the domestic industry, and basically put them out of business because they don't have customers anymore. It just exacerbates the effect of declining demand, so that instead of the steady decline you've seen, there's going to be an additional decrease and, you know, we hope not the demise of the newspaper industry as we know it, but that's a possibility as these witnesses have testified. The result of that is there's no one left to sell newsprint to.

MR. BAISBURD: Yohai Baisburd on behalf of Tembec. One of the conditions of competition of this industry is the secular decline. This is very different from other products that you've seen, where there's been some shock in the marketplace, a temporary reduction in housing starts or construction or things of that nature that then has, through the normal business cycle, a recovery.

You have as a starting point for this case a secular decline, and as you've heard and the record shows, is imposing duties will raise the cost for newspapers that are on the brink and publishers who are on the brink. Once they stop publishing seven days a week, once they stop publishing once a week, they do not come back.

So the demand decline that has been secular will then be turbocharged in a negative way, and that is the negative feedback loop that Shara was referring to. That is a condition of competition that is very different. This isn't a post-9/11 shock. This isn't a normal business cycle that you expect to return.

The decline has been going on for decades and will continue, but imposing duties will raise costs. That's what the record shows, and the impact of that will be fewer purchasers buying less tonnage of newsprint and other uncoated groundwood paper in the United States. That will have a direct impact on the U.S. industry as a whole.

COMMISSIONER SCHMIDTLEIN: Do you want to respond to the report that I believe the Petitioners put in the record, suggesting that due to the elasticities that it actually wouldn't cause a substantial drop? At least that was the argument they made, that people who buy newspapers will go ahead and continue to buy them, even if they raise costs, even if newspaper publishers raise the cost or recover the cost?

MS. ARANOFF: That's with the tariff?

COMMISSIONER SCHMIDTLEIN: Did you look at that report?

MS. ARANOFF: That study is based on a couple of very high profile urban higher readership name brand newspapers, where the study said well those newspapers have a substantial core of readers who are kind of price insensitive and are going to read that newspaper no matter what. It didn't take into account the newspapers like the ones that testified here, the small local newspapers which are the majority of newspapers in the U.S.

Their customers are very price sensitive, and they can't raise their subscription prices without losing subscribers. You heard their model. 80 to 100 percent of the revenue comes from advertising revenue. The fewer subscribers they have, the less the advertisers want to give them their business.

MS. LUTZ: This is Jennifer Lutz from Economic Consulting Services. I would just add that the article that you're referring to even says specifically at the end that the conclusions with respect to premium models of pricing apply to high-end publications such as the New York Times, the Guardian or the Sydney Morning Herald and not to smaller regional newspapers. And I think that the analyses also that were done with respect to using the SEC filings of major newspaper corporations, that's probably not a representative sample of newspapers in this country.

MR. TASH: This is Paul Tash. We are an independent newspaper. We're not part of a larger chain, so I don't know the experience across a whole range of other properties in other places, but I do know ours very well. And the single biggest drag on subscribers' propensity to renew is whether the price has increased or not. The higher the price increase, the less likely it is that a subscriber will renew.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. HENDERSON: And this is Pat Henderson with Quad/Graphics. Let me just say, again, a study is a study. We have actual data of every single month since these tariffs have gone up, we have printed fewer and fewer pages on newsprint. And newsprint is the cheapest paper available. So if we're not printing on those pages, that means those customers are leaving print, which means we're not buying the newsprint at all.

And so we're making fewer and fewer orders. And that has happened every single month since it's gone into effect. So a study is a study, but real actual data in the marketplace is telling us that this does go away and to the point earlier, it goes away and does not come back. The digital option is there for them, that they don't need to be in print. So the elasticities are hard to judge because they have a very clear competitive option which is the digital option.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. JOHNSON: On the smaller newspaper, the impact is a lot more. My newspaper, for example --

MR. BISHOP: Could you identify yourself?

MR. JOHNSON: I'm sorry. Andrew Johnson, Dodge County Pionier. The tax for me is gonna be about $5.41 a page, as I divided the number of pages by the $22,000 tax that I'm gonna receive, if I did the same pages as last year. That would represent over a $4 increase for a subscriber. That's just subscribers, but that's only 20% of my business, 'cuz most of my business does come from the hardware store, from the grocery store, and that's where most of my business comes. I have not raised my prices once in ten years, and that was last year. And to be honest with you, it's like walking on eggshells. For me to raise a price again another $4 or $5 is quite frankly suicide for me.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. SMITH: This is Jay Smith from Covington & Burling. I believe, I may be mistaken, but I believe the study you're referencing is dated and that it was 2012 and is not actually in the record, just an article about it, as I recall, is in the record.

COMMISSIONER SCHMIDTLEIN: Okay. All right. Thank you for that clarification. All right, let me -- well, actually my time is up, so I will save this for the next round. Mr. Chairman. Oh, do we have another Congressional? Sorry.

MR. BISHOP: Mr. Chairman, we have our final two Congressional witnesses joining us. The first Congressional witness is the Honorable Robert P. Casey, Jr., United States Senator from Pennsylvania.

STATEMENT OF SENATOR ROBERT P. CASEY

SENATOR CASEY: Thank you very much. I'm honored to be here. I wanna thank the members of the Commission for this opportunity and for allowing me the opportunity to testify on behalf of Pennsylvania, the people of Pennsylvania. Mr. Chairman and members of the Commission, I'm proud to represent journalists and newspapers across Pennsylvania in today's hearings.

From announcing the Declaration of Independence to the muckrakers of the early 1900s to all of the investigative journalism that has marked the work of so many newspapers to the recent chronicling of the opioid crisis and other challenges in our society today, newspapers and, of course, journalists themselves, play an essential function in our democracy through faithfully reporting and transmitting the news.

A free press and newspapers serve as a bedrock of our democracy and they must have the resources available to them to ensure an informed public. Pennsylvania, for example, is the home to seventy-six daily newspapers and more than a hundred and fifty non-daily newspapers.

According to Penn State University, we have more daily and weekly newspapers than any other state in the country. And it's our local newspapers whose reporters execute the duties of the Fourth Estate for their communities. I've heard from numerous newspapers in Pennsylvania expressing concern about the impacts of Commerce's preliminary findings.

I'm submitting with this testimony data they have provided on industry impacts in Pennsylvania. I know you will undertake a judicious review of the concerns raised by my constituents and that you will take the appropriate action. Thank you very much.

CHAIRMAN JOHANSON: Thank you, Senator Casey. Do any Commissioners have questions? There are no questions. We appreciate you coming here today.

SENATOR CASEY: Thank you.

MR. BISHOP: Our final Congressional appearance of the day is the Honorable Ralph Norman, United States Representative from the 5th District of South Carolina.

STATEMENT OF U.S. REPRESENTATIVE RALPH NORMAN

HONORABLE NORMAN: It's a great honor to be here. Thank you. I know it's been a long day for you, so I will be brief as well. I understand what the president is trying to do to impose tariffs and try to get a level playing field, but I guess with the newsprint industry, I feel like it's a little bit different situation.

It's hard for me to understand how one mill 3,000 miles from South Carolina, operating within what the Commissioner recognizes, is a regional market, can cast a dark shadow over newspapers and manufacturers in South Carolina, and really, all over the East Coast.

Already a hometown paper in my district, the Lancaster News, has announced it will reduce the number of days it will print a newspaper, which is a direct result of the tariffs. It's a surprise, the harsh life, at its own customers, NORPAC CEO claims that high newspaper and printing prices are a small price to pay to preserve America manufacturing jobs. I'm not sure what manufacturing jobs

NORPAC seeks to protect since other U.S. producers, as well as the American Forest and Products Association believe these tariffs will be harmful to the United States industry.

Demand for newsprint is in decline. It's down 75% since 2000. This is a struggle for newspapers and United States newsprint producers alike. The reality is that readers are switching from print to digital and some are switching to other media for their news, such as the 24-hour news cable.

It's been disruptive and has led to shrinking capacity for uncoated groundwood paper on both sides of the border. Since 2007, Canada has shut down 6.3 million tons of capacity and the United States has shut down 3.8 million tons. The United States, most noticeably the Midwest and Northeast, rely heavy on Canada for its newsprint.

Notwithstanding the decline in demand, people in small towns such as my constituents depend on their local newspapers for local and daily news. I'd love to see more newsprint capacity built here in the United States and especially South Carolina, but I'm also a realist.

While some capacity might come back online, the idea that anyone will build a new mill for uncoated groundwood paper makes no sense. What bank or manufacturer would invest hundreds of millions of dollars in new manufacturing operations for a product that has seen demand falling on an average of 10% a year?

As you consider the impact of these tariffs and how they will impact newsprint producers, recognize that the cyber and internet technology, not unfair trade practices that are challenging newspapers and newsprint production. This is market erosion, not unfair trade, causing a decline in the newsprint and the commercial printing sectors. So let's not compound the challenges through misguided tariffs. Thank you for this opportunity to speak and thank you for what each of you do.

CHAIRMAN JOHANSON: Thank you, Representative Norman. Do any commissioners have questions? There are no questions. We appreciate you coming here today.

MR. BISHOP: Mr. Chairman, that concludes Congressional testimony for the day.

CHAIRMAN JOHANSON: All right. We will resume Commissions' questions and I will be the one resuming them. Prices for newsprint have increased since the imposition of preliminary antidumping and countervailing subsidy tariffs on imports of Canadian uncoated groundwood paper. Do you believe that this increase is predominantly due to the tariff or to some other factor?

MS. LUTZ: This is Jennifer Lutz from ECS. I think that, at least in part, there's certainly many mentions from purchasers on the record about shortages towards the end of 2017. And I'm sure that the case created turbulence in the market that may have caused some temporary price increases, but I think the shortages are what purchasers cite as the reason, as what was going on in late 2017.

It's somewhat inconsistent with what NORPAC said about closing their plant in 2017 because prices had just fallen so low they couldn't take it anymore, when prices had started to increase. It's a little inconsistent.

CHAIRMAN JOHANSON: Okay, thank you, Ms. Lutz. Could you all please comment on NORPAC's assertion that northern uncoated groundwood paper producing facilities have been closing faster than southern facilities, despite the presence of higher quality pulp in the north, which should have given them a nonprice competitive advantage over southern facilities. And this is discussed at Page 14 of the petitioners' pre-hearing brief.

MS. LUTZ: Well, with respect to the three that closed during the period and they tried to address using their survivor-bias methodology, I would point out that two of them, WestRock and Nippon, are west coast producers largely of newsprint.

And newsprint is a regional market and is generally, and certainly by the U.S. producers, sold largely by region and I suspect if those companies were still around, that would be quite a lot of oversupply in that section of the country, which has lower prices than the eastern regions and has the least amount of subject import penetration which would suggest that subject imports were not the cause of those closures.

MR. FELDMAN: Mr. Chairman, I think it's very difficult to take a snapshot of a few months in this history. We displayed maps taking you back to 2000 and giving you snapshots of 2000, 2006, 2012, 2018. You see overall a general withdrawal of capacity and you just heard one of the Congressmen tell you that the Canadian closures were twice the volume as the closures in the United States over that period.

So you've heard I think several times today that there's been a responsible and deliberate withdrawal of capacity in the face of the secular decline in demand that started in Canada. There's been twice as much in Canada as in the United States. If you take a little picture of a couple of months or a year, you get a distorted sense of what's happening, notwithstanding that what was still there was perhaps an excess supply in that region, which is what Ms. Lutz just explained.

MR. BAISBURD: Yohai Baisburd. I would also just point out that you know you won't attribute to subject imports that declined over the period of investigation. The closures when there were nonsubject imports that increased over the period, including nonsubject imports from Canada itself and, you know, as you do in every case, you're careful not to attribute to subject imports closures if there are negative effects, if they're caused by other factors.

MS. ARANOFF: One last point, Mr. Chairman, it's just that you were mentioning fiber source specifically as the basis for who may or may not be competitive. And we don't know the reasons. It's not on the Commission's record the reasons why some of these mills that closed earlier, closed, that might have had access to northern fibers. But what we do know is that fiber source is not the only factor in determining which paper machines are the highest cost and the least competitive and therefore, might be closed first. It could have to do with the age of the paper machine itself and the condition it's in, and there are a number of other factors at play.

CHAIRMAN JOHANSON: Okay, thank you for your responses. I guess we have --

MR. LAFAVE: I'd just like to add, to pick up on that point. There's the width of machines, there's the speed of machines, so beyond fiber. As I said in my testimony, it's the least efficient machines tend to close.

Darwinistic approach, if you will. And as we pointed out, ninety-eight machines have closed since 2000, sixty-one in Canada and thirty-seven in the U.S.

CHAIRMAN JOHANSON: Okay. Thank you for your responses. And this is a question that's probably best answered by Kruger. It has been reported in trade publications that Kruger reduced its July 2018 newsprint shipments by 40% and that reductions will continue in August. Can you confirm that this is accurate? And if so, describe the reason for the reductions? And also, can you provide any information on what newsprint customers are doing to fill the gap?

MR. D'AMOURS: Yes. My name is Francois D'Amours from Kruger. Yes, from time to time it's right, and now the market is a very good market. And from time to time, we have to go into allocation, that's what we do, in this period of the year, in this summer time, so yes, we did some allocation to some of our customers, but for most of our customers, Gannett, Hearst, and others, we kept the allocation that we have when we have a contract as for example.

MR. ANGEL: David Angel for Kruger. I think the premise to that question--if I may--is that Kruger has been selling at dumped prices, but that's not correct. In this case, Kruger's subject to the all-other's preliminary dumping rate, and Commerce excluded the de minimis rate calculated for Resolute and White Birch, and based our all-other's rate solely on data from Catalyst.

And that's a very important point. Catalyst sells in the West, while Kruger, as I think you may know, we sell in the East where prices and competition are entirely different as I mentioned in my remarks. So there's no evidence that Kruger is selling at dumped prices.

What is true and, as people know, is that we're subject then because of this all-other's rate to have our customers pay 30% higher prices for our newsprint when other Canadian producers with low or no margins, are priced more realistically. Think that's very important.

CHAIRMAN JOHANSON: Thank you, Mr. Angel. If less-efficient mills have been shutting down between 2015 and 2017, how has this impacted prices of paper?

MS. LUTZ: This is Jennifer Lutz. I think you saw from the slides that newsprint prices were declining through 2015, and I think turned around in the Fourth Quarter. Well, in 2015, let's see, 2015, according to petitioners' calculations of capacity closures, Canada removed 380,000 metric tons of capacity in that year, and the U.S. removed 280,000 metric tons. So probably the removal of that volume helped prices to increase.

CHAIRMAN JOHANSON: Okay, thank you, Ms. Lutz. I appreciate it. And I only have about a minute fifteen seconds left. So I'll ask a quick question. And this is a question for News Media Alliance. On Page 21 of the Kruger brief, it is written that the last thing that a publisher wants is to have a break in a paper roll at 3:00 in the morning. Does this really happen? Does paper actually break in a machine?

MR. TASH: Absolutely. And it's a mess. Imagine, imagine that sheet going through those complicated machines and rollers at a very high speed, producing, say, 40,000 copies of a newspaper an hour, and it breaks. It goes everywhere. So you have to stop, you have to reweb and start up again. That causes a tremendous disruption and delay. It can cause overtime in your press room. It can obviously delay the delivery to your subscribers. It can put your contractor delivery folks at a real disadvantage.

It is a huge problem. So the reliability and, in this case, the term "runnability" of newsprint through our machines is enormously important to us. And our press crews sometimes will request, not only newsprint from a particular supplier, but from a particular supplier for a particular press. And a particular machine from a particular supplier. Because it runs better on that press. So it is an art, as well as a craft to print a newspaper, and rolls do break.

CHAIRMAN JOHANSON: All right.

MR. HENDERSON: This is Pat Henderson with

Quad/Graphics. Just to put another fine point on that. It is a definite skilled worker that works in our press room. Those presses move at 3,000 feet per minute, and when they break, it is exactly right. We are down for an hour, maybe two hours at a time, to try to figure out, where did we leave off, how much of our product did not get printed, and now to get it reprinted. That is a very big problem.

CHAIRMAN JOHANSON: All right. Thank you all for your responses. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. I too want to thank all the witnesses for coming today and presenting their testimony. The Post Dispatch has its printing presses. In recent years, they've been right in the front so you can see it from the street, so I can imagine what happens when something breaks, but it's pretty vivid.

Mr. O'Toole, I want to turn to you. You mentioned something about round metallic tips and others. I guess special devices and I didn't understand that and I wanted to figure out how significant that is.

MR. O'TOOLE: Thank you. What we have here are some samples of the ends of cores. And the one I'm holding is specific to our plant in North Jersey, Media, Rockaway.

COMMISSIONER WILLIAMSON: So it's the end of the roll of paper?

MR. O'TOOLE: Correct. One of the two samples that you have there you see the newsprint is on the core itself, some remaining newsprint. The cores are specific to the press, the reel stand itself. There are many different types of cores. There's a plain fiber core that I'm holding here. There's plain fiber core with a notch. There's a plain fiber core with a bevel. There are also metal capped cores like the one that you were just handed.

COMMISSIONER WILLIAMSON: Is your point that --

MR. O'TOOLE: They're very specific to each pressroom. Correct. And there are producers, like NORPAC, who don't provide that rounded metal tipped core for pressrooms that we have in our Eastern region.

COMMISSIONER WILLIAMSON: Okay.

MR. O'TOOLE: If you don't have the right core type for the press --

COMMISSIONER WILLIAMSON: No, I understand that point. I guess the question is how significant is --

MR. O'TOOLE: It's incompatible.

COMMISSIONER WILLIAMSON: -- these demands in terms of --

MR. O'TOOLE: It's critical to have the correct core type for the press that you're running that newsprint on or you risk have a one ton projectile fly off the reel stand.

COMMISSIONER WILLIAMSON: I assume that this newsprint is probably sold on long-term contracts.

MR. O'TOOLE: Correct.

COMMISSIONER WILLIAMSON: Wouldn't the producer who has a long-term contract wouldn't he provide the right core?

MR. O'TOOLE: Currently correct. In the current market environment we are undersupplied and we are trying to get more newsprint to cover those shortages and we can't get enough. And one of the limitations that we're facing is the producer not providing the correct core type.

COMMISSIONER WILLIAMSON: Okay. You see I'm trying to see how significant is --

MR. O'TOOLE: It's quite important.

COMMISSIONER WILLIAMSON: Okay.

MR. O'TOOLE: It's very important in order for us to produce our product with the proper core type.

COMMISSIONER WILLIAMSON: Okay. And you also made reference to irrational shipment patterns in this period of time. And I was wondering to what extent can you document that and show me how we should take that into account in this case, post-hearing, of course.

MR. O'TOOLE: We can submit that as a post-hearing brief.

COMMISSIONER WILLIAMSON: Yes. Because when these factors get thrown out sometimes people throw out things like, oh, you look at the numbers. It's only 1 or 2 percent of the actual consumption and sometimes it's more significant and that's what I'm trying to assess here.

Your argument is that the domestic industry and subject imports don't compete head-to-head because of regional segmentation. And I was wondering is that true in the West too?

MR. O'TOOLE: The question is, is there competition in the West from the East?

COMMISSIONER WILLIAMSON: Actually, there are two questions. Competition with the subject imports you talk about there not being competition between subject imports and the domestic production because of regionalization, so the question was in the western region is there a competition from imports?

MR. O'TOOLE: The market I face is segmented by regions, East and West, with eastern producers competing in the East, including north and south of the border and then conversely, in the West, north and south of the border all competing with each other in the western market.

COMMISSIONER WILLIAMSON: Okay. You heard the domestic producers claim that the market is very transparent in terms of pricing and that prices in the East do affect -- have an impact in the West. Do you agree or disagree with that?

MR. O'TOOLE: I disagree with that. I do not see that exhibited in the marketplace. The concentration of supply in the Pacific Northwest is the factor that I would recognize as the most significant driving, competitive force to pricing pressure in the western market, the domestic market.

COMMISSIONER WILLIAMSON: Okay.

MR. ELLIS: Just to jump in on this, Catalyst does not see -- is located in British Columbia.

COMMISSIONER WILLIAMSON: I understand.

MR. ELLIS: They compete, especially in newsprint, up and down the I-5 corridor, which is, in fact, how NORPAC put it. And their competition is exclusively in the newsprint area with NORPAC, Ponderay, and Inland Empire, other northwest located mills.

The statistic that the staff has gathered shows that there is a very insignificant division of sales competition, especially in the newsprint, between the East and the West. I mean a really tiny, tiny quantities of --

COMMISSIONER WILLIAMSON: You said insignificant?

MR. ELLIS: Insignificant.

COMMISSIONER WILLIAMSON: Thank you because I thought I heard significant.

MR. ELLIS: Very insignificant.

COMMISSIONER WILLIAMSON: Okay.

MR. ELLIS: As a theoretical matter and I think as a practical matter, which Mr. Dwyer will speak to, if there is no capability of moving product from one coast to the other, then the pricing of the product on one coast, arbitrage, cannot be impacted on the other coast. It doesn't make any economic sense and that's what our friend from Gannett has said.

So the fact that there may be some similarity in prices, as Mr. Klett said earlier, does not, in itself, mean that therefore it is a single unified market. And in fact, the producer does not see it that way.

MR. DWYER: I would say the cost to cross the U.S. is just prohibitive for a low-value commodity and so the behavior that we see is, we're facing you know intense competition from our U.S. competitors. And you know with respect to customers in Tampa Bay it's not a reasonable possibility for us to be a supplier.

COMMISSIONER WILLIAMSON: Now the Petitioners this morning were arguing that there is more -- I guess they're saying they're breaking out of the West and you all are saying that that's not possible. I don't know what evidence anybody can produce.

MR. DWYER: I think what I said was it wasn't economical practical. You know I don't know the circumstances or the conditions under which they're delivering or even -- it wasn't clear from the presentation what the products are as well that are being transported. I was speaking specifically to newsprint. Catalyst delivers high bright and book paper to the East Coast. It was identified earlier today that the book publishing business is done primarily on the I-81 corridor, and we have been historically a significant supplier to that market.

COMMISSIONER WILLIAMSON: Why is that and not newsprint? It's just because of the higher value of the book paper?

MR. DWYER: it's a higher value product, and it's a product with fewer participants as well as being a higher value product.

MS. ARANOFF: Commissioner Williamson, if I could just make one point about this East/West thing. NORPAC's argument --

COMMISSIONER WILLIAMSON: Could you identify yourself?

MS. ARANOFF: NORPAC's argument all along has been that if prices were higher for newsprint they would be able to compete further east. The fallacy with that argument is that what makes you competitive is proximity to the customer. As long as there's another supplier who's closer to the customer, NORPAC is always at a cost disadvantage in terms of serving that customer. What has changed in the market is not that duties have brought the price level up, per se, and made them perhaps able to compete somewhat further East in newsprint.

What has happened is that they've knocked some of the supply out of the market because the duties are so prohibitive. That means that some of the suppliers who used to be closer to the customers can't serve the U.S. market any more or as much as they could. So the difference is not that the price level came up. The difference is that they've leapfrogged in the proximity competition.

COMMISSIONER WILLIAMSON: And what can we look at to sort of prove this. I've already talked about the shortages and documentation of that. Anything else we should look at to sort of --

MS. ARANOFF: Well, you have asked them to show you where they're shipping further East and hopefully they'll give you that information in the post-hearing.

MR. O'TOOLE: I can answer that. They're shipping to us in the East.

COMMISSIONER WILLIAMSON: Okay.

MR. O'TOOLE: And we're paying a significant premium for that. There is an undersupply in the East. We cannot get enough newsprint. If we don't pay that premium, we will not print. We will simply have to shut down. We do not have enough supply. The premium is huge.

COMMISSIONER WILLIAMSON: Okay, thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you, Mr. Chairman. This is for Resolute/Kruger and News Media and Gannett that are arguing for separate like products. Why did you not raise the domestic-like product argument during the preliminary phase of this investigation?

MR. FELDMAN: Probably because we didn't fully appreciate the complexity of the products.

MR. BISHOP: Could you identify yourself please?

MR. FELDMAN: I'm sorry, Elliot Feldman representing Resolute. Probably because we didn't fully appreciate in the three-week window we had for the preliminary phase the complexity of the product.

COMMISSIONER BROADBENT: The complexity of the scope?

MR. FELDMAN: Of uncoated groundwood paper and the different types there are. We had been through a supercalendered paper case and we looked only at supercalendered paper, but at the preliminary phase we did say we were reserving on the question of like product because we weren't educated enough.

COMMISSIONER BROADBENT: Right.

MR. FELDMAN: And sure enough, when we understood more we came back raising this question.

COMMISSIONER BROADBENT: Okay. Ms. Lutz, given the long-term structural decline in demand this market, why did U.S. consumption decrease significantly in 2017, but from 2015 to 2016?

MS. LUTZ: I think that there is some evidence of decline, although I don't have the numbers right in front of me. But while there were potentially U.S. producers that were producing earlier in the POI that are not, there were also import suppliers that were supplying earlier in the POI and are not. Paper Excellence in Port Mellon supplied -- we found records of newsprint shipments, but we believe they had other shipments in 2015 that are not captured by the questionnaire data.

COMMISSIONER BROADBENT: Okay. Pages 2-9 through -- this is for Ms. Lutz -- 2.9 through 2-10 of the staff report detail a number of supply disruptions and shortages experienced by purchasers and identified by producers and importers over the period. However, we see that the domestic industry had excess capacity during the period of the investigation. To what extent were supply shortages in the U.S. market that were not necessarily -- to what extent were there supply shortages in the U.S. market that were not necessarily reflected in the capacity utilization data we have available.

MS. LUTZ: Well, I think, in general, the domestic industry's capacity utilization was pretty high during the period. In some instances -- my understanding is most of the shortages that were reported were towards the end of the period and that would be immediately after the closure of Resolute's Tennessee plant, the closure of White Birch, and NORPAC's idling of its plant. So I think that there probably wasn't a lot of capacity available and some of this could be related to the regionality.

If there's some excess capacity on the West Coast and somebody needs newsprint in Florida, their instinct isn't to contact West Coast suppliers because that just hasn't been who has been supplying them, historically.

COMMISSIONER BROADBENT: Okay. For Mr. Wise of Resolute, is the case that southern U.S. producers cannot produce lightweight newsprint, such as the 40 GSM newsprint? Have you seen less business from your U.S. operations as a result of the shift in the market toward 40 GSM newsprint?

MR. WISE: We have not seen a shift. We make 45 gram and 48.8 gram. The fiber source that we use is Southern Yellow Pine. We've already talked about it. It's in my declaration. The pine fiber is a hollow structure, a hollow rod. It's thick walled. It requires more refining, screening to develop the fibers. It's not as suitable. It doesn't refine as well as the northern fiber, so we have not attempted to make 40 gram in the southern mills.

COMMISSIONER BROADBENT: Okay. Let's see, Mr. Wise --

MR. LAFAVE: If I could just to add on the Augusta side, we've tried and decided not to produce the 40. We've got ample orders right now of 45 and 48.8 to keep the mill running full.

MR. FELDMAN: I think the record will show tiny quantities which were test runs that failed, so to be more accurate, we are aware of the moment and the demand for this product. We tried to produce it and failed and it's because of the fiber.

COMMISSIONER BROADBENT: Okay. This is for Resolute and Mr. O'Toole from Gannett. According to a January 8, 2016 article in the Spokesman Review, Ponderay is a joint venture owned by Resolute and Gannett, among other media companies. Can you discuss the justification for your participation in the joint venture at Ponderay? Why did you invest in this paper mill in the western United States?

MR. O'TOOLE: Gannett acquired the interest in Ponderay through an acquisition, but my understanding of publishers' investment in newsprint mills were for security of supply.

MR. LAFAVE: And I would comment that that was something that went on certainly in the eighties where publishers would come to paper producers and ask to participate in the cost of building the machine and that's what happened at the Ponderay Mill. It started up I think it was in 1989 or 1990.

COMMISSIONER BROADBENT: Mr. Feldman?

MR. FELDMAN: Resolute had a joint venture with the New York Times in Canada. It had a joint venture with the Washington Post, produced all the newsprint for both. Joint ventures that would give a reliable supply, as Mr. O'Toole is suggesting were not uncommon and still are not entirely uncommon. So at the same time in the case of Ponderay, Resolute is an operator and knows how to run a mill. The newspapers aren't running the mill, but it does give them a secure and reliable supply.

COMMISSIONER BROADBENT: Okay, what's the status of that joint venture at this point?

MR. FELDMAN: I think it's operating with the ownership just as described and is an important competitor in the Pacific Northwest; arguably, the most important competition that NORPAC faces because the newspapers, of course, have a particular interest in managing the price because they're self-supplied, in effect.

MR. O'TOOLE: I would just like to add that I was out at the mill last week to deliver a Supplier of the Year award. Ponderay has just been selected, based on their runability, delivery, service, quality. That award is decided by 120 of our sites that they deliver paper to and were selected as our supplier of the year for 2017.

COMMISSIONER BROADBENT: Okay, Ms. Lutz, how do you respond to the Petitioners' argument on page 37 of their brief that survivor bias has affected the market share data collected by the Commission in this investigation?

MS. LUTZ: Well, I think my first response was dealt with somewhat in the questioning that if they thought these volumes were important they should've identified these producers in the petition and perhaps they could have answered questionnaires.

I think it is also reflective of their attitude that no producers of uncoated groundwood paper in the United States could have closed for any reason, other than the subject imports. And I think that the failure to identify these producers and provide contact information goes beyond just the fact that they didn't fill out questionnaires, but the petition actually says in 2016 these producers produced uncoated groundwood paper in the United States and Nippon was not identified. They were not included in the standing calculations.

I think that this is -- I don't know if they were surprised by the market share trends that they got in the final data and said, oh, we need to do something about this, but I think that it's a little late to be saying when they had opportunities in the petition, at the prelim, and at the final to try to get the Commission to send questionnaires to these companies.

COMMISSIONER BROADBENT: Okay. This is a question for Mary Jane Alves, counsel to Tembec. Welcome, Ms. Alves. We'd like to see you here today. Several Respondents have stated that in the U.S. market as a whole any adverse volume trends are due to White Birch’s fairly traded non-subject imports rather than subject imports.

For example in Tembec's pre-hearing brief at page 15 to 18, "If Commerce finds positive dumping and subsidy margins for White Birch in its final determinations should the Commission find that subject imports have caused adverse volume trends."

MS. ALVES: No Commissioner Broadbent. In fact, we have also presented information indicating that regardless of whether or not White Birch's imports are considered subject merchandise or non-subject merchandise that there are a number of other factors; in particular, the secular decline in this industry that explain anything that's going on in this industry.

Also, as you've heard numerous times today, the fact that the rest of the domestic industry is not complaining about subject imports as the cause of any problems that they may be having is further support as well.

COMMISSIONER BROADBENT: Okay, thank you. My time's elapsed.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you. So I want to get a better sense of where you think the market is in terms of the appropriate level of supply, I guess, right? So I just heard Mr. O'Toole say that there is a supply constraint right now, and they're paying a premium for product from the west. Is that due to the tariff, I guess, the prelim duties? Is that when the supply shortage occurred, or was that prior to that?

MR. O'TOOLE: This is Frank O'Toole. The shortage that we faced started in the back half of last year, following my recollection is nearly a million tons of capacity leaving the market. In addition to that, I think globally the market lost nearly 1.8 million tons. So call that all together nearly three million tons in the global marketplace of newsprint production.

All of that supply leaving the market creates a shortage, and it's from what I observed, it becomes a regional problem to fill. If I can't get enough supply in a particular region, I'm going to try to look elsewhere for it. I brought the cores, because that becomes a limiting factor that I'm facing right now in terms of being able to get supply from one region to another.

COMMISSIONER SCHMIDTLEIN: Okay. So it was more a matter of capacity going offline that's causing the supply shortage. So when I look at the staff report, and this is public, when you look at the COGS to net sales ratio in 2017, you see that it's over 100 percent. It's 105 percent, which would suggest that the domestic industry, and this is for the domestic industry as a whole, right, which would suggest that the domestic industry would want to raise prices, right, in order to cover its COGS.

And so why has -- and you heard Mr. Crowley testify earlier today that they tried to raise prices and they couldn't. So given that there is this supply shortage, why has the domestic industry not been able to raise prices to cover its cost?

MR. FELDMAN: Madam Chairman, if I may take a first run at this question. It's Elliot Feldman. First, these shrinkages of supply come in large chunks. These are mills that run 24-7, you try to run them all year long. When you take down the mill, you take down all of that supply at once. It's a staircase.

So I think you've heard testimony today suggesting that there's been an overshot at the moment.

You're looking at something that's considered very temporary by I think everybody in the industry. No one doubts the long term secular decline which we've been experiencing since 2000. I believe Mr. LaFave said those of us in the paper business hope there is a floor. But we don't know there is one.

So you've hit at a moment of a temporary supply shortage, with all of the consequent adjustments. When you ask well why couldn't you raise the price, I think you've been hearing all day because customers can't afford a higher price. We'll put them out of business. Because you have long-term and established relationships with all of them, and because you perceive --

COMMISSIONER SCHMIDTLEIN: Well, but prices have gone up, right?

MR. FELDMAN: They have gone up.

COMMISSIONER SCHMIDTLEIN: Prices have gone up.

MR. FELDMAN: Prices have gone up.

COMMISSIONER SCHMIDTLEIN: But so the question is --

MR. FELDMAN: But they've been pushed as far as they can be pushed, and you know that this is a temporary situation. You can't just --

COMMISSIONER SCHMIDTLEIN: Well at some point, enough capacity will go off or will come back on. In fact, I thought we heard this morning that Bear Island was going to start operating again.

MR. FELDMAN: Very misleading. Bear Island, as far as the public knows now, is going to develop a pulp mill and is going into packaging. What disappeared was newsprint. So yes, Bear Island is creating more jobs.

COMMISSIONER SCHMIDTLEIN: Okay. Well let me ask Mr. LaFave from Resolute, the fact witness. Have you tried to raise prices more and you couldn't?

MR. LAFAVE: I think that you refer --

COMMISSIONER SCHMIDTLEIN: Because I've looked at your COGS to net sales ratio as well, and that's confidential what it is. But have you all not been able to raise prices?

MR. LAFAVE: We have. I think you refer to Mr. Crowley. He was referring to earlier, first half I believe of 2017, and in the west he was not able to move the price up I think is what he was saying. Once, as Mr. O'Toole stated, I think it was 850 to 900 thousand tons that came out of the North American capacity, prices started to recover due to supply demand late last fall, fall of 2017 and have run into 2018.

So there has been price recovery it was

referred to earlier. I think it's in the neighborhood of 22 percent from a supply-demand basis, and then on top of that you've got those that have been more impacted by the duties that have higher levels of pricing.

MR. BOYLE: Commissioner?

COMMISSIONER SCHMIDTLEIN: Still though my question was were you wanting to raise prices more than that, and you weren't able to?

MR. LAFAVE: No. We didn't attempt back in early -- in early 2017 because supply-demand dictates whether you're going to be effective at raising prices. You referring to the operating rates being higher than 100. They weren't then. They were -- I don't know offhand, but they were probably in the low 90's.

Once the capacity came off and operating rates went up, then you're in a position where you can raise prices. At the same time though, we are -- we understand our customers' concerns. So there's a limit as to how high prices can go.

MR. BOYLE: Commissioner.

COMMISSIONER SCHMIDTLEIN: So let me just follow up on that. So what is -- in your written testimony, your prepared statement, at the end you said "I have no more time, but I would be happy to answer questions about what's happening and the kinds of things we, as the largest producer in the U.S. and on the North American continent are doing about it."

So what -- what is the plan for Resolute in order to increase profitability then? Your plan is not to raise prices more I assume?

MR. LAFAVE: I didn't -- I'm not saying we wouldn't raise prices more. We have raised prices to the tune of about 22 percent. We recognize the difficulty it poses for customers, so we're trying to be responsible as to the magnitude and the timing of increases.

As far as the plans for Resolute, it was referred earlier. I refer to -- NORPAC referred to our Calhoun mill. We shut down our inefficient capacity as we've talked about, as I've talked about in my testimony, and it's a good story at Calhoun because we also invested 400 million and are transforming the company into tissue, taking our fiber that was otherwise going to paper machines and converting into tissue, which is a grade which is actually on a growth pattern.

It tends to grow with the population growth, as opposed to the ongoing secular declines that we've experienced on the printing and writing, or uncoated groundwood grades.

COMMISSIONER SCHMIDTLEIN: So are you suggesting then that Resolute's going to continue to decrease its capacity in uncoated groundwood that would -- that covers the scope here?

MR. LAFAVE: I guess we could talk about that. That would be confidential. We have done our part. We've shut down 56 machines since 2000, the majority of which has been in Canada. So we monitor supply-demand and the inefficient machines over time will have to be closed.

COMMISSIONER SCHMIDTLEIN: So who decides between your mills in Canada and the mills here? Where are the supplies going to come from for the customers?

MR. LAFAVE: It's -- there's customer preference. We talked about not being able to produce 40 gram at our Augusta and Mississippi mills. So we have a platform of mills and we look at freight, we look at the overall logistics cost to serve and deliver, and which mills make the most sense -- to serve the customers in a most cost effective way, including marine.

COMMISSIONER SCHMIDTLEIN: So is that decided -- is the company headquartered in Canada?

MR. LAFAVE: Yes.

COMMISSIONER SCHMIDTLEIN: So that's decided in Canada, I guess?

MR. LAFAVE: It is decided in Canada at our offices in Montreal.

COMMISSIONER SCHMIDTLEIN: Okay, okay.

MR. ELLIS: Madam Commissioner, this is Neil Ellis for Catalyst. I just wanted to go to your point about efforts to raise prices. We had in the preliminary phase, we had an example to be submitted, which we can resubmit to the final, where there was an effort by Catalyst in fact to increase prices of newsprint in the western region, and it was in fact undercut by U.S. producers, whose names will remain confidential.

So there have been efforts to raise prices when shortages do occur, and out west, you know, Catalyst shut down a machine and they shut down the Snowflake mill in Arizona back in 2012. So there were some times when there were shortages. They attempted to raise prices but they couldn't go through because they were undercut by U.S. producers.

MR. BOYLE: Commissioner, if I can talk on that. This is Paul Boyle with the News Media Alliance. We represent 2,000 newspapers. We did a survey that closed on July 3rd of 300 members of our Association, and the average price increase since August 2017, since this investigation was started, has gone up about 21 percent.

We also asked what kind of measures that newspapers are taking, and 71 percent said they were cutting pages to save on that cost expense, and 14 percent said that they were either eliminating or considering eliminating days. So you had the Vicksburg Post in Mississippi, the Pittsburgh Post-Gazette that have gone from seven days to five days. You have a small weekly in Ohio that converted their 1,300 print distribution to all digital.

So my point is that once you do that, it doesn't come back. So to stress the earlier point as far as the damage to the demand and this tariff accelerating the decline in the demand.

COMMISSIONER SCHMIDTLEIN: Okay, thank you very much.

CHAIRMAN JOHANSON: Commissioner Broadbent earlier brought up the issue of survivors bias. I want to discuss that a bit more. On page 51 of Petitioner's brief, there is a list of six companies that Petitioner asserts went out of business since 2014, and they say that this introduces a survivors bias to the data that the Commission has assembled.

Is there anything that the Commission is obligated to do to fill in any such void in our record data?

MS. ARANOFF: Commissioner Johanson, Chairman

Johanson, Shara Aranoff from Covington. One thing I would say is that you're asking exactly the right question, which is that Petitioner's argument about survivor bias is really a claim that the Commission has failed to collect adequate data on the volume and price effects of subject imports, which is particularly ironic in a case where the Commission's had full participation from the Canadian producers, but not so much from the domestic industry.

CHAIRMAN JOHANSON: Okay, thank you Ms. Aranoff. Yes, Ms. Lutz.

MS. LUTZ: So this is Jennifer Lutz. I would also add that some of those closures took place well before the beginning of the POI in this investigation, and they also make no effort to account for the volumes of U.S. producers who did not submit questionnaires who are still producing, which I think would also be relevant to the Commission's analysis. If they're still producing at their full capacity in a declining market, they have presumably recorded gains in market share.

CHAIRMAN JOHANSON: Okay, thank you Ms. Lutz. I appreciate your answer. I was wondering, to what extent do you all use recycled paper for your production of uncoated groundwood paper? How does that factor into this?

MR. LAFAVE: As I stated -- John LaFave from

Resolute. As I stated, there's no remaining recycled mills in North America.

CHAIRMAN JOHANSON: So what happens with all the paper that I so carefully take out every Sunday morning to my recycle bin?

MR. LAFAVE: That's a good question. I think there's a disproportionate amount of it that would be shipped offshore, and China would be a big market for that.

MR. BOYLE: Mr. Chairman, Paul Boyle with the News Media Alliance. I kind of worked on this issue 20 years ago when we were encouraging newsprint manufacturers to make recycled newsprint, and at that time there were Boys and Girls Clubs that were collecting old newspapers, and they were getting a high price for that supply, and they were feeding these mills with that good fiber, recycled fiber.

What happened is a lot of municipalities went to multi-collection programs, where everything was commingled together, and it's very hard to separate that out. So a lot of that ONP gets exported now, and newsprint manufacturers could not find that raw material, old newspapers, and so a lot of those machines were closed as a result of that.

CHAIRMAN JOHANSON: That's something else.

All that work. Yes, Mr. D'Amours.

MR. D'AMOURS: Yes. Francois D'Amours from Kruger. There are two reasons that I see that could explain that, all the DIP are shut down. The quality reason that has been just explained, because the quality of the material that is recovered to put into the new pulp has declined over the years. So the quality of paper has also been affected by that.

The other thing is many of the mills that were running the DIP facility were also running TMP facility. So the --

CHAIRMAN JOHANSON: What is TMP?

MR. D'AMOURS: It is the thermomechanical pulp or mechanical pulp, and the two pulp plants to produce newsprint is not an efficient way, cost-related. So it's not an efficient way to produce newsprint now. So most of the mills like us in Bromptonville, we shut down the DIP operation to only run the groundwood mill.

CHAIRMAN JOHANSON: Okay, thank you. So I guess my next question was how the restrictions in China of receiving U.S.-recovered paper might have affected the market here by lowering prices perhaps with more inputs, but that apparently is not an issue.

MR. DWYER: Ned Dwyer from Catalyst. The

price of the paper has gone down substantially, but there's a significant amount of capital equipment that's required to de-ink the old newspaper, to make it a feedstock into a new newspaper, an acceptable quality feedstock into a new newspaper.

And so as those mills have closed and been demolished, at Great Northern Paper we had one. We had it sold and disassembled, and so those assets that are capable of doing that are in much more limited supply today than they were at a time when there was a lot of demand in the market for recycled product.

Additionally what we found, the experience at Great Northern was when we were using higher quantities of recycled fiber that we had to use, we had to use additional softwood pulp, which is the most expensive feedstock that we have.

MR. LAFAVE: Commissioner, if I could add to that. John LaFave from Resolute. There's been at least two conversions to liner board from mills that had been consuming ONP. I believe one of them was Kruger up in Trois Rivieres, and the other one down in Georgia at S.P. Dublin.

CHAIRMAN JOHANSON: Okay. Yes, Mr. Grimson or Mr. O'Toole.

MR. O'TOOLE: Thank you. Frank O'Toole. My understanding with regards to China and the new regulations that were brought to our attention in late 2017 were that they established new restrictions on their import of the OMP or the old newsprint, as Mr. LaFave mentioned, significantly reducing their domestic production capacity of finished newsprint, newsprint for their own usage and became a market of net importing of newsprint.

We understand that further exacerbated the tightness in the global market, which would have allowed Canadians facing duties here in the States to divert supply to those markets, those under-supplied markets due to those new restrictions on OMP.

CHAIRMAN JOHANSON: Okay. Thank you all for your answers. The next question follows that one hopefully somewhat logically. There was not very much written in the briefs for this hearing regarding raw material.

Often when addressing price effects, the Commission will note price trends in relation to raw materials, which leads me to the question of what are the most appropriate raw materials to analyze in this case, logs or pulp? And also are most producers of uncoated groundwood paper integrated?

MR. WISE: Rob Wise, Resolute Forest Products. The three primary materials to look at or costs to look at in the manufacture of newsprint is energy, the raw material as far as the chips or the wood material, and manpower. Those are the three.

CHAIRMAN JOHANSON: So I guess that explains why you have -- why there are plants on the Columbia River and the TVA, and up in Quebec, the hydropower? Okay.

MR. FELDMAN: And why we gave you chips to look at.

CHAIRMAN JOHANSON: Okay. Very good, thank you.

MR. BAISBURD: Yohai Baisburd for Tembec. I would just point out on page 36 of our brief, we mentioned raw material costs. But also the COGS ratio and how it's been over the course of the POI, and how it is in relation to subject import volumes and non-subject import volumes.

I think that tells the complete story of kind of the traditional high COGS ratio that the industry operates under, and interestingly that it does not increase -- it actually increased at time when there was movement in, you know, subject imports and non-subject imports. I would just, because it's confidential, not go into any more detail, but direct you to page 36 of our brief.

CHAIRMAN JOHANSON: Okay, I appreciate it, and my time -- actually the yellow light has just now come on, so my time has expired. One more question. So when I sort my newspapers so well each day, am I kind of -- is that kind of a waste of time?

You don't have to say it out loud, because I feel kind of badly, because I know what the answer might be, and I have my -- I encourage people to recycle. Okay, I'll leave it there. Commissioner Williamson.

COMMISSIONER WILLIAMSON: I want to know the answer too. Well, we can ask afterwards and find out later. Earlier we were talking about what kind of drives the market, and I got some indication -- that Petitioners were arguing price, and I think Ms. Aranoff talked about proximity. So I was wondering, what drives it? Is it the proximity of the paper to the newsprint or the paper, or is it really the price?

MS. ARANOFF: Well Shara Aranoff from Covington. From the purchaser perspective are you asking Commissioner?

COMMISSIONER WILLIAMSON: Yes. I think yeah, uh-huh.

MS. ARANOFF: Okay. So what the purchasers told you in their questionnaire responses is a couple of things. First, they definitely favor suppliers who are closer, and that's because pricing is delivered across this industry. So they're going to save on delivery costs by buying from suppliers who are closer.

But they also told you that closer suppliers benefit them from the standpoint of reliability of supply. They've got to get that paper out every night. They can't do it without the paper. There's less mishaps with the closer supplier. Newspapers are on tight margins. They don't want to be in the warehouse business, holding months and months of supply to make sure.

So they want a close supplier who can get them what they need when they need it. So all of those things figure into their supplier selection. So does finding a supplier who provides them with the grade and type of paper that they need. So not everyone, as we've told you, can supply 40 gram to those who value that, and of course there is this issue of runability.

There are, you know, marriages between supplier and the mill, where it's not just a particular company supplying the newspaper's presses; there's a match between a specific paper machine and a specific press, and the press next door to that might be using paper from a different paper machine.

COMMISSIONER WILLIAMSON: But is that kind of like a short term thing? I mean is this -- if you have mostly long-term contracts, I assume you're going to sign a contract with somebody who's a good match.

MS. ARANOFF: Right. So you've got someone who's a good match and you're not going to leave them if you think that another supplier a little further away or even down the street might have a little bit of a better price for you, because you've got that reliability, you've got that runability.

If you look at the purchasers' questionnaires and at some of the affidavits that we submitted from newspapers in the News Media Alliance prehearing brief, they told you that to even consider another supplier requires very lengthy trials to make sure that there can be this marriage between the press and the roll of paper.

COMMISSIONER WILLIAMSON: Okay.

MS. ARANOFF: And it's very risky for them, right. They've got to find a time when they can run those trial runs that's not during the two hours in the middle of the night where they've got to get tomorrow's paper out, because they can't afford to experiment on that.

Their newspaper delivery people are working this as their second job. If the paper doesn't get there on time, doesn't get delivered, the customers get mad, cancel their subscriptions. So there are consequences.

COMMISSIONER WILLIAMSON: Thank you. Anyone else on this topic? If not, Mr. LaFave, we heard from one of the union reps this morning saying well, you know, that they felt that the U.S. mills or the workers at mills had really cut back more than the Canadian mills, and you're operating mills on both sides of the borders. So I'm wondering how those decisions are made and what about that argument?

MR. LAFAVE: Again, I've talked about the efficiencies and the Darwinism, the approach that we -- I think most of us take, and you talk about there's size of machine, there's speed of machine, there's, as my colleague Rob Wise talks to, there's the energy, the people and the wood costs.

So all of these factors are looked at, and then on top of that you've got your transportation costs. So these are the factors that we look at before we make any decision regarding the closure of any facility.

MS. LUTZ: This is Jennifer Lutz with ECS. I would just add that of all of the closures of capacity that they've noted, quite a few of those plants have been converted to the production of other products. So there are still workers employed there, and while they claim that still constitutes injury to the domestic industry, I'm not sure the Commission should reach that conclusion in a market that's declining the way it is.

COMMISSIONER WILLIAMSON: Is that -- the potential of converting to something else, is that a significant factor in whether or not to cut back?

MR. LAFAVE: It can be. It depends on -- we talked about a $400 million investment we made at Calhoun, and I think Mr. Angel talked about a $250 million investment. So you have to have the capital available. You have to have the right equipment in place to make that kind of a decision. The biggest factor is the cost of the conversion typically.

MR. FELDMAN: If I may add, I've interpreted a couple of these questions as having a kind of nationalist tinge, as if there was some kind of Canadian conspiracy to shut down employment in the United States. So just as a reminder, Resolute is an American company, and this has always been a continental industry.

So these decisions are really technocratically made and economically made, and the numbers show that for the last nearly two decades, the majority of closures have in fact been in Canada. Not because there was a conspiracy of Canadians against Canadians, but because those were the less efficient mills or they were a little more distant from customers, because you're trying to constantly get a match.

You were asking about price and proximity, but they define each other, and the further away you go, the more expensive the delivery is going to be. So the union folks may feel like they experienced some kind of discrimination --

COMMISSIONER WILLIAMSON: It's their job.

MR. FELDMAN: That's right, but Petitioner has made an issue about Calhoun, so I'd like to elaborate a little bit more on Calhoun. This is a $400 million investment made by Resolute, an American company at its Canadian headquarters, to invest in the United States in Tennessee. In making that investment, those jobs were saved. 550 jobs were saved, and those folks may not be producing uncoated groundwood paper anymore, but they now have an investment in a more promising future.

And the contracts that were there, they were transferred largely to Augusta and to Grenada. So the uncoated groundwood paper supply that was needed continued to be largely at Resolute U.S. It didn't go elsewhere.

COMMISSIONER WILLIAMSON: Okay, I take your point there.

MR. BLACK: Commissioner, it's Chris Black. I'd like to make a point too with Tembec. We're way back here, yes.

COMMISSIONER WILLIAMSON: Okay.

MR. BLACK: So the cost components are important to consider, and we always view it as there's four major cost components. There's fiber, folks, freight and fuel, and unfortunately we've shut down four of six paper machines over my history with Tembec, and it's because at one mill it didn't have any of those components that would work.

In Kapuskasing, we happen to have fantastic fiber. We've got a saw mill that's attached to the news mill. We've got less expensive electricity because we have hydropower right there in that area, and we've got a freight advantage into the Northeast.

So customers like Frank O'Toole with Gannett in the Northeast we can get to competitively. When we try to go further out of that footprint, despite what you heard from the Petitioner, it becomes prohibitive. We can't go anywhere outside of the Northeast and be competitive. So if you think about those four components of cost, to me those cover 90 percent of it.

If you don't have three of them you're in trouble. You'd better have at least four in this type of marketplace.

COMMISSIONER WILLIAMSON: Okay, good. Thank you for those answers. I think I'm going to switch to another subject I just remembered.

Should the Commission do a regional analysis if it finds just one domestic like product? The Petitioners this morning were arguing that a regional analysis only made sense if you talk about newsprint. I was wondering what your views are on that, and also another question is do we have sufficient information on the record to perform a regional analysis?

MR. FELDMAN: Well, let me start. The regionality is more dramatic for newsprint than you'd find in any other form, because you have this low-priced, low value product with high transportation cost. Therefore, it's sold within regions. The data, it seems to us, are unmistakable for this purpose.

If you don't break out the like product, the data still are pretty good. You'll still find regionality, but it won't be as clean, and we think we've provided quite a lot of information in all of the criteria of the Commission for finding the distinct like product.

So at least as a beginning, to answer your question, regionality is really clearly defined, it seems to us, for newsprint, which is why we've placed the emphasis there. I don't know if anyone wants to say more about this, or has a better or more complete answer.

COMMISSIONER WILLIAMSON: Uh-huh.

MR. D'AMOURS: Francois D'Amours from Kruger. So yes, newsprint is a distinct like product. If we look into the five different characteristics that could make it different, physical characteristics, newsprint is very different from high bright and book paper that are in the same category, because book paper is high bright paper also because the brightness varies from 60 to 80, right.

So it's much closer, book paper is much closer to the high bright than it is to newsprint. Interchangeability, there is no -- it's not interchangeable. So the newsprint, you could put newsprint inserts in some very short runs, to a small extent.

COMMISSIONER WILLIAMSON: Are you getting to the question of whether or not there should be one like product or two?

MR. D'AMOURS: That's two different products.

COMMISSIONER WILLIAMSON: Okay.

MR. D'AMOURS: Two different products.

COMMISSIONER WILLIAMSON: I'm really trying to get to the question of looking, doing a regional analysis.

MR. D'AMOURS: Regionality.

COMMISSIONER WILLIAMSON: And while I understand newsprint, there's a stronger argument for that. How much is there of an argument for doing the one like product?

MS. ARANOFF: Sure, Shara Aranoff of Covington, just to continue Mr. D'Amours’s point and switch it over to where you're going with your question. You know, if you find a single like product, then the question is what is the role of regionality, right? So it's a good old fashioned attenuated competition argument because newsprint accounts for the vast majority of the total UGW paper market.

So the regionality aspect is still there, affecting the vast majority of the commerce that's going on in this product.

COMMISSIONER WILLIAMSON: Okay. So you think that there -- you would say there's enough there. There's enough regionality outside of the newsprint to possibly warrant doing that?

MS. ARANOFF: Right. So first of all, newsprint itself accounts for a large majority of UGW paper, and we obviously have the extreme regionality in the Commission's data for newsprint. And then yeah, there are some facets of regionality for the rest of the market as well.

So it's enough to support an attenuated competition argument, regardless of how the Commission looks at the like product issue.

COMMISSIONER WILLIAMSON: Okay, thank you, and I've gone way over. So thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Broadbent.

COMMISSIONER BROADBENT: I just have a couple of questions. Let's see. Ms. Aranoff and Mr. Feldman, what is the relevance of U.S. producer opposition to these petitions within our material injury analysis? Ms. Aranoff.

MS. ARANOFF: Well, the Commission's reviewing courts -- this is Shara Aranoff from Covington -- the Commission's reviewing courts have told you that you do need to take into consideration when domestic producers come forward and tell you that they're not injured, and that they oppose the petition, and that you have to give weight to that information.

The Commission, I know that the Petitioner's counsel mentioned this morning that the Commission usually manages this issue through the related parties provision. But my recollection is that that's not really the primary way that the Commission manages this, that the Commission usually says to itself "Okay, we have the statements on the record from certain domestic producers that they're not injured by reason of subject imports. Let's test that against the data in our record, and if the data in our record support them, then we're going to give full credit to what they tell us."

You know, everything that the panel here this afternoon has been presenting has gone to that point, that when domestic producers tell you that they're not injured by reason of subject imports, that it's demand or other factors that are causing any troubles that they're experiencing, you should give full credit to that because it's entirely supported by the data in the record.

MR. FELDMAN: This is Elliot Feldman. I think that this is a causal question, and the testimony you've been hearing all day is that subject imports have not been a cause of any injury. Not only does the domestic industry, the rest of the domestic industry tell you that, but all the other witnesses have told you that, because there is injury. There's injury. It's because there's a secular decline in demand.

So the industry has a problem, but it's not a problem caused by competition from imports, and that's what everybody here today I think has told you without exception, except the Petitioners.

MR. BAISBURD: This is Yohai Baisburd. Just I think it's the product that is really interesting to look at in greater detail is high bright, and the performance of the various U.S. producers with respect to their maintaining market share or even increasing market share in that space, and who lost in that space and what their explanations were.

Since it's all proprietary, I would just direct you to pages 20 to 21 of our brief, that talks about in particular high bright and the disparate relationship between the U.S. producers and what's happening with their sales vis-a-vis each other.

MR. GRIMSON: Commissioner Broadbent, Jeff

Grimson from Mowry and Grimson for Gannett. I just wanted to pick up on one point that Mr. Jones made in response to same question.

BB Could you pull your mic a little closer?

MR. GRIMSON: Yep, and that is this case is very, very different from the wooden bed and furniture case from 2003. That also, I guess, is dear to my heart as well. My daughter was three and we were trick or treating when that case was filed, and now she's applying to colleges.

That case yes, there was tremendous domestic opposition to the petition among other manufacturers, but there was also robust support for the Petitioners, and in particular the one lead petitioner, Vaughn Bassett Furniture. This is nothing like that. This is not a mixed bag. You've seen 19 Congressmen and Senators this morning, I kept score, since we're going into the All Star Game, and it's 19 to zero, okay.

This is not a real mixed bag that the Commission needs to grapple with. It goes to, as you heard from the other folks who address this question, it goes to the weight that you put on the evidence and the story that you're hearing about how competition is working. You're hearing from one company that this is not a regional product.

You're hearing from dozens of companies in sectors representing hundreds of thousands of jobs telling you that this is a regional market, that they don't want this relief that NORPAC is asking you for. So I think it very much goes into your whole decision.

COMMISSIONER BROADBENT: Okay, thank you. And then Ms. Lutz, on page four, this chart, with the prices so closely together and following along, it just seems to me that there's a strong linkage in prices between east and west, and that there's competition going on and that they aren't regional markets, based on -- that's what that chart's telling me. What am I missing?

MS. LUTZ: (off mic) Well, I think that -- no, it's not. I think that I mean certainly prices are published. There is knowledge of prices in other areas. But the fact that this gap has persisted and even widened in 2017, suggests that -- and the fact that the prices are lower in the west where there is less subject import competition, both shows that subject imports are not driving prices in this market.

But it also shows that what Petitioners are saying at oh, if prices were higher we could ship elsewhere. Well, prices are higher and they're not shipping elsewhere.

MR. ELLIS: Commissioner Broadbent.

COMMISSIONER BROADBENT: Uh-huh?

MR. ELLIS: This is Neil Ellis from Catalyst.

I would also just point out that we have heard a lot about how this product is similar and produced similarly throughout the country. So one would expect prices to be similar. But one can't say that because there's a parallel connection -- I'm over here by the way -- because there's a parallel connection that therefore there's a causal connection. You can't make that assumption, and you've heard a lot of evidence on the record, evidence in questionnaire responses that in fact it's not a single unified market, especially for newsprint.

There's no competition in the west from producers in the east. The fact that the prices end up being driven toward a central point, although it shouldn't be entirely surprising. Although the fact that there was a persistent trend of a difference among, between the two is in itself indicative that there in fact are separate markets for newsprint.

COMMISSIONER BROADBENT: Okay. I want to thank all the witnesses. It's been a long day and I really appreciate your participation. I don't have any more questions.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay. So this morning I asked about Resolute's argument with regard to the under-selling data, and the fact that in your brief you make an argument that we should use the AUVs from shipments. Mr. Klett this morning said that that would be inappropriate because it would be distorted. I wonder if you could respond to that? When I look through your brief, I don't believe you address the pricing data at all.

MS. LUTZ: This is Jennifer Lutz from ECS. I believe it is addressed. The pricing data show that prices, for the quarterly pricing data, the prices between the subject imports and the domestic industry are very close, with average margins of underselling of I think 3.6 percent and average margins of over-selling under two percent.

So prices are very close for those products, and while at the prelim the shipments were much more heavily aggregated, this breaks out the data -- the shipment by product data are broken out much more specifically, and provide particularly interesting information with respect to the different weights of newsprint.

COMMISSIONER SCHMIDTLEIN: But it's not broken out by region in that, right?

MS. LUTZ: No, right. We don't have regional data on that.

COMMISSIONER SCHMIDTLEIN: Okay, but we do have it in the pricing data?

MS. LUTZ: We do, we do.

COMMISSIONER SCHMIDTLEIN: Okay.

MS. LUTZ: It's not intended to replace the pricing data, but to provide additional evidence that despite what Petitioner keeps saying about the very low prices of the subject imports, it's not particularly supported by the pricing data, although most of the comparisons, the subject imports are slightly below.

But the shipment show average unit values that tend to be higher than domestic product, which is sort of an interesting fact that I think the Commission can take into account, and may explain why purchasers overwhelmingly did not indicate that subject imports were lower-priced than domestic product. They said it was comparable.

COMMISSIONER SCHMIDTLEIN: So the Commission would not look at that data because the margins are so low?

MS. LUTZ: It's not that you wouldn't look at them, but that it's -- it's harder to argue that it's a meaningful price differences. The prices are just very comparable. It's not --

COMMISSIONER SCHMIDTLEIN: So what is a meaningful price difference then? Maybe one of the fact witnesses can talk about that.

MR. GRIMSON: Commissioner Schmidtlein, Jeff Grimson. I'm not going to address the factual question but I do think that what Miss Lutz referenced there obliquely was the loss --

COMMISSIONER SCHDMITLEIN: I'd really like -- I mean I appreciate counsel's intervention, but I would like to hear from the fact witnesses. I mean if what we're looking for is what is a meaningful price difference then --

MR. GRIMSON: I would say one that results in your lifting the sale --

COMMISSIONER SCHMIDTLEIN: Mr. Lafave, maybe you could answer that question since you run a company that produces the subject product.

MR. LAFAVE: The question is what's a reasonable price difference?

COMMISSIONER SCHMIDTLEIN: What would be a meaningful price difference?

MR. LAFAVE: $25.00 a ton.

COMMISSIONER SCHMIDTLEIN: $25.00 a ton, so what would that be in percent terms?

MR. LAFAVE: 4 OR 5%.

COMMISSIONER SCHMIDTLEIN: 4 OR 5% would be a meaningful price difference, okay.

MR. DWYER: Ned Dwyer, from Catalyst. I mean typically when we issue a price increase, we'll issue a price increase in the range of $40.00 a ton, so as little as $25.00 -- as much as $40, sometimes 50 depending on the product.

COMMISSIONER SCHMIDTLEIN: But to win business then you wouldn't mind lowering your price -- I mean you wouldn't mind lowering your price $25.00 a ton or something less than $25.00 a ton, Mr. Lafave?

MR. LAFAVE: I don't particular subscribe to lowering the price but yeah that would be a significant -- that would be a meaningful difference if we were going to go cut and lower the price $25.00 is quite substantial.

COMMISSIONER SCHMIDTLEIN: To win the business, right, okay.

MR. HENDERSON: This is Pat Henderson with Quad Graphics. And I could speak a little bit to that in terms of what's meaningful to our customers. After the preliminary decision came down in January there was an initial response by the paper Commissioner to increase costs by about $30.00 I think was the first jump.

That $30.00 jump in price resulted in us sending a letter to each of our customers that was in this space to inform them that that was a $30.00 increase coming on their bill. So you know, it was meaningful enough that we had a letter from our CEO out to our customers to make sure that they understood where it was coming from and why and to start the feedback loop in terms of what that was going to do to volume, so that $30.00 is definitely a meaningful number to us.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. BAISBURD: It's Yohai Baisburd, I would just also point out that the quarterly pricing data is based on a delivered price and so there are freight differences going from Quebec and Ontario into the Midwest and Northeast versus going from the south up into those regions.

So at least partially the minor difference you see can be ascribed to the different freight expenses associated with moving the same newsprint into those regions.

COMMISSIONER SCHMIDTLEIN: But I thought the pricing data was without transportation costs -- no, it's -- okay.

MR. GRIMSON: Commissioner Schmidtlein, if I could just maybe finish my point?

COMMISSIONER SCHMIDTLEIN: Sure.

MR. GRIMSON: Since you got the actual answers about what's meaningful and what's not. I would also urge you to look at what actually happened and purchasers decisions to buy or not buy based on the lost sales, lost revenue questions that you got robust response rates to that.

Look at the impact of people who answered this exact question on this case and I think it takes it from an abstract question about, "Oh yes, if the price changed this much or that much I might switch suppliers," to the question, "Did you do it?" And the answers are confidential but you didn't get much.

COMMISSOINER SCHMIDTLEIN: Okay, thank you.

MR. TASH: And Commissioner, Paul Tash, from the Tampa Bay Times. Can I just reinforce one point that was made earlier and then provide a little more general context about what's meaningful?

COMMISSIONER SCHMIDTLEIN: Sure.

MR. TASH: On the -- remember the earlier answer that there are a lot of factors that come into play about where we buy newsprint. And we have long-term relationships with suppliers who can -- who we're sure will get us newsprint when we need it. We are on a peninsula at the end of the land mass, our weather is uncertain -- especially this time of year.

We have particular requirements on our process. We use 40 gram basis weight because it saves us a lot of money even though the tonnage is per ton more expensive but we are able to make it go farther.

Terms of payment are very important to us. We have relationships with our suppliers in that respect as well. So there are all kinds of things that go into our decision about where we buy newsprint aside from that last $10.00 or $15.00 of price.

But what is material -- what is tremendously material is the effect on our prices over the last six months as these tariffs have taken effect. Our price for rolls of newspaper delivered now are up basically 30% over these last six months and that is enormously material, not just to our decisions about where we would buy it, but to the financial future of our company.

COMMISSIONER SCHMIDTLEIN: Mm-hmm, alright thank you for that. I have a couple of questions as well about sort of the argument that Commissioner Williamson was addressing which is the like-product regionality argument. And I thought I heard you all say, because I also had this question -- if we did fine two separate like-products, one for newsprint and one for all other UGW, are you all arguing then that all other UGW is also different regional markets?

Because I thought I heard a witness say that the I-81 corridor was basically where book publishing takes place in the United States.

MS. LUTZ: This is Jennifer Lutz. I think that the evidence that you collected shows that it is -- that the non-newsprint UGW is less regional but there is still some regionality. Book publishing is one portion of the non-newsprint product.

COMMISSIONER SCHMIDTLEIN: Um-hmm.

MS. LUTZ: And I frankly don't know where most books are published which is too bad because I really like books. COMMISSIONER SCHMIDTLEIN: I think you have a lot of people sitting around you who probably know.

MS. LUTZ: I'd be happy to have them answer it.

COMMISSIONER SCHMIDTLEIN: Alright.

MS. LUTZ: But I think one point is there are also many fewer producers of -- I mean if you look at the suppliers in the U.S. the only supplier of high bright now is NORPAC I believe. So it's -- there is less regional supply as the producers stop making it or there are fewer suppliers.

COMMISSIONER SCHMIDTLEIN: So if we do split it, if you look at Table IV-10 which breaks out the market share data for -- and this is, you know, proprietary so you can address this is in the post-hearing brief but you've got IV-10 which breaks out the market share data for other than newsprint and then IV-9 which is newsprint.

And when you break it out you see U.S. producers losing market share and Canada subject gaining market share, right? In larger numbers than what you have when the market is all combined. So, given that and the pricing products that we have is there a case for an affirmative if we do break it out with regard to other than newsprint?

MS. ALVES: Commissioner Schmidtlein if I may. There's a confidential --

MR. BISHOP: Would you identify yourself please?

MS. ALVES: Sorry, Mary Jane Alves, from Cassidy, Levy, Kent for Tembec. There's a confidential discussion that we've referenced earlier in our brief that may help to address that question -- it's on pages 21 to 23 of our brief.

COMMISSIONER SCHMIDTLEIN: Okay.

MS. ALVES: It's not something that I'm comfortable saying because of the confidential nature of it.

COMMISSIONER SCHMIDTLEIN: Okay, alright well I will take a look at that and I invite the Petitioners to address that question in the post-hearing as well. And I guess conversely, if again, if we do break it out could you both address -- and if we do find it's a regional market, could you address what the case would be for the affirmative versus the negative? Alright I have no further questions.

CHAIRMAN JOHANSON: Okay, thank you. I have a few more questions which hopefully won't take too long. Could you all please describe the similarities and differences in the physical characteristics between newsprint, uncoated groundwood paper and other types of uncoated groundwood paper within the scope of this investigation -- such as book paper versus newsprint?

MR. LAFAVE: John Lafave, Resolute. There's various differences, you've got basis weight, you've got lighter basis weights when you're talking about newsprint compared to book and high bright. You've got higher brightness on high bright, thus the name.

Your brightnesses can run newsprint at 56-57. You're going to run uncoated groundwood up into about 80 bright, even higher. You get into book you've got the brightness factor as well as caliper. We talked about that it was brought up earlier -- the thickness of the page so that it can fit in the cover of the book.

You've also got incremental cost or quality control, you've got to watch your shade. Imagine a book where you've got different sections with different shade -- we call it a zebra book. Publishers don't particularly like that so there are some inherent differences in the various grades.

CHAIRMAN JOHANSON: Okay, thank you Mr. Lafave for your response. Could you please describe the similarities and differences in the production processes between newsprint, uncoated groundwood paper and other types of uncoated groundwood paper?

MR. WISE: Robe Wise, Resolute. The process that we have in Grenada, is basically a thermol mechanical pulp mill, a newsprint paper machine and basic calendering. In the book production it's a lower basis weight, they're making the 41 gram and up to 74 gram.

They have you know, higher brightness so they also have a way to bleach higher than we do. They can bleach with the peroxide bleaching. In the directory it's a very low basis weight and it takes use of the segregation of fibres in the pulp mill so they're basically doing refining and screening and separating the different fractions of fibers and using it for either book or directory paper.

And on the high brights, typically high brights is going to use some type of size press or some way to -- similar to the other grades, except they're going to use some type of a size press or other means to apply some type of clay or titanium dioxide, starch, other things into the sheet to in part, you know, optical properties in that sheet. And then it's going to go through -- it's also 38 grams and up to like 74 grams so it encompasses both very low weight, low basis weights and some higher basis weights.

CHAIRMAN JOHANSON: Okay thank you Mr. Wise. I have one more question. How easily can your paper mills shift between production of newsprint, uncoated groundwood paper and other types of uncoated groundwood paper?

MR. WISE: The Grenada mill is not capable of making any grade other than newsprint at this time.

CHAIRMAN JOHANSON: Okay, anybody else want to offer a --

MR. DWYER: Ned Dwyer from Catalyst. In our Powell River mill we could -- we have a peroxide bleaching system so we make both high bright and standard brightness products. In the high bright products we also do make some book paper.

In our Crofton mill we only make newsprint and we don't have the capability of making the high brightness product. So in a facility where you have all the tools to make a high bright product -- at least in our facility where we have all the tools to make a high bright product, we can also make a newsprint product.

But in the facility that we only have the tools to make a newspaper product, we don't have any ability to then make the high bright product because the paper machines aren't configured for it, nor is the pulp bleaching system configured for it.

CHAIRMAN JOHANSON: Okay, thank you Mr. Dwyer, yes Mr. Angel or Miss --

MR. D'AMOURS: Francois D'Amour from Kruger. Essentially, you know, in order to be able to produce a paper higher than 65 bright, you need to have a peroxide bleaching plant and you need to have chemicals on the wet end of the paper machine, you know, to get the brightness at the level you need in book paper and in high bright paper.

So -- and this, this is the equipment you need. The peroxide bleaching plant is a couple of tens of millions dollars to get it so our mills are not equipped to do that.

CHAIRMAN JOHANSON: Okay thank you Mr. D'Amours. That concludes my questions, Commissioner Williamson? Does anyone else have questions -- no, okay. That concludes the Commissioner's questions.

Then do staff have any questions for this panel?

MS. HAINES: Elizabeth Haines, staff has no questions.

CHAIRMAN JOHANSON: Do Petitioners have any questions for this panel?

MR. JONES: No questions Mr. Chairman.

CHAIRMAN JOHANSON: Okay, thank you. Then we will now proceed with the Petitioner's rebuttal once this panel leaves the table. I would like to state that Petitioners have 5 minutes of direct remaining and 5 minutes of closing for a total of 10 minutes. Respondents have 1 minute of direct remaining and 5 minutes of closing for a total of 6 minutes.

MR. BISHOP: We release this panel with our thanks and we will prepare for closing.

Rebuttal and closing remarks on behalf of Petitioner will be given by Steven A. Jones of King and Spaulding. Mr. Jones, you have 10 minutes.

CLOSING REMARKS BY STEPHEN A. JONES

MR. JONES: Thank you again for the record, Steve Jones from King and Spalding for Petitioner. First I'd like to thank the Commission for its attention today and for its excellent questions. It's been a long day, we really appreciate you hanging in there.

I'd also like to thank the staff for all of their hard work on the investigation. We know you all are working very hard here at the Commission and we appreciate it. Let me start off with just the statutory injury standard because I think it's important to kind of put everything in context.

For an affirmative determination the Commission needs to find that subject imports were a material cause of injury to the domestic industry. The injury need not be the only cause of injury, need not be the most important cause as the Federal Circuit said in Nippon Steel, subject imports must be a cause that is "not merely incidental, tangential or trivial."

Thus the Commission can find that an industry was injured by declining demand for the product it produces and still make an affirmative determination if subject imports were also a material cause of injury.

The Commission has made affirmative determinations on similar facts in many cases including many cases involving paper with similar secular decline characteristics, including coated free-sheet, uncoated free-sheet, super calendered paper and lightweight thermal paper.

The declining demand here as we pointed out in our testimony, indicates that the domestic industry is vulnerable to dumped and subsidized imports and that is the analysis that the Commission has employed. We'd urge you to to -- to apply that analysis here.

The downstream issue -- I think I said what I needed to in our testimony this morning. We don't think that the statute permits you to apply a public interest test. We never said that purchasers have no role in the Commission's investigation or are not permitted to participate.

The provision in the statute that Mr. Feldman cited, we acknowledge and agree with. We're not saying that there's no opportunity to participate, but the information that's provided cannot be used to reach a negative determination based on a determination of adverse effects to the public or adverse effects to downstream purchasers.

The way in which the hook if you will that the Respondents are trying to create here is that they're trying to say that what the purchaser information is germane to is injury to the domestic industry in the future -- not during the POI but in the future that the industry is not going to benefit from relief.

And there is nothing in the statute that requires you to determine whether the domestic industry will benefit from relief. And we believe it's this analysis that's being suggested to you that's similar to the replacement benefit test that the Federal Circuit once upon a time told you you were required to use and then several years later told you you were not required to use and which the Commission, I believe, rejected.

They're really trying to create a new test for you -- a future benefit test and we think it's a terrible idea to adopt that. It's not provided in the statute and we don't know how that analysis could be done in a way that would not be incredibly speculative and require you to look into a crystal ball to determine what's going to happen in the future.

So we very much encourage you not to adopt a future benefits test in this case. With respect to the pricing data, during our presentation Mr. Klett I think very well explained the importance of freight and why the AUV data cannot be used for underselling analysis.

In response this afternoon Ms. Lutz talked about that the underselling price differences were small and "not meaningful". We think the underselling data here are very meaningful. The products that are being sold are very standardized, commodity-like products. They're highly substitutable and in a competitive market like this where price competition is very intense, one is not going to -- one should not expect to see significant differences between prices of different players in the market.

There's a lot of price transparency in the market and so we think the underselling data are very meaningful and also they're very consistent throughout the POI.

The prices that were reported in your pricing data and again are we think very good data for your analysis and they are delivered prices and competition in this market is on a delivered basis. It makes sense for your pricing data to be on a delivered basis.

A couple of competitive issues that we just wanted to talk about -- the testimony from Gannett toward the end of the hearing, Gannett made public that it's buying from NORPAC right now. It's obviously something that we couldn't and never would mention but it was made public and NORPAC is shipping right now to the east coast under conditions of fair trade provisional measures.

And, you know, we think that, you know, NORPAC just wants an opportunity to compete in a fair market. That's -- and it is interesting that Gannett also testified that they can't buy from NORPAC because NORPAC doesn't offer metal-tipped cores that they need and NORPAC has provided similar metal-tipped cords to other customers for other presses for a very long time and they're currently working with Gannett to provide what they need.

So we just wanted to note that. Another point -- the Catalyst witnesses testified that Catalyst has never undercut NORPAC in the market. Well, that's contrary to the data that are on the record first of all. And secondly, it is remarkable, we think, that this testimony is coming from a company that has a preliminary 22% dumping margin. The prices from Catalyst have been very low.

Finally, -- the charts that we provided with respect to capacity closures was criticized because it includes mills that have been repurposed. I love that euphemism -- repurposed from uncoated groundwood paper production to something else.

And the testimony was very candid and accurate I think, talking about the hundreds of millions of dollars that can be invested and are frequently invested to repurpose a mill. And I -- you know with respect to Calhoun in Tennessee I think that Resolute should be congratulated for keeping that mill employed -- keeping the people employed.

But that is injury. The mill is designed to produce uncoated groundwood paper -- repurposing it is injury to the uncoated groundwood paper industry and there -- you've looked at this before in uncoated free sheet and you know, we think that you ought to consider it again here.

By the way the portion of the production in Calhoun was transferred to Alma, Quebec. It was transferred to Canada to supply the U.S. market from there. And with respect to white birch -- the white birch mill is being reopened to produce newsprint. It's clear in the press articles that have been -- that have been published and we think -- we think it's clear, we'll put those in our brief.

One final point I see my red light and I just have one point to make and that is in closing that the eldest and least efficient machines, mills are the ones that are closed first. The testimony has been very clear on that, very consistent.

Mr. Feldman says economically made decisions. Well if it's an economically made decision, how can subsidies provided to the Canadians -- some of which are contingent on keeping the mill open, not affect those decisions? Thank you very much for your attention, that's all I have.

MR. BISHOP: Thank you Mr. Jones. Rebuttal and closing remarks on behalf of Respondents will be given by Shara L. Aranoff of Covington and Burling and Elliot J. Feldman of Baker Hostetler. You folks have 7 minutes.

CLOSING REMARKS OF ELLIOT J. FELDMAN

MR. FELDMAN: Thank you Mr. Chairman,

Commissioners. Thank you very much for the day you've spent. We've weathered the storm it seems. When it's over we'll actually be able to go out and it will be on dry ground.

A lot of clichés today again -- the kinds of clichés we're more accustomed to hearing at the Commerce Department about level playing fields and lots of adjectives and adverbs about massive imports. This is a continental industry -- Canadian presence has been here for a century. It's been run by companies on both sides of the border. It has been dictated primarily by the location of natural resources and the quality and character of those natural resources which has ultimately been defined in these maps as you've seen the distribution of the industry as it shrinks back to where the trees are.

So this was 100 years of peace until now. And this case has been created not by someone in the industry but by someone outside the industry. We keep hearing about a company that seems to want to speak for the others, in particular speaking for us -- speaking for Resolute.

We've been told that they're saving us jobs. We've been told about what Calhoun really was about. We were just told about the distribution of contracts. Put some numbers on this. We took out 356,000 metric tons making uncoated groundwood paper, primarily newsprint, in

Calhoun.

We distributed those contracts to Grenada and to Augusta. And an incremental capacity was added in Alma of about 75,000 -- a pittance. They wanted to say well you shut down Calhoun and you moved all that business and all those jobs to Canada -- no. Those jobs stayed right here in the United States with a 400 million dollar investment for an industry with a future because the industry that was otherwise operating was in secular decline.

They insist that there's one national price but they say they didn't ship east until they started collecting deposits on this case -- why not? If there was one national price why didn't they then compete in the east -- because they can't reconcile those propositions.

The simple proposition before you today that you've been hearing since early this morning is that we won't have customers and if we don't have customers we can't print paper and that's the connection of all of the testimony you've heard and this is not a nationalist question, it's not a question of Canadians and Americans, it's a question of newspapers in the United States.

It's a question of the First Amendment, it's a question of the Fourth Estate, it's a question of our capability to serve customers, to supply them and they won't exist if we raise the prices because they don't have any more margins and you've heard that about small newspapers and large newspapers across the country over and over again today.

So thank you very much for hearing us. Ms. Aranoff is going to address some finer issues than I have but I thought that the larger picture needs to be kept in mind, thank you.

CLOSING REMARKS OF SHARA ARANOFF

MS. ARANOFF: Thanks for your patience with us today. We know that we've ranged quite widely and I wanted to end by narrowing back on the statute. NORPAC is exactly right that this a causation case. They've tried to present a standard affirmative argument -- imports up, prices down, underselling, lost sales, but the facts over the POI just don't cooperate with that story.

Imports are down over 2016 and '17, newsprint prices are up. Underselling to the extent it exists at all, is very small according to Mr. Klett and evidence of lost sales is non-existent.

So what has NORPAC done to make its case? Well they've gone fishing for different data outside the POI to find a shift in market share. They referred this morning to 2012 to find a drop in prices. They've repeatedly invoked 2014. They've also mischaracterized some things.

This morning Mr. Anneberg and Mr. Buckingham said they finally closed PM-1 in late 2017 because prices had fallen so low they could no longer operate it, but prices were rising in late 2017 and had been rising for nearly two years.

Also puzzling is why NORPAC announced in December, 2014 before the beginning of the POI that demand for light-weight printing paper was growing and they were going whole-hog into the 40 gram newsprint market, then they stopped producing a product that serves the only growing segment of the market and one for which purchasers pay a premium.

Today Mr. Crowley implied they stopped because imports forced the prices down. You don't have a pricing product for that but if you look at the trends in the AUV data in the confidential record, you'll see that that story just doesn't hold up.

These are puzzling decisions -- to idle a machine as prices rose and to abandon the only growing segment of the market. And why did One Rock invest in a declining industry? You asked them today, they didn't really answer except to say that One Rock liked their management team. We hope you'll ask for their business plan from the time of acquisition.

Meanwhile the answer you got was that NORPAC's plan is to be the last man standing in UGW -- that they don't really care so much about fair pricing in the market so much as apparently they want a monopoly.

If there's any demand left it's theirs. In fact, one of NORPAC's witnesses admitted to you that incumbent capacity of the customer is very hard to move without a capacity closure so their plan is make everybody else close their capacity, they'll stick around as demand is declining.

We think One Rock's acquisition of NORPAC is an investment gone awry and to minimize their losses they filed this Petition to try and get the short-term value up of their distressed asset. We don't understand why they’d do that when the inevitable result is to further reduce demand and injure the rest of the domestic industry. The only explanation is they just don't care about the long-term health of the domestic industry.

And if that's the case the Commission shouldn't let itself be used to such an end. The record doesn't support NORPAC's claims of injury by reason of subject imports and so we respectfully request that you issue a negative determination, thank you.

CHAIRMAN JOHANSON: I would like to thank you all for appearing here today and I will now move to the closing statement of this hearing. Post-hearing briefs, statements responsive to questions and requests of the Commission and corrections to the staff -- pardon me, corrections to the transcript must be filed by July 24th, 2018.

Close of the record and final release of data to parties occurs on August 20th, 2018 and final comments are due on August 22nd, 2018 and with that this hearing is adjourned.

(Whereupon at 6:22 p.m., the hearing was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Uncoated Groundwood Paper from Canada

INVESTIGATION NOS.: 701-TA-584 and 731-TA-1382

HEARING DATE: 7-17-18

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: 7-17-18

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.

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