

Re: Countervailing duty investigation No. 701-TA-530 (Final), *Supercalendered Paper from Canada*

**U.S. Senator Susan M. Collins
Written Testimony for the Record
International Trade Commission
October 22, 2015**

Chairman Broadbent and members of the Commission, I appreciate the opportunity to testify before you today on how unfair subsidies from the Canadian Province of Nova Scotia to the Port Hawkesbury Paper mill are harming American workers in the U.S. paper industry.

The paper industry in Maine has a long and rich history and is a significant part of our economy, supporting about 5,500 jobs directly and many more indirectly. With average annual wages of more than \$60,000—far above the overall average wage in the State of Maine—these jobs are vital to many rural communities and are the financial anchor of these towns.

The Maine paper industry and the workers and families who rely on it, however, have been devastated by unfair trade practices that put them at a disadvantage in the global marketplace. American manufacturers and their employees can compete against the best in the world, but they cannot compete against foreign manufacturers who receive huge unfair government subsidies, such as those provided to the Port Hawkesbury Paper mill. The illegal subsidies at issue are significant and are particularly egregious because they served to flood paper into an already oversupplied market.

Permit me to provide a little background. In 2011, the Port Hawkesbury mill—owned at the time by NewPage—filed for bankruptcy, halted operations, and laid off its employees. After

millions of dollars were spent by the provincial government to keep the mill functioning in an idled state and to maintain the supply chain that supported the mill's operations, the mill was sold to Pacific West Commercial Corporation in 2012 for just C\$33 million. A package of extensive subsidies from the Government of Nova Scotia worth approximately C\$124.5 million was announced. This package included numerous loans, grants, tax breaks, and reduced energy costs, all of which served to drastically tilt the market in order to allow the once closed plant to restart, which would have been virtually impossible absent the enormous subsidies.

I first raised concern over these subsidies in a 2012 letter to the United States Trade Representative urging that he use all the tools at his disposal to resolve the issue before lasting damage was done to the U.S. industry. The letter, which I ask to be included in the hearing record, was cosigned by Senators Amy Klobuchar, Olympia Snowe, Carl Levin, Al Franken, Debbie Stabenow, Barbara Mikulski, Ben Cardin, Sherrod Brown, and Rob Portman. In the intervening time, I have also personally raised this issue with Commerce Secretary Pritzker and Canadian Government officials. Despite these efforts, the Port Hawkesbury subsidies continue to provide an unfair advantage.

Unfortunately, the concerns we raised back in 2012 have proven to be warranted. U.S. producers of supercalendered paper, including Madison Paper Industries (MPI) in Maine, have been put at a significant competitive disadvantage in the years since Port Hawkesbury reopened. Imports of supercalendered paper from Canada have skyrocketed. In July of 2014, the U.S. was importing nearly 24,000 tons, and just one year later, that amount nearly quadrupled to more than 90,000 tons. This excess production generated by Port Hawkesbury has caused the prices for

supercalendered paper to plummet, reducing the sales revenue for U.S. producers. In the last two years, the average price fell by nearly 13 percent, from \$830 per ton to \$765 per ton. In the 2013, 2014, and 2015 National Trade Estimates released by USTR, the nature and extent of assistance provided by Nova Scotia to the Port Hawkesbury mill was cited as a concern in our trade relationship with Canada.

Due to these changing market conditions, Madison Paper has been forced to curtail production three different times in the first half of 2015, requiring it to lay off most non-salaried employees on a temporary basis during these periods. The President of MPI, Russ Drechsel, has stated that a primary reason for these layoffs is the unfair subsidies provided by the Government of Nova Scotia to Port Hawkesbury Paper. In addition to the workers at Madison, the outcome of this countervailing duty investigation may also affect the Maine workers at Verso Paper Corporation's mill in Jay, as it is the second petitioner in this case. The workers in Jay were dealt a tremendous blow this summer, when Verso announced that it would lay off 300 employees by the end of the year.

The lay-offs at Madison and Verso come on top of several other mill closures in the last two years that have cost far too many men and women in Maine's papermaking industry their livelihoods. Maine communities long dependent on paper mills are in real trouble. They need immediate relief from the unfair advantages afforded by illegal subsidies, specifically those provided to Port Hawkesbury Paper.

While I strongly support relief to these hard-working American men and women and the companies who are being injured as a result of the illegal government assistance Port Hawkesbury Paper has received, I want to note that it is my belief that the Department of Commerce should have reviewed all four Canadian producers of supercalendered paper to ensure a fair and fact-based process. Reviewing all four producers, as Senator King, Representative Poliquin, and I have previously suggested, would ensure that relief provided through tariffs on imports, reflects the subsidies, if any, actually received by each Canadian company. The Department of Commerce should do all that it can to rectify this very unfortunate situation, which will affect other Maine workers, through the expedited review process.

Chairman Broadbent and members of the Commission, thank you again for the opportunity to testify today.