

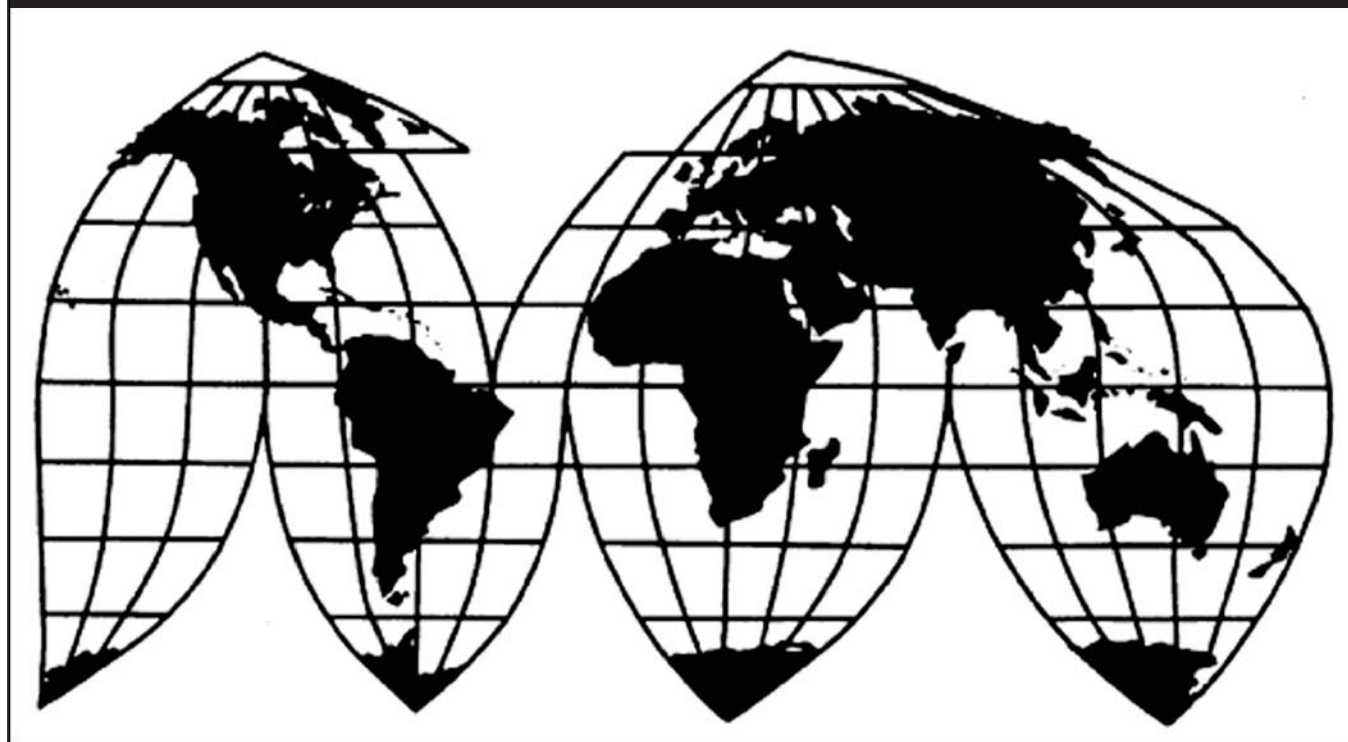
Uncoated Groundwood Paper from Canada

Investigation Nos. 701-TA-584 and 731-TA-1382 (Final)

Publication 4822

September 2018

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

COMMISSIONERS

David S. Johanson, Chairman

Irving A. Williamson

Meredith M. Broadbent

Rhonda K. Schmidlein

Jason E. Kearns

Staff assigned

Calvin Chang, Investigator

Robert Ireland, Industry Analyst

Sarah Scott, Industry Analyst

Amelia Preece, Economist

Charles Yost, Accountant

Russell Duncan, Senior Statistician

Mara Alexander, Statistician

Carolyn Holmes, Statistical Assistant

John Henderson, Attorney

Elizabeth Haines, Supervisory Investigator

**Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436**

U.S. International Trade Commission

Washington, DC 20436
www.usitc.gov

Uncoated Groundwood Paper from Canada

Investigation Nos. 701-TA-584 and 731-TA-1382 (Final)

Publication 4822



September 2018

CONTENTS

	Page
Determinations	1
Views of the Commission	3
Part I: Introduction	I-1
Background.....	I-1
Statutory criteria and organization of the report	I-2
Statutory criteria	I-2
Organization of report.....	I-3
Market summary.....	I-3
Summary data and data sources.....	I-4
Previous and related investigations	I-4
Nature and extent of subsidies and sales at LTFV	I-7
Subsidies	I-7
Sales at LTFV	I-9
The subject merchandise	I-9
Commerce’s scope	I-9
Tariff treatment.....	I-10
The product.....	I-11
Description and applications	I-11
Manufacturing processes	I-14
Domestic like product issues.....	I-16
Part II: Conditions of competition in the U.S. market	II-1
U.S. market characteristics.....	II-1
U.S. purchasers.....	II-2
Channels of distribution	II-2
Geographic distribution	II-3
Supply and demand considerations.....	II-4
U.S. supply	II-4
U.S. demand	II-7

CONTENTS

	Page
Substitutability issues.....	II-11
Lead times	II-11
Knowledge of country sources	II-12
Factors affecting purchasing decisions.....	II-12
Comparisons of domestic products, Canadian, and nonsubject country imports.....	II-17
Comparison of U.S.-produced and imported UGW paper	II-19
Elasticity estimates.....	II-21
U.S. supply elasticity.....	II-21
U.S. demand elasticity	II-21
Substitution elasticity.....	II-22
Part III: U.S. producers' production, shipments, and employment	III-1
U.S. producers	III-1
Changes in operations	III-2
U.S. production, capacity, and capacity utilization.....	III-3
Alternative products.....	III-4
U.S. producers' U.S. shipments and exports.....	III-5
U.S. producers' commercial U.S. shipments by type	III-7
U.S. producers' commercial U.S. shipments by geographic market	III-11
U.S. producers' inventories.....	III-13
U.S. producers' imports and purchases	III-13
U.S. employment, wages, and productivity	III-14
Part IV: U.S. imports, apparent U.S. consumption, and market shares	IV-1
U.S. importers.....	IV-1
U.S. imports.....	IV-2
Commercial U.S. shipments by product type.....	IV-5
Commercial U.S. shipments by geographic market	IV-10
Negligibility.....	IV-12

CONTENTS

	Page
Apparent U.S. consumption	IV-13
U.S. market shares	IV-14
Part V: Pricing data.....	V-1
Factors affecting prices	V-1
Raw material costs	V-1
Transportation costs to the U.S. market.....	V-1
U.S. inland transportation costs	V-1
Pricing practices	V-1
Pricing methods.....	V-1
Sales terms and discounts.....	V-3
Price leadership	V-3
Price factors.....	V-3
Price data.....	V-4
Publicly available price information	V-4
Prices from the questionnaires	V-5
Regional price data for 45.0 gsm newsprint	V-8
Price trends.....	V-9
Price comparisons	V-10
Lost sales and lost revenue	V-11
Part VI: Financial experience of U.S. producers	VI-1
Background.....	VI-1
Operations on UGW paper.....	VI-1
Net sales quantity and value	VI-3
Cost of goods sold and gross profit or (loss)	VI-4
SG&A expenses and operating income or (loss)	VI-6
Other expenses and net income or (loss)	VI-6
Variance analysis	VI-6

CONTENTS

	Page
Capital expenditures and research and development expenses	VI-7
Assets and return on assets	VI-7
Capital and investment	VI-8
Part VII: Threat considerations and information on nonsubject countries.....	VII-1
The industry in Canada.....	VII-3
Changes in operations	VII-4
Operations on UGW paper	VII-4
Alternative products.....	VII-7
Exports.....	VII-8
U.S. inventories of imported merchandise	VII-10
U.S. importers' outstanding orders.....	VII-11
Antidumping or countervailing duty orders in third-country markets.....	VII-11
Information on nonsubject countries	VII-12
Appendixes	
A. <i>Federal Register</i> notices	A-1
B. List of hearing witnesses	B-1
C. Summary data	C-1
D. U.S. industry, U.S. imports, apparent U.S. consumption, and financial data by product type and geographic region	D-1
E. White Birch price data.....	E-1
F. Data on Canadian producer White Birch.....	F-1

Note.—Information that would reveal confidential operations of individual concerns may not be published. Such information is identified by brackets or by parallel lines in confidential reports and is deleted and replaced with asterisks in public reports.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-584 and 731-TA-1382 (Final)

Uncoated Groundwood Paper from Canada

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports of uncoated groundwood paper from Canada, provided for in subheadings 4801.00.01, 4802.61.10, 4802.61.20, 4802.61.31, 4802.61.60, 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.61, 4802.69.10, 4802.69.20, and 4802.69.30 of the Harmonized Tariff Schedule of the United States, that have been found by the U.S. Department of Commerce (“Commerce”) to be sold in the United States at less than fair value (“LTFV”), and to be subsidized by the government of Canada.

BACKGROUND

The Commission, pursuant to sections 705(b) and 735(b) of the Act (19 U.S.C. 1671d(b) and 19 U.S.C. 1673d(b)), instituted these investigations effective August 9, 2017, following receipt of a petition filed with the Commission and Commerce by North Pacific Paper Company (“NORPAC”), Longview, Washington. The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by Commerce that imports of uncoated groundwood paper from Canada were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. 1671b(b)) and sold at LTFV within the meaning of 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission’s investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on April 2, 2018 (83 FR 14026). The hearing was held in Washington, DC, on July 17, 2018, and all persons who requested the opportunity were permitted to appear in person or by counsel.

¹ The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR 207.2(f)).

Views of the Commission

Based on the record in the final phase of these investigations, we determine that an industry in the United States is neither materially injured nor threatened with material injury by reason of imports of uncoated groundwood paper (“UGW paper”) from Canada found by the U.S. Department of Commerce (“Commerce”) to be sold in the United States at less than fair value and to be subsidized by the government of Canada.¹

I. Background

The petitioner is North Pacific Paper Company (“Norpac”), a U.S. producer of UGW paper. Representatives appeared at the hearing accompanied by counsel and submitted prehearing and posthearing briefs.

Six respondent groups participated actively in the final phase of these investigations. Representatives and counsel for Catalyst Paper Corporation, Catalyst Pulp and Paper Sales Inc., and Catalyst Paper (USA) Inc. (collectively “Catalyst”), two subject Canadian producers/exporters of UGW paper and their affiliated U.S. importer; Kruger Inc., Corner Brook Pulp and Paper Limited, Kruger Trois-Rivieres L.P., Kruger Brompton L.P., and Kruger Publication papers Inc. (collectively “Kruger”), subject Canadian producers/exporters of UGW paper; and Resolute FP Canada Inc. (“Resolute Canada”) and Resolute FP US Inc. (“Resolute U.S.”) (collectively “Resolute”), respectively a subject Canadian producer of UGW paper and its affiliated U.S. producer and importer of UGW paper; Tembec, Inc. (“Tembec”), a subject Canadian producer of UGW paper; and Gannett Supply Corporation (“Gannett”), a wholesaler and purchaser of UGW paper in the United States, appeared at the hearing and submitted prehearing and posthearing briefs, as did representatives and counsel for News Media Alliance, an industry association representing almost 2,000 news organizations in the United States that are purchasers or end users of UGW paper.²

U.S. industry data are based on the questionnaire responses from four domestic producers that accounted for the vast majority of known domestic production of UGW paper in 2017.³ U.S. import data are based on questionnaire responses of 11 U.S. importers of UGW paper from Canada, which accounted for the vast majority of subject imports from Canada in 2017.⁴ Data concerning the subject industry are based on questionnaire responses from six foreign producers that accounted for the vast majority of production of subject merchandise

¹ No party argues that the establishment of an industry in the United States is materially retarded by subject imports of UGW paper from Canada.

² The Final Comments submitted by Resolute contained new factual information. Pursuant to 19 U.S.C. § 1677m(g) and 19 C.F.R. § 207.68(b), we have disregarded the last sentence of the paragraph discussing “Page IV-5” on page 13 of Resolute’s Final Comments, which contained such new factual information.

³ Confidential Report (“CR”) at I-5; Public Report (“PR”) at I-4. ***. CR/PR at III-1 n.1; EDIS Document No. 621132.

⁴ CR at I-5; PR at I-4.

from Canada in 2017.⁵ The Commission also received a questionnaire response from a seventh Canadian producer, White Birch Paper Canada Company NSULC (“White Birch”), a producer of nonsubject merchandise, which accounted for over *** percent of reported nonsubject imports during the 2015 to 2017 period of investigation (“POI”).⁶

II. Domestic Like Product

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the “domestic like product” and the “industry.”⁷ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁸ In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”⁹

The decision regarding the appropriate domestic like product in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.¹⁰ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the

⁵ CR at VII-3 to VII-4; PR at VII-3.

⁶ CR at II-10, VII-3; PR at II-6, VII-3. White Birch is a nonsubject producer because Commerce determined a *de minimis* (0.00 percent) margin of dumping for White Birch in its final antidumping duty determination and a *de minimis* (0.82 percent) subsidy rate for White Birch in its final countervailing duty determination. *Certain Uncoated Groundwood Paper From Canada: Final Determination of Sales at Less Than Fair Value*, 83 Fed. Reg. 39412, 39413 (Aug. 9, 2018); *Certain Uncoated Groundwood Paper From Canada: Final Affirmative Countervailing Duty Determination*, 83 Fed. Reg. 39414, 39416 (Aug. 9, 2018).

⁷ 19 U.S.C. § 1677(4)(A).

⁸ 19 U.S.C. § 1677(4)(A).

⁹ 19 U.S.C. § 1677(10).

¹⁰ See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors, including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

facts of a particular investigation.¹¹ The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹² Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,¹³ the Commission determines what domestic product is like the imported articles Commerce has identified.¹⁴

B. Product Description

Commerce defined the scope of the imported merchandise under investigation as follows:

The merchandise covered by this investigation includes certain paper that has not been coated on either side and with 50 percent or more of the cellulose fiber content consisting of groundwood pulp, including groundwood pulp made from recycled paper, weighing not more than 90 grams per square meter.

Groundwood pulp includes all forms of pulp produced from a mechanical pulping process, such as thermo-mechanical process (TMP), chemi-thermo mechanical process (CTMP), bleached chemi-thermo mechanical process (BCTMP), or any other mechanical pulping process. The scope includes paper shipped in any form, including but not limited to both rolls and sheets.

Certain uncoated groundwood paper includes but is not limited to standard newsprint, high bright newsprint, book publishing, and printing and writing papers. The scope includes paper that is white, off-white, cream, or colored.

Specifically excluded from the scope are imports of certain uncoated groundwood paper printed with final content of printed text or graphic. Also

¹¹ See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

¹² *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

¹³ See, e.g., *USEC, Inc. v. United States*, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

¹⁴ *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations in which Commerce found five classes or kinds).

excluded are papers that otherwise meet this definition, but which have undergone a supercalendering process. {Footnote} Additionally, excluded are papers that otherwise meet this definition, but which have undergone a creping process over the entire surface area of the paper.

Also excluded are uncoated groundwood construction paper and uncoated groundwood manila drawing paper in sheet or roll format. Excluded uncoated groundwood construction paper and uncoated groundwood manila drawing paper: (a) Have a weight greater than 61 grams per square meter; (b) have a thickness greater than 6.1 caliper, i.e., greater than .0061” or 155 microns; (c) are produced using at least 50 percent thermomechanical pulp; and (d) have a shade, as measured by CIELAB, as follows: L* less than or 75.0 or b* greater than or equal to 25.0.

Also excluded is uncoated groundwood directory paper that: (a) Has a basis weight of 34 grams per square meter or less; and (b) has a thickness of 2.6 caliper mils or 66 microns or less.

Certain uncoated groundwood paper is classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) in several subheadings, including 4801.00.0120, 4801.00.0140, 4802.61.1000, 4802.61.2000, 4802.61.3110, 4802.61.3191, 4802.61.6040, 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.6140, 4802.69.1000, 4802.69.2000, and 4802.69.3000. Subject merchandise may also be imported under several additional subheadings including 4805.91.5000, 4805.91.7000, and 4805.91.9000. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise is dispositive.¹⁵

{Footnote to third paragraph within scope definition}: Supercalendering imparts a glossy finish produced by the movement of the paper web through a supercalender which is a stack of alternating rollers of metal and cotton (or other softer material). The supercalender runs at high speed and applies pressure, heat, and friction which glazes the surface of the paper, imparting gloss to the surface and increasing the paper’s smoothness and density.

UGW paper is produced from mechanical or groundwood pulp in a range of basis weights, brightnesses, and surface finishes. It is generally used for newspapers, advertising circulars, promotional mailers, coupon flyers, and directories. Products within the scope

¹⁵ *Certain Uncoated Groundwood Paper From Canada: Final Determination of Sales at Less Than Fair Value*, 83 Fed. Reg. 39412, 39414 (Aug. 9, 2018); *Certain Uncoated Groundwood Paper From Canada: Final Affirmative Countervailing Duty Determination*, 83 Fed. Reg. 39414, 39416-417 (Aug. 9, 2018).

include standard newsprint, high bright paper, and book publishing paper (high bulk paper). Although the scope of the investigations covers paper sold in both rolls and sheets, UGW paper is generally only sold in rolls.¹⁶

C. Arguments of the Parties

Petitioner's Arguments. Norpac argues that the Commission should define a single domestic like product consisting of all the items covered by the scope of the investigations. Norpac asserts that there is a continuum of UGW paper products within the scope without a clear dividing line between them. By contrast, it states that there is a clear dividing line between UGW paper and other paper products, including supercalendered paper, which is excluded from the scope.¹⁷

Respondents' Arguments. Respondents Resolute, Kruger, News Media Alliance, and Gannett argue that the Commission should define newsprint as a separate domestic like product from the other UGW paper products within the scope, including high bright paper and book paper, arguing that all six of the Commission's domestic like product factors support a finding that newsprint is a separate domestic like product.¹⁸

D. Domestic Like Product Analysis

Based on the record, we define a single domestic like product consisting of UGW paper, coextensive with the scope.¹⁹

¹⁶ CR at I-3, I-16 to I-17; PR at I-3; I-13 to I-14.

¹⁷ Norpac's Prehearing Brief at 3-9; Norpac's Posthearing Brief at 3-4 and Response to Commissioner Questions at 1-11. Norpac also argues that the domestic like product should include directory paper, which Commerce excluded from the scope at Norpac's request because it is not produced domestically. Norpac's Posthearing Brief, Response to Commissioner Questions, at 2-3; Transcript of Hearing ("Hearing Tr.") at 131 (Jones). However, the Commission does not define the domestic like product to include products outside the scope when there is no domestic production of such products. *See Large Residential Washers from China*, Inv. No. 731-TA-1306 (Preliminary), USITC Pub. 4591 at 10 (Feb. 2016). Accordingly, we do not define the domestic like product to include directory paper excluded from the scope of these investigations.

¹⁸ Resolute's Prehearing Brief at 14-28; Resolute's Posthearing Brief, Response to Commissioner Questions, at 45-54; Kruger's Prehearing Brief at 68-77; Kruger's Posthearing Brief, Response to Commissioner Questions, at 2-5; Gannett's Prehearing Brief at 1 n.4; Gannett's Posthearing Brief at 6; News Media Alliance's Prehearing Brief at 5-10; News Media Alliance's Posthearing Brief at 2 n.3 and Response to Commissioner Questions at 1-4.

¹⁹ In the preliminary determinations, the Commission found that the record indicated that all domestically produced UGW paper shares the same general physical characteristics and uses and has at most limited interchangeability with other types of paper. It stated that UGW paper is manufactured using a distinct manufacturing process, and that the majority of UGW paper is sold through the same channels of distribution (to end users) and is priced lower than other types of paper. In light of these findings above and the lack of any contrary argument, the Commission defined a single domestic like product consisting of all UGW paper, coextensive with the scope of investigations. *Uncoated* (Continued...)

Physical Characteristics and Uses. The record indicates that among the most important measures of UGW paper products are brightness and basis weight (in grams per square meter (“gsm”)). At the lower end among UGW paper products in terms of brightness and basis weight is directory paper (largely excluded from the scope), which is used in telephone books and other catalogues, and generally has a basis weight of 36 gsm or less, and a brightness of 56.²⁰ Standard newsprint is used in newspapers, as well as in newspaper inserts, advertising circulars, promotional mailers, and coupon flyers. Newsprint ranges in weight from 40 gsm to 48.8 gsm, with brightness levels generally ranging from 56 to 62.²¹ Higher up the scale, high bright paper (referred to in the scope as “high bright newsprint” and sometimes referred to as “improved newsprint”) ranges in weight from 36 gsm to 70 gsm, and in brightness from 65 to 84, provides sharper color reproduction and easier legibility than newsprint. High bright paper is used in local and community newspapers, newspaper inserts, coupon flyers, promotional mailers, and advertising circulars.²² Book publishing paper ranges in weight from 52 gsm to 82 gsm, and in brightness from 65 to 84, and is used in paperback books, trade books, and workbooks.²³ Consequently, the various products within the scope encompass a range of basis weight and brightness levels, and newsprint overlaps in basis weight with other types of UGW paper.

Manufacturing Facilities, Production Processes, and Employees. The record indicates that of the four domestic producers that responded to the Commission’s questionnaire, two (***) and ***, produced only newsprint during the POI. Norpac produces both newsprint and other UGW paper (high bright paper and book paper) at the same facility on the same machinery with the same employees.²⁴ Another producer, ***.²⁵ The production process for UGW paper involves a bleaching of wood pulp to attain the level of whiteness and brightness required for the grade of paper being produced.²⁶ While respondents assert that production of high bright paper requires a bleaching process or tower, the nature of the bleaching process required may be affected by the quality of the wood fiber feedstock available to the particular domestic producer as well as by the product sought to be produced.²⁷ Book paper is produced to very strict tolerances for the caliper (thickness) of the paper, since strict consistency of caliper is much more important for book paper than for newsprint.²⁸

(...Continued)

Groundwood Paper from Canada, Inv. Nos. 701-TA-584 and 731-TA-1382 (Preliminary), USITC Pub. 4732 at 6-8 (Oct. 2017) (“*Preliminary Determinations*”).

²⁰ CR at I-17; PR at I-14.

²¹ CR at I-16; PR at I-13.

²² CR at I-16 to I-17; PR at I-13.

²³ CR at I-17; PR at I-14.

²⁴ Hearing Tr. at 86-87, 127-30 (Buckingham); 133 (Lucas); CR at D-5 to D-6; PR at D-5. Norpac presented information that ***. Norpac’s Posthearing Brief, Response to Commissioner Questions, at 8.

²⁵ CR at D-5; PR at D-5; Hearing Tr. at 329 (Wise). Resolute U.S. ***. Resolute U.S.’s U.S. producers’ questionnaire response (Preliminary Phase) at II-4f(2) (EDIS Document No. 620969).

²⁶ CR at I-19; PR at I-15.

²⁷ Hearing Tr. at 209-10 (Wise).

²⁸ Hearing Tr. at 86-87, 128 (Buckingham), 210 (Wise).

Channels of Distribution. The Commission’s supplemental questionnaire data show that U.S. producers of newsprint consistently shipped the *** of their U.S. commercial shipments of newsprint to end users during the POI, with publishers/newspapers taking *** share. U.S. producers of other UGW paper shipped *** portions of their U.S. commercial shipments of UGW paper to distributors and end users during the POI, with national distributors taking the *** share. Specifically, U.S. newsprint producers reported that in 2017, *** percent of their U.S. commercial shipments of newsprint went to end users and *** percent went to distributors. By contrast, U.S. producers of other UGW paper reported that in 2017, *** percent of their U.S. commercial shipments other UGW paper went to distributors, while *** percent went to end users.²⁹ The record indicates that newsprint purchasers tend to prefer purchasing from local suppliers to minimize shipping costs and logistical problems, while other UGW paper is purchased in smaller amounts than newsprint and typically shipped longer distances.³⁰

Interchangeability. Most responding purchasers, importers, and U.S. producers reported that newsprint was at least “sometimes” interchangeable with high bright paper, but a substantial number (11 of 31) of purchasers reported that newsprint and high bright paper are “never” interchangeable, while few market participants reported that newsprint and high bright paper are “always” or “frequently” interchangeable. Most responding market participants reported that newsprint and other UGW paper (which includes book paper) are “never” interchangeable.³¹ Most responding market participants reported that high bright paper and other UGW paper are “sometimes” interchangeable, with four of nine purchasers reporting that they are “never” interchangeable.³²

Producer and Customer Perceptions. The information that the parties have submitted suggests that newsprint is considered a distinct paper product, if not necessarily a distinct type of UGW paper.³³ Norpac asserts that newspaper industry definitions and marketing materials from producers of UGW paper indicate that both standard newsprint and improved (high bright) newsprint are perceived as newsprint products on a continuum.³⁴ Respondents assert that industry observers track and report on newsprint separately from other UGW paper products.³⁵

Price. The pricing data show that U.S. producers’ quarterly prices for newsprint pricing products 1-4 (45 gsm; ISO Brightness 55-62) ranged between \$*** and \$*** per kilogram

²⁹ CR/PR at Table D-6.

³⁰ CR at II-2; PR at II-1.

³¹ CR/PR at Table II-11.

³² CR/PR at Table II-11.

³³ CR at I-14; PR at I-12.

³⁴ Norpac’s Posthearing Brief, Response to Commissioner Questions, at 4-7. Norpac presents marketing information from Canadian producers Catalyst, White Birch, and Irving Paper Limited (“Irving Paper”), but none from any domestic producers, which would be more relevant to the domestic like product analysis. *Id.*

³⁵ Kruger submits a report from RISI, Inc. (“RISI”), an industry monitoring service that provides information on the paper industry to its customers, providing ***. Kruger’s Prehearing Brief at 76 and Exh. 2; Kruger’s Posthearing Brief, Response to Commissioner Questions, at 5.

during the POI. By contrast, U.S. producers' quarterly prices for high bright paper (44-46 gsm; ISO Brightness 65) pricing product 5 ranged between \$*** and \$*** per kilogram during the POI, and U.S. producers' quarterly prices for book paper (51.5-52.5 gsm; ISO Brightness 80) pricing product 6 ranged between \$*** and \$*** per kilogram during the POI.³⁶

Conclusion. We find that, in terms of physical characteristics, the overlaps and differences in the basis weight and brightness of the different UGW paper products within the scope are more consistent with there being a grouping of common products than with two product types distinguished by a clear dividing line. While there are obvious differences in end uses between newsprint, high bright paper, and book paper, there are also some overlaps in end uses between newsprint and high bright paper, including newspaper inserts, coupon flyers, promotional mailers, and advertising circulars. Most market participants reported at least some interchangeability between newsprint and high bright paper. The record indicates that standard newsprint and high bright paper are both produced at the same facilities with the same employees and at least some of the same equipment. The record consequently indicates overlap between newsprint and other in-scope UGW paper products with respect to physical characteristics, end uses, manufacturing facilities, and interchangeability.

On the other hand, the record indicates a number of differences between newsprint and other UGW paper. There are differences in channels of distribution, with U.S. producers of newsprint shipping primarily to newspapers and other end users, while the biggest destination for U.S. commercial shipments by U.S. producers of other UGW paper has been to national distributors. Other UGW paper (both high bright paper and book paper) is priced appreciably higher than newsprint.³⁷ Producer and customer perceptions are mixed.

We find overall that the common aspects of the products within the scope outweigh their distinctions. Many of the distinctions that respondents have asserted between newsprint and other UGW paper (mainly high bright paper and book paper) also appear to exist between high bright paper and book paper, which reinforces the notion that UGW paper encompasses a range of products with broadly similar characteristics rather than two sharply distinct types of products, as respondents contend. Accordingly, we define a single domestic like product consisting of UGW paper that is coextensive with the scope of the investigations.

III. Domestic Industry

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”³⁸ In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all

³⁶ CR/PR at Tables V-4 to V-9; CR at V-7 to V-8; PR at V-5.

³⁷ The Commission’s pricing data report prices for narrowly defined values of basis weight and brightness for specific UGW paper products, but do not necessarily reflect the prices for a broader range of UGW products with other basis weights and brightness levels, which may reflect overlaps in price.

³⁸ 19 U.S.C. § 1677(4)(A).

domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

These investigations raise two sets of domestic industry issues. The first concerns whether the Commission should conduct a regional industry analysis. The second concerns whether appropriate circumstances exist to exclude any domestic producers from the domestic industry pursuant to the related parties provision.

A. Regional Industry

Arguments of the Parties. Respondents Resolute and Gannett argue that the statutory criteria are satisfied for the Commission to find two regional industries in the United States for newsprint, East and West, with the Rocky Mountains as the general dividing line. They argue that if the Commission defines newsprint to be a separate domestic like product, it should analyze the newsprint regional industries in the East and the West separately.³⁹ Resolute asserts that, even if the Commission defines a single domestic like product, there is still evidence of regionality for UGW paper as a whole.⁴⁰ Norpac argues that the statutory criteria for application of the regional industry analysis are not satisfied, and that the Commission should in any event not apply a regional industry analysis where, as here, the petitioner has brought the case on the basis of a single national industry.⁴¹

Analysis. In section II above, we defined a single domestic like product and declined to define newsprint to be a separate domestic like product. While the regional industry arguments of Resolute and Gannett focus on newsprint rather than on all UGW paper, we nevertheless consider whether appropriate circumstances exist for the Commission to conduct a regional industry analysis in the context of a single domestic like product consisting of all UGW paper within the scope of the investigations.

The Commission generally takes a series of steps in considering whether appropriate circumstances exist in determining whether to conduct a regional industry analysis. The Commission has considered regional industry analysis as discretionary, based on the language “appropriate circumstances” and “may be treated” found in the statute.⁴² The Commission has

³⁹ Resolute’s Prehearing Brief at 28-36; Resolute’s Posthearing Brief, Response to Commissioner Questions, at 16-17, 21-22; Gannett’s Prehearing Brief at 12-26; Gannett’s Posthearing Brief at 10-12.

⁴⁰ See Hearing Tr. at 310-11 (Feldman).

⁴¹ Norpac’s Posthearing Brief at 4-5 and Response to Commissioner Questions at 11-13.

⁴² 19 U.S.C. § 1677(4)(C). See, e.g., *Certain Steel Concrete Reinforcing Bars from Indonesia, Poland, and Ukraine*, Inv. Nos. 731-TA-875, 880, and 882 (Final), USITC Pub. 3425 at 23-24 (May 2001); *Nepheline Syenite from Canada*, 731-TA-525 (Preliminary), USITC Pub. 2415 at 15-17 (Aug. 1991). The statute, 19 U.S.C. § 1677(4)(C), provides that:

In appropriate circumstances, the United States, for a particular product market, may be divided into 2 or more markets and the producers within each market may be treated as if they were a separate industry if—

(i) the producers within such market sell all or almost all of their production of the domestic like product in question in that market, and

(Continued...)

defined “appropriate circumstances” on several occasions, focusing on whether a separate geographic market exists, whether the market is isolated and insular, and whether the product at issue has characteristics that naturally lead to the formation of regional markets. If the Commission determines that there are appropriate circumstances to consider conducting a regional industry analysis, the Commission then determines whether a regional market exists based on the two “market isolation” factors identified in the statute. If the Commission determines that a regional market exists, it then considers whether imports are concentrated in any regional market so defined.⁴³

Resolute and Gannett propose that the Commission find two regional industries, “East” and “West,” with the Rocky Mountains as the general dividing line. The “West” region would consist of 11 states,⁴⁴ while the “East” region would consist of the remaining 37 states within the continental United States (encompassing the states identified in the Commission’s questionnaires as being in the Northeast, South, and Central regions) as well as the District of Columbia.⁴⁵

(...Continued)

(ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.

In such appropriate circumstances, material injury, the threat of material injury, or material retardation of the establishment of an industry may be found to exist with respect to an industry even if the domestic industry as a whole, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of that product, is not injured, if there is a concentration of dumped imports or imports of merchandise benefiting from a countervailable subsidy into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured or threatened by material injury, or if the establishment of an industry is being materially retarded, by reason of the dumped imports or imports of merchandise benefiting from a countervailable subsidy. The term “regional industry” means the domestic producers within a region who are treated as a separate industry under this subparagraph.

⁴³ The Court of International Trade has described the steps that the Commission takes in a regional industry analysis as follows:

The statute sets up three prerequisites which must be satisfied before the Commission can reach an affirmative determination under a regional industry analysis. The Commission must determine that there is: (1) a regional market satisfying the requirements of the statute, (2) a concentration of dumped imports into the regional market, and (3) material injury or threat thereof to producers of all or almost all of the regional production, or material retardation to the establishment of an industry, due to the subsidized or dumped imports. The Commission will move on to the next step only if each preceding step is satisfied.

Texas Crushed Stone Co. v. United States, 822 F. Supp. 773, 777 (Ct. Int'l Trade 1993), *aff'd*, 35 F.3rd 1535, 1542 (Fed. Cir. 1994) (“the ITC’s case-by-case approach represents a ‘legitimate policy choice { } made by the agency in interpreting and applying the statute.’”).

⁴⁴ The Commission’s questionnaires define the West region as 11 states, including Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. CR/PR at Table II-2 n.1.

⁴⁵ The Commission’s questionnaires define the Northeast region as including Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and (Continued...)

Putting aside the threshold question of whether there may be appropriate circumstances to consider the proposed “West” region to be a regional industry, we find that the proposed “West” region does not meet the market isolation factors identified in the statute. The record indicates that the producers within the proposed “West” region do not sell “all or almost all of their production of the domestic like product in question” within that region.⁴⁶ The proportion of their U.S. commercial shipments that producers in the “West” region shipped within that region was *** percent in 2015, *** percent in 2016, and *** percent in 2017.⁴⁷ In fact, producers in the “West” shipped substantial quantities to the proposed “East” region throughout the POI. Thus, we find that the first statutory market isolation criterion is not satisfied for the proposed “West” region.⁴⁸ We consequently do not need to determine whether appropriate circumstances exist or whether the additional statutory criteria for that proposed region are satisfied.⁴⁹

We next consider the “East” region as proposed by these respondents, which consists of states in the Northeast, South, and Central regions. We find that appropriate circumstances do not exist to consider this proposed region as a regional industry. This proposed region accounted for an overwhelming share of the country’s apparent U.S. consumption of UGW paper: 86.7 percent in 2015, 83.3 percent in 2016, and 84.0 percent in 2017.⁵⁰ Thus, we find that the proposed “East” region does not constitute an isolated and insular region and that appropriate circumstances do not exist to warrant its treatment as a regional industry.⁵¹

(...Continued)

Vermont. The questionnaires define the Central region as including Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The questionnaires define the South region as including Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. CR/PR at Table II-2 n.1.

⁴⁶ 19 U.S.C. § 1677(4)(C)(i). The two U.S. producers in the proposed West region are Norpac, with production facilities in Longview, WA; and Ponderay, with production facilities in Usk, WA.

⁴⁷ Derived from Norpac’s U.S. producers’ questionnaire response at II-8 (EDIS Document No. 644081); Norpac’s revised supplemental U.S. producers’ questionnaire response at S-2, S-4 (EDIS Document No. 651409); Ponderay’s U.S. producers’ questionnaire response at II-8 (EDIS Document No. 644443); Ponderay’s supplemental U.S. producers’ questionnaire response at S-2, S-4 (EDIS Document No. 651345).

⁴⁸ See, e.g., *Frozen French Fried Potatoes from Canada*, Inv. No. 731-TA-93 (Preliminary), USITC Pub. 1259 at 7 (June 1982).

⁴⁹ Where the Commission has found the market isolation factors not satisfied and thus there is no regional market, then the Commission has analyzed injury on a national basis. See *Light-Walled Rectangular Pipe and Tube from Mexico*, Inv. No. 731-TA-730 (Preliminary), USITC Pub. 2892 at I-7 to I-9 (May 1995).

⁵⁰ Derived from Tables CR/PR at Tables IV-7 and D-19.

⁵¹ See, e.g., *Steel Concrete Reinforcing Bar from Belarus, China, Indonesia, Korea, Latvia, Moldova, Poland, and Ukraine*, Inv. Nos. 731-TA-873-875, 877-880, and 882 (Review), USITC Pub. 3933 at 9-11 (July 2007) (declining to engage in regional industry analysis where the proposed region encompassed 30 states and 70 percent of apparent U.S. consumption).

Accordingly, for the reasons explained above, we do not analyze these investigations on a regional basis. We consequently conduct our analysis on a national basis.

B. Related Parties

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.⁵² Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.⁵³

In the final phase of these investigations, two domestic producers – Resolute U.S. and Ponderay – are related parties.⁵⁴ Resolute U.S. is a related party because it imported subject merchandise during the POI and it has the same owner as Resolute Canada, an exporter of

⁵² See *Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

⁵³ The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);
- (3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;
- (4) the ratio of import shipments to U.S. production for the imported product; and
- (5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp. 3d 1314, 1326-31 (Ct. Int'l Trade 2015); see also *Torrington Co. v. United States*, 790 F. Supp. at 1168.

⁵⁴ In the preliminary determinations, the Commission found that three domestic producers-- Resolute U.S., Bear Island, and Ponderay--were related parties, but found that appropriate circumstances did not exist to exclude any domestic producer from the domestic industry. *Preliminary Determinations*, USITC Pub. 4732 at 9-11. Bear Island was a related party because it was wholly owned by BD White Birch, which also owned White Birch Canada Company, a Canadian producer of UGW paper, and also owned U.S. importers FF Soucy WB LP, Papier Masson WB LP, and Stadacona WB LP. *Id.*, USITC Pub. 4732 at 10. However, in light of Commerce's final determinations, White Birch is a nonsubject producer, and the U.S. imports of these affiliated importers are likewise nonsubject. Thus, Bear Island is not affiliated with an importer or exporter of subject merchandise, nor an importer itself of subject merchandise, and accordingly is not a related party. See 19 U.S.C. § 1677(4)(B)(i).

subject merchandise.⁵⁵ Ponderay is a related party because it is controlled by ***, an importer of subject merchandise.⁵⁶

Arguments of the Parties. Norpac asserts that Resolute U.S. and Ponderay are related parties, but argues that neither of them should be excluded from the domestic industry, because ***.⁵⁷ No respondent argues that any domestic producer should be excluded from the domestic industry as a related party.

Analysis. We examine below for each of the two related party producers whether appropriate circumstances exist to exclude it from the domestic industry.

Resolute U.S. Resolute U.S. was the *** largest domestic producer of UGW paper in 2017, accounting for *** percent of domestic production.⁵⁸ Resolute U.S.'s imports of subject merchandise totaled *** metric tons in 2015 (equivalent to *** percent of its domestic production), *** metric tons in 2016 (equivalent to *** percent of its domestic production), and *** metric tons in 2017 (equivalent to *** percent of its domestic production).⁵⁹ Its operating results were ***.⁶⁰ Resolute U.S. opposes the petitions.⁶¹

Although Resolute U.S. imported *** quantities of subject merchandise during the POI, and the ratio of its imports to its domestic production *** over the POI, it maintained its interest in domestic production during the POI, and its domestic production *** its imports of subject merchandise in each year of the POI.⁶² In view of Resolute U.S.'s operating results, there is no indication that its relationship with its affiliated Canadian producer or its imports of subject merchandise benefitted its domestic production operations.⁶³ In light of these considerations, and the fact that no party seeks its exclusion, we find that appropriate circumstances do not exist to exclude Resolute U.S. from the domestic industry.

Ponderay. Ponderay is the *** largest domestic producer, accounting for *** percent of domestic production during 2017.⁶⁴ Ponderay's operating income to net sales ratio was ***.⁶⁵ Ponderay *** the petitions.⁶⁶

⁵⁵ CR at III-23; PR at III-13; CR/PR at Table III-12. Resolute U.S. and Resolute Canada are 100 percent owned by the same parent company. CR/PR at Table III-2.

⁵⁶ See 19 U.S.C. § 1677(4)(B)(ii)(II). The record indicates that ***. Ponderay's U.S. Producers Questionnaire Response at I-4, II-15 (EDIS Document No. 644443). ***. See Ponderay's U.S. Producers Questionnaire Response at II-1, III-1, IV-1 (EDIS Document No. 644443).

⁵⁷ Norpac's Prehearing Brief at 9-11; Norpac's Posthearing Brief, Response to Commissioner Questions, at 27-28.

⁵⁸ CR/PR at Table III-1.

⁵⁹ CR/PR at Table III-12.

⁶⁰ See CR/PR at Table VI-3.

⁶¹ See Hearing Tr. at 72-77 (Feldman).

⁶² See CR/PR at Table III-12. Resolute U.S. also had *** reported capital expenditures of the four reporting domestic producers during the POI. See CR/PR at Table VI-5.

⁶³ Resolute U.S. explained that it ***. CR/PR at Table III-12.

⁶⁴ CR/PR at Table III-1.

⁶⁵ See CR/PR at Table VI-3.

⁶⁶ CR/PR at Table III-1.

Ponderay's interest appears to have been primarily in domestic production, as ***.⁶⁷ It is only a related party by virtue of its control relationship with ***, which we include in the definition of the domestic industry. There is no indication that Ponderay was shielded from subject imports to any significant degree, or that it benefitted from its relationship with ***. Its operating income *** as that of other domestic producers.⁶⁸ Therefore, we find that appropriate circumstances do not exist to exclude Ponderay from the domestic industry.

We accordingly define a single national domestic industry consisting of all U.S. producers of UGW paper within the scope of the investigations.⁶⁹

IV. No Material Injury by Reason of Subject Imports

Based on the record in the final phase of these investigations, we find that an industry in the United States is not materially injured by reason of imports of UGW paper from Canada that Commerce has found to be sold in the United States at less than fair value and subsidized by the government of Canada.⁷⁰

A. Legal Standards

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.⁷¹ In making this determination, the Commission must consider the volume of subject imports, their effect on

⁶⁷ We acknowledge that *** during the POI. CR/PR at Tables III-5, III-12. Nevertheless, because the *** have been attributed to that firm in our related parties analysis, we do not attribute *** to Ponderay.

⁶⁸ See CR/PR at Table VI-3.

⁶⁹ Nevertheless, as discussed in section IV.B.2 and IV.B.3 below, we find the regional focus of some U.S. production and purchasing patterns pertinent to conditions of competition in the U.S. UGW paper market.

⁷⁰ Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B).

In the antidumping duty investigation, dumped imports from Canada accounted for *** percent of total U.S. imports of UGW paper by quantity during the period August 2016 – July 2017, the most recent 12-month period prior to the filing of the petitions. In the countervailing duty investigation, subsidized imports from Canada accounted for *** percent of total U.S. imports of UGW paper by quantity during the period August 2016 – July 2017. CR/PR at Table IV-6. Accordingly, we find that subject imports from Canada are not negligible.

⁷¹ 19 U.S.C. §§ 1671d(b), 1673d(b). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here.

prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.⁷² The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁷³ In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁷⁴ No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁷⁵

Although the statute requires the Commission to determine whether the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,⁷⁶ it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.⁷⁷ In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.⁷⁸

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby

⁷² 19 U.S.C. § 1677(7)(B). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... and explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

⁷³ 19 U.S.C. § 1677(7)(A).

⁷⁴ 19 U.S.C. § 1677(7)(C)(iii).

⁷⁵ 19 U.S.C. § 1677(7)(C)(iii).

⁷⁶ 19 U.S.C. §§ 1671d(a), 1673d(a).

⁷⁷ *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g*, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

⁷⁸ The Federal Circuit, in addressing the causation standard of the statute, observed that “{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred “by reason of” the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.⁷⁹ In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.⁸⁰ Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.⁸¹ It is clear that the existence of injury caused by other factors does not compel a negative determination.⁸²

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to

⁷⁹ Uruguay Round Agreements Act Statement of Administrative Action (SAA), H.R. Rep. 103-316, vol. I, at 851-52 (1994) (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); *accord Mittal Steel*, 542 F.3d at 877.

⁸⁰ SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), *citing Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

⁸¹ S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

⁸² *See Nippon Steel Corp.*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

the subject imports.”⁸³ Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”⁸⁴

The Federal Circuit’s decisions in *Gerald Metals*, *Bratsk*, and *Mittal Steel* all involved cases where the relevant “other factor” was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.⁸⁵ The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission’s interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have “evidence in the record” to “show that the harm occurred ‘by reason of’ the LTFV imports,” and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.⁸⁶ Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.⁸⁷

⁸³ *Mittal Steel*, 542 F.3d at 877-78; see also *id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) citing *United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

⁸⁴ *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also *Mittal Steel*, 542 F.3d at 879 (“*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

⁸⁵ *Mittal Steel*, 542 F.3d at 875-79.

⁸⁶ *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission’s alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

⁸⁷ To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission’s causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested (Continued...)

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.⁸⁸ Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.⁸⁹

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is material injury by reason of subject imports.

(...Continued)

information in the final phase of investigations in which there are substantial levels of nonsubject imports.

⁸⁸ We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

⁸⁹ *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 (“The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.”).

1. Demand Conditions

U.S. demand for UGW paper depends on the demand for U.S. produced downstream products. Reported end uses include newspapers and other publications such as books, flyers, inserts, and advertising.⁹⁰ Newspaper publishers are the largest users of UGW paper. In 2017, newsprint accounted for approximately *** percent of total U.S. shipments of UGW paper.⁹¹ The demand for printed newspapers, however, has declined with the growth of electronic media, which has resulted in newspapers losing circulation and advertising revenue. To reduce costs, many newspapers have reduced content and the number of pages, the size of pages, the weight of newsprint paper, and the frequency of printing.⁹²

The parties agree that the demand for UGW paper, particularly newsprint, is in a long-term secular decline due to the growth in digital content.⁹³ Almost all responding firms reported that U.S. demand for UGW paper has decreased since January 2015.⁹⁴ Responding firms generally reported that the decline in demand for print media/periodicals and the increased use of digital media were the most important factors causing the reduction in demand for UGW paper.⁹⁵

Many newspapers seeking to cut costs have turned to using lighter weight paper, which allows them to produce more pages per ton and is cheaper to transport.⁹⁶ Accordingly, demand by purchasers for lighter weight 40 gsm newsprint increased over the POI even as overall demand for newsprint declined. U.S. shipments of 40 gsm (or less) newsprint increased by *** percent over the POI, while overall U.S. shipments of newsprint declined by *** percent during the period.⁹⁷ The share of total U.S. shipments of newsprint accounted for by U.S. shipments of 40 gsm (or less) newsprint increased from *** percent in 2015 to *** percent in 2017.⁹⁸

Apparent U.S. consumption of UGW paper declined by 12.2 percent over the POI, declining from 3.9 million metric tons in 2015 and 2016 to 3.4 million metric tons in 2017.⁹⁹

⁹⁰ CR at II-12; PR at II-7.

⁹¹ Derived from CR/PR at Tables IV-7, D-16.

⁹² CR at II-1; PR at II-1; Hearing Tr. at 229-30 (O'Toole); Transcript of Conference ("Conference Tr.") at 131 (D'Amours); 138-39 (O'Toole).

⁹³ CR at IV-19; PR at IV-13; Hearing Tr. at 90 (Crowley), 217 (Lafave), 221 (Angel).

⁹⁴ CR/PR at Table II-6.

⁹⁵ CR/PR at Table II-7.

⁹⁶ CR at II-1, IV-12 to IV-13; PR at II-1, IV-8 to IV-9.

⁹⁷ U.S. shipments of 40 gsm (or less) newsprint increased from *** metric tons in 2015 to *** metric tons in 2016, and then to *** metric tons in 2017. Total U.S. shipments of newsprint declined from *** metric tons in 2015 to *** metric tons in 2016, and then to *** metric tons in 2017. Derived from CR/PR at Tables III-8, IV-4.

⁹⁸ Derived from CR/PR at Tables III-8, IV-4.

⁹⁹ CR/PR at Tables IV-7, C-1.

2. Supply Conditions

Four U.S. UGW paper producers in the domestic industry responded to the Commission's questionnaire: Norpac, Ponderay, Resolute U.S., and Bear Island. Norpac and Ponderay are located in the Pacific Northwest, with Norpac's production facilities in Longview, WA, and Ponderay's production facilities in Usk, WA.¹⁰⁰ Resolute U.S. and Bear Island are located in the Southeast, with Resolute U.S. having production facilities during the POI in Augusta, GA, Calhoun, TN, and Grenada, MS, and Bear Island having production facilities during the POI in Ashland, VA.¹⁰¹

Several U.S. producers reported closing or idling UGW paper production facilities during the POI. Resolute U.S. ***.¹⁰² Resolute U.S. closed two UGW paper production machines (#3 and #5) at its Calhoun, TN facility in September 2017, ending its production of UGW paper at that facility, while continuing production of out-of-scope merchandise (market pulp and uncoated free sheet paper) at the facility. In addition, Resolute U.S. made a series of investments *** to enable it to produce out-of-scope tissue paper at the Calhoun facility.¹⁰³ Bear Island idled its production facility in Ashland, VA in June 2017, but the facility is expected to resume production of newsprint by the end of the third quarter of 2018.¹⁰⁴ Norpac idled its paper machine #1 in November 2017 and restarted production with that machine in May 2018.¹⁰⁵

All four reporting U.S. producers produced newsprint during the POI.¹⁰⁶ *** were the only U.S. producers to report shipments of high bright paper and other UGW paper products (including book paper) during the POI.¹⁰⁷ However, as previously discussed, in September 2017, Resolute U.S. stopped production of all UGW paper at its Calhoun, TN facility, which was its only facility able to produce high bright paper and other UGW paper.¹⁰⁸

*** U.S. producers reported some production of lighter weight 40 gsm newsprint during the POI. Ponderay accounted for *** of reported 40 gsm (or less) newsprint that the domestic

¹⁰⁰ CR/PR at Table III-1. Norpac was acquired by One Rock Capital Partners, LLC on November 1, 2016. Prior to that time, Norpac was a joint venture between Weyerhaeuser Company and Nippon Paper Industries. CR/PR at VI-1 n.2.

¹⁰¹ CR/PR at Table III-1.

¹⁰² CR/PR at Tables III-3, III-4.

¹⁰³ CR/PR at Table III-4; CR at III-5, VI-19, VI-21; Resolute's Posthearing Brief at Exh. 2, Declaration of John Lafave at paragraph 7; Hearing Tr. at 64 (Rolfe), 294 (Lafave); Conference Tr. at 157, 159-60 (Blaine); see Resolute U.S.'s U.S. producers questionnaire response at II-4a, II-4e(iii) (EDIS Document No. 645093).

¹⁰⁴ CR/PR at Tables III-3, III-4; CR at III-5; PR at III-2; Conference Tr. at 123-28 (Lowder)

¹⁰⁵ CR/PR at Tables III-3, III-4; Hearing Tr. at 79 (Anneberg). In addition, Norpac reported that it lost *** production in *** 2017 due to an outage at the effluent wastewater treatment facility that it uses. CR at VI-13; PR at VI-5; Hearing Tr. at 168 (Crowley).

¹⁰⁶ CR at D-5; PR at D-5.

¹⁰⁷ CR at III-17 to III-18; PR at III-9.

¹⁰⁸ Resolute's Augusta and Grenada mills only produce newsprint. CR at D-5; PR at D-5; Resolute's Posthearing Brief at Exh. 2, Declaration of John Lafave at paragraph 7.

industry produced during the POI.¹⁰⁹ Bear Island idled its production facility at Ashland, VA in June 2017, and a representative of its corporate parent White Birch explained that this decision was made in part because the southern yellow pine wood fiber available to Bear Island is less strong than the wood fiber available to producers in Canada and the northwestern United States, leaving it unable to produce UGW paper of sufficient quality at basis weights lower than 45 gsm.¹¹⁰ Moreover, Resolute U.S. reported that its production of 40 gsm newsprint during the POI was a failed attempt to address the increasing demand for lighter weight paper, adding that it cannot economically produce 40 gsm newsprint in its mills because of its southern yellow pine wood fiber feedstock, and that it ***.¹¹¹ Furthermore, Norpac stated that it had produced 40 gsm newsprint until it idled production of its machine #1 in November 2017 and would produce 40 gsm newsprint if it were economically viable to do so.¹¹²

UGW paper production is capital intensive with high fixed costs, so UGW paper machines are designed to operate continuously, and UGW paper producers seek to maintain high rates of capacity utilization.¹¹³ *** reporting U.S. producers reported reductions in their capacity during the POI, with the largest reductions in capacity accounted for by ***.¹¹⁴ As a result, the domestic industry's overall capacity declined by 20.4 percent over the POI, declining from 2.3 million metric tons in 2015 to 2.2 million metric tons in 2016, and then to 1.8 million metric tons in 2017.¹¹⁵ The domestic industry's total capacity was substantially below apparent U.S. consumption throughout the POI.¹¹⁶

The domestic industry's share of apparent U.S. consumption increased from 43.1 percent in 2015 to 44.1 percent in 2016, and then declined to 38.1 percent in 2017.¹¹⁷

Subject imports maintained a relatively steady share of the U.S. market during the POI. Their share of apparent U.S. consumption increased from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.¹¹⁸

Nonsubject imports as a share of apparent U.S. consumption declined from *** percent in 2015 to *** percent in 2016, then increased to *** percent in 2017.¹¹⁹ The largest source of

¹⁰⁹ Ponderay accounted for *** percent of the domestic industry's reported production of 40 gsm (or less) newsprint in 2015, *** percent in 2016, and *** percent in 2017. Derived from data submitted in response to U.S. producer questionnaires.

¹¹⁰ Conference Tr. at 125-28 (Lowder), 141-42 (O'Toole); Hearing Tr. at 230-31 (O'Toole); CR/PR at Table III-3.

¹¹¹ CR at III-19 to III-20; PR at III-10 to III-11; Hearing Tr. at 284-85 (Wise, Lafave), 295 (Lafave); Resolute's Posthearing Brief at Exh. 2, Declaration of John Lafave at paragraphs 1-4. Resolute reported that the 40 gsm newsprint that it produced was ***. CR at III-19; PR at III-11.

¹¹² CR at III-19; PR at III-10; Hearing Tr. at 94 (Crowley), 145 (Anneberg).

¹¹³ CR at VI-20 to VI-21; VII-8 to VII-9; PR at VI-8; VII-6 to VII-7; Hearing Tr. at 81-82 (Anneberg), 87 (Buckingham), 91 (Crowley).

¹¹⁴ CR/PR at Table III-5.

¹¹⁵ CR/PR at Tables III-5, C-1.

¹¹⁶ CR/PR at Tables IV-7, C-1.

¹¹⁷ CR/PR at Tables IV-8, C-1.

¹¹⁸ CR/PR at Tables IV-8, C-1.

¹¹⁹ CR/PR at Tables IV-8, C-1.

nonsubject imports during the POI was Canadian producer White Birch, which accounted for over *** percent of reported nonsubject imports during the POI.¹²⁰ Finland and Brazil were also suppliers of nonsubject imports during the POI.¹²¹

3. Substitutability and Other Conditions

We find that subject imports and the domestic like product are moderately substitutable.¹²² While UGW paper products of the same type that are available from both subject and domestic sources in a particular geographic region of the United States are largely substitutable,¹²³ lack of availability of a particular UGW paper product from the domestic industry in some regions of the United States can limit substitutability.

There are limits on substitutability between the different UGW paper products: newsprint paper, high bright paper, and book paper. Although most responding purchasers, importers, and U.S. purchasers reported that newsprint was at least “sometimes” interchangeable with high bright paper, a substantial number (11 of 31) of purchasers reported that newsprint and high bright paper are “never” interchangeable, while few (6 of 45) market participants reported that newsprint and high bright paper are “always” or “frequently” interchangeable. Most responding market participants reported that newsprint and other UGW paper (including book paper) are “never” interchangeable.¹²⁴ Most (13 of 20) responding market participants reported that high bright paper and other UGW paper are “sometimes” interchangeable, with four of nine purchasers reporting that they are “never” interchangeable.¹²⁵ As discussed in greater detail in the discussion of supply conditions above, certain U.S. producers are unable or unwilling to supply substantial quantities of all types of UGW paper.

Transportation costs can also limit substitutability between UGW paper products produced in different U.S. regions, particularly newsprint, and subject imports. Since newsprint has a relatively low value-to-weight ratio, transportation costs can account for a large percentage of the overall cost of newsprint to the purchaser.¹²⁶ Purchasers of newsprint accordingly prefer purchasing from local suppliers to minimize shipping costs, reduce logistical

¹²⁰ Nonsubject Canadian producer White Birch and U.S. producer Bear Island ***. CR/PR at Table III-3; CR at III-2; PR at III-1.

¹²¹ CR at II-10; PR at II-6.

¹²² CR at II-18; PR at II-11.

¹²³ Most responding market participants reported that UGW paper produced in the United States and UGW paper produced in Canada are always or frequently interchangeable. CR/PR at Table II-14. However, some purchasers indicated that the inability of Southern mills to produce lighter weight paper of sufficient strength limited interchangeability with Canadian product. CR at II-29; PR at II-17.

¹²⁴ CR/PR at Table II-11.

¹²⁵ CR/PR at Table II-11.

¹²⁶ CR at II-7; PR at II-4; Hearing Tr. at 107-08, 160 (Klett); 219 (Lafave), 226-27, 279 (Dwyer); Conference Tr. at 128 (Lowder). U.S. producers of all UGW paper reported that their U.S. inland transportation costs ranged from 11 to 17 percent of total costs, while most importers reported transportation costs of 6 to 20 percent. CR at V-1; PR at V-1.

problems, and ensure a reliable supply of newsprint.¹²⁷ Given the high transportation costs, and the preference of newsprint purchasers for local suppliers, *** percent of newsprint produced by U.S. producers in the Southeast is shipped to the Western United States,¹²⁸ while *** percent of newsprint produced by U.S. producers in the Pacific Northwest is shipped to the Eastern United States.¹²⁹ By contrast, transportation costs are less important for higher value products such as book paper and high bright paper, which are typically shipped longer distances than newsprint.¹³⁰

Substitutability between imports from Canada (both subject and nonsubject imports) and the domestic like product is particularly limited for lower basis weight 40 gsm newsprint, particularly in the Eastern United States. As discussed above, demand has been increasing in the U.S. market for 40 gsm newsprint while it has been declining for newsprint overall. However, the two U.S. producers in the Southeastern United States, Resolute U.S. and Bear Island, have stated that they are unable to produce 40 gsm newsprint of sufficient quality to meet the needs of customers requesting this product, due to the lack of strength of the southern yellow pine wood fiber feedstock available in the South.¹³¹ By contrast, Canadian producers, who have a stronger and higher quality wood fiber feedstock, are able to produce 40 gsm newsprint of sufficient quality to meet the needs of U.S. customers for this product.¹³² Thus, in the Eastern United States, 40 gsm newsprint is available from subject producers in

¹²⁷ CR at II-2, II-7; PR at II-1, II-4; Hearing Tr. at 226-27 (Dwyer).

¹²⁸ For purposes of this analysis, the states considered in the Western United States are Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. The states considered in the Eastern United States are Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, West Virginia, and Wisconsin, with the District of Columbia also included.

¹²⁹ In 2017, *** percent of the U.S. commercial shipments of newsprint of the U.S. producers in the Southeast (Bear Island and Resolute U.S.) was shipped to the Western United States. Derived from Bear Island's supplemental U.S. producers' questionnaire response at S-1, S-2 (EDIS Document No. 651340); Resolute U.S.'s supplemental U.S. producers' questionnaire response at S-1, S-2 (EDIS Document No. 651343). In 2017, *** percent of the U.S. commercial shipments of newsprint of the U.S. producers in the Pacific Northwest (Norpac and Ponderay) was shipped to the Eastern United States. Derived from Norpac's revised supplemental U.S. producers' questionnaire response at S-1, S-2 (EDIS Document No. 651409); Ponderay's supplemental U.S. producers' questionnaire response at S-1, S-2 (EDIS Document No. 651345).

¹³⁰ CR at II-2; PR at II-1; Hearing Tr. at 93 (Crowley), 279-80 (Dwyer).

¹³¹ Conference Tr. at 125-28 (Lowder), 141-42 (O'Toole); Hearing Tr. at 230-31 (O'Toole), 284-85 (Wise, Lafave); CR at III-19 to III-20; PR at III-11; CR/PR at Table III-4; Resolute's Posthearing Brief at Exh. 2, Declaration of John Lafave at paragraphs 1-4.

¹³² Hearing Tr. at 223-24 (Angel), 230-31 (O'Toole); Conference Tr. at 126-27 (Lowder). While a majority of responding purchasers reported that U.S. product and Canadian product are comparable with respect to fiber type, a substantial minority of purchasers (13 of 29) reported that U.S. product is inferior with respect to this factor. CR/PR at Table II-13.

Canada, but is unavailable from the U.S. producers in the Southeast. A majority of responding purchasers (15 of 23) reported that U.S. produced product is inferior to Canadian product with respect to the availability of 40 gsm weight newsprint.¹³³ Although 40 gsm newsprint is also produced by Western U.S. producers, the regional sourcing preferences for newsprint purchasers limit the degree to which this product competes in the Eastern United States.¹³⁴

We find that price is an important factor in purchasing decisions for UGW paper, but that other factors are also important. Moreover, UGW paper is sold on a delivered basis, so transportation costs are included in the price of UGW paper that purchasers pay.¹³⁵ Purchasers were asked to identify a list of factors as very important, somewhat important, or not important to their purchasing decisions; the responding purchasers identified by substantial majorities the following factors as very important: availability (30 purchasers), reliability of supply (30), product consistency (29), price (28), product meets industry standards (28), delivery time (26), and delivery terms (24).¹³⁶ The factors that purchasers most often ranked as among the top three factors in their purchasing decisions were price/transportation costs (28 purchasers), availability/reliability of supply/delivery (27); and quality/runability (27).¹³⁷ While a majority (16 of 31) of responding purchasers reported that they always or usually purchase the lowest-priced product,¹³⁸ a majority (17 of 30) of responding purchasers reported that nonprice differences between the domestic like product and subject imports are always or frequently significant in their purchasing decisions.¹³⁹

According to Norpac, prices for UGW paper are very transparent and well known to purchasers.¹⁴⁰ RISI, an independent industry monitoring service that provides information on the paper industry to its customers, publishes pricing data on newsprint and other paper products, which are followed closely by U.S. producers and purchasers.¹⁴¹

¹³³ CR/PR at Table II-13. Majorities of purchasers reported that U.S. product and Canadian product are comparable with respect to every other listed factor, including price. *Id.*

¹³⁴ The higher quality wood fiber feedstock needed for 40 gsm newsprint is available in the U.S. Pacific Northwest. Conference Tr. at 126-27 (Lowder); Hearing Tr. at 230-31 (O'Toole). Ponderay, with its production facility in Usk, WA, accounted for *** of reported 40 gsm (or less) newsprint produced by the domestic industry during the POI. Derived from data submitted in response to U.S. producer questionnaires.

¹³⁵ Three of the four responding U.S. producers and all eight responding importers reported that they typically quote prices on a delivered basis. CR at V-3; PR at V-3. A number of purchasers reported that transportation costs are as important, or more important, than price, with some purchasers observing that all firms' UGW paper prices are the same. CR at II-20; PR at II-13.

¹³⁶ CR/PR at Table II-10.

¹³⁷ CR/PR at Table II-9. Runability is the ability of a roll of newsprint to run smoothly without breakage through a particular printing press. CR at II-18 n.28; PR at II-11 n.28.

¹³⁸ Two firms reported that they always purchase the lowest-priced product, 14 purchasers reported that they usually do, 12 purchasers reported that they sometimes do, and 3 purchasers reported that they never do. CR at II-21 to II-22; PR at II-13 to II-14.

¹³⁹ CR at II-21 to II-22; PR at II-13 to II-14; CR/PR at Table II-16.

¹⁴⁰ Hearing Tr. at 92-93 (Crowley). Purchaser reported that price leaders typically announce increases in price, but sellers do not announce price reductions. CR at V-4; PR at V-3.

¹⁴¹ CR at V-6; PR at V-4; Hearing Tr. at 92-93, 134 (Crowley); Conference Tr. at 199-200 (Lowder).

The vast majority of UGW paper is produced to order. U.S. producers reported that 99.5 percent of their U.S. commercial shipments of newsprint and *** percent of their U.S. commercial shipments of other UGW paper were produced to order. Importers reported that 99.6 percent of their U.S. commercial shipments of newsprint and 99.8 percent of their U.S. commercial shipments of other UGW paper were produced to order.¹⁴² The majority of U.S. producers' and importers' sales were on a contract basis, although importers reported selling a higher share of their sales via annual or long-term contracts than did U.S. producers.¹⁴³

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."¹⁴⁴

Subject imports maintained a substantial presence in the U.S. market during the POI, but the volume was *** percent lower in 2017 than in 2015. The volume of subject imports was *** metric tons in 2015, *** metric tons in 2016, and *** metric tons in 2017.¹⁴⁵ The market share of subject imports was also substantial but relatively stable during the POI, increasing from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.¹⁴⁶

Accordingly, we find that the volume of subject imports is significant in absolute terms and relative to consumption in the United States.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.¹⁴⁷

¹⁴² CR at II-19; PR at II-11 to II-12.

¹⁴³ CR at V-2; PR at V-2. U.S. producers reported that *** percent of their commercial shipments were pursuant to long-term contracts, *** percent pursuant to annual contracts, *** percent pursuant to short-term contracts, and *** percent pursuant to spot sales. Importers reported that *** percent of their commercial shipments were pursuant to long-term contracts, *** percent pursuant to annual contracts, *** percent pursuant to short-term contracts, and *** percent pursuant to spot sales. CR/PR at Table V-2.

¹⁴⁴ 19 U.S.C. § 1677(7)(C)(i).

¹⁴⁵ CR/PR at Table IV-2; CR at IV-2; PR at IV-2.

¹⁴⁶ CR/PR at Tables IV-8, C-1.

¹⁴⁷ 19 U.S.C. § 1677(7)(C)(ii).

As addressed in section IV.B.3 above, the record indicates that the domestic like product and subject imports from Canada are moderately substitutable and that price is one of several important factors in purchasing decisions for UGW paper.

The Commission collected quarterly pricing data from U.S. producers and importers for seven UGW paper products. The pricing data were collected on a delivered basis, including transportation costs.¹⁴⁸ Four U.S. producers and seven importers provided usable pricing data for sales of the requested products, although not all firms reported prices for all products for all quarters.¹⁴⁹ Pricing data reported by these firms accounted for approximately 46 percent of U.S. producers' U.S. shipments of UGW paper and *** percent of U.S. shipments of subject imports in 2017.¹⁵⁰

The Commission's pricing data show predominant underselling. Prices for the subject imports were below those for U.S.-produced product in 60 of 72 quarterly comparisons (83.3 percent of all comparisons).¹⁵¹ The quantity of subject imports in underselling comparisons was 2.9 billion kilograms, or 91.7 percent of the total quantity, while the quantity that oversold the domestic product totaled 266.6 million kilograms, or 8.3 percent.¹⁵² The average margin of underselling was 3.6 percent, while the average margin of overselling was 1.3 percent.¹⁵³

¹⁴⁸ The seven pricing products are the following:

Product 1 — Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. Sold in the Northeast (CT, ME, MA, NH, NJ, NY, PA, RI, and VT).

Product 2 — Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. Sold in the Central U.S. (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, and WI).

Product 3 — Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. Sold in the South (AL, AR, DE, DC, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, and WV).

Product 4 — Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. Sold in the West (AZ, CA, CO, ID, MT, NV, NM, OR, UT, WA, and WY).

Product 5 — 65 Bright, 44.0-46.0 gsm (27-28 lb. newsprint weight) with ISO brightness of 65, in rolls.

Product 6 — 80 Bright, 51.5-52.5 gsm (35.0 lb. book weight), with ISO brightness of 80, in rolls.

Product 7 — Directory, 34.0 gsm (20.9 lb. directory weight), with ISO brightness of 56, in rolls.

CR at V-7 to V-8, PR at V-5.

¹⁴⁹ CR at V-8, PR at V-5.

¹⁵⁰ CR at V-8, PR at V-6.

¹⁵¹ CR/PR at Table V-14.

¹⁵² CR/PR at Table V-14.

¹⁵³ CR/PR at Table V-14. For product 1 the margin of underselling ranged between *** percent and *** percent; for product 2 it ranged between *** percent and *** percent; for product 3 it ranged between *** percent and *** percent; for product 4 it ranged between *** percent and *** percent; for product 5 it ranged between *** percent and *** percent; for product 6 it ranged between *** (Continued...)

Norpac acknowledges that the margins of underselling are low, but states that this is in part a result of the price transparency in the U.S. market for UGW paper and the commodity nature of the product.¹⁵⁴

Underselling for newsprint occurred in all quarterly comparisons in the regions (Northeast and Central, products 1 and 2) where there was no domestic production, and transportation costs for the domestic like product were accordingly higher than in the two other regions where domestic production was located.¹⁵⁵ By contrast, in one of the two regions (South, product 3), in which there was domestic production, there was mixed underselling and overselling, and in the other such region (West, product 4), there was predominant overselling.¹⁵⁶ Consequently, the frequency of underselling in the newsprint products was to some extent a function of the presence or absence of a U.S. regional supplier and the effect this had on transportation costs. High bright paper products are marketed differently than newsprint, as sales of high bright paper are less constrained by transportation costs, and high bright paper is shipped throughout the United States from the Western United States.¹⁵⁷ Product 5, a high bright paper product, also showed predominant underselling during the POI, although, as discussed below, changes in the domestic supply sources during the POI help to explain the trends shown in these data.¹⁵⁸

In addition to its pricing product data, the Commission also collected average unit value (AUV) data for specific UGW paper products, and unlike the Commission's pricing data, the AUV data are on an f.o.b. basis and thus do not reflect transportation costs. These data show that the AUVs of U.S. producers' U.S. shipments for 45 gsm newsprint and high bright paper were similar to those for U.S. importers' U.S. shipments of subject imports of the same product. With respect to 45 gsm newsprint, the AUV for U.S. producers' U.S. shipments was actually slightly lower (but within \$***/metric ton) in each year of the POI than the AUV for U.S. shipments of subject imports.¹⁵⁹ With respect to high bright paper, the AUV for U.S. producers'

(...Continued)

percent and *** percent. CR/PR at Table V-14. There were no shipments by U.S. producers of product 7 (34.0 gsm directory paper, which was excluded from the scope at Norpac's request), so no margin of underselling could be calculated for it. CR/PR at Table V-10.

¹⁵⁴ Hearing Tr. at 109, 111 (Klett).

¹⁵⁵ CR/PR at Tables V-4, V-5. By contrast, the production facilities of subject producers Kruger, Resolute Canada, Tembec, and Irving Paper are all located in eastern Canada, which is nearer to the Northeast and Central United States than to the Southern and Western United States. Information submitted in response to the Commission's foreign producer questionnaires.

¹⁵⁶ CR/PR at Tables V-6, V-7.

¹⁵⁷ CR at II-2; PR at II-1; Hearing Tr. at 93 (Crowley), 279-80 (Dwyer).

¹⁵⁸ CR/PR at Table V-8. We note that U.S. shipments of product 5 (from all sources) accounted for *** percent of total U.S. shipments of high bright paper in 2015, *** percent in 2016, and *** percent in 2017. Derived from CR/PR at Tables III-8, IV-3, V-8, and E-5.

¹⁵⁹ The AUV for U.S. producers' U.S. shipments of 45 gsm newsprint was \$457/metric ton in 2015, \$467/metric ton in 2016, and \$474/metric ton in 2017. The AUV for U.S. importers' U.S. shipments of 45 gsm newsprint from subject sources was \$***/metric ton in 2015, \$476/metric ton in 2016, and \$480/metric ton in 2017. CR/PR at Tables III-8, IV-3.

U.S. shipments was only slightly different (within \$***/metric ton, or a difference of under *** percent) in each year of the POI from the AUV for subject imports. Further, the AUVs for high bright paper fell over the POI by a similar amount for both domestic and subject import shipments, with the AUVs for domestically produced high bright paper declining by *** percent over the POI, and those for subject imports of high bright paper declining by *** percent.¹⁶⁰

The record shows the purchasers considered the prices of the domestic like product and imports of UGW paper from Canada to be comparable. A substantial majority of responding purchasers (23 of 28) reported that the prices of U.S.-produced product and Canadian-produced product are comparable, and only four purchasers reported that the domestic product is “inferior” (higher priced) to imports from Canada.¹⁶¹ Moreover, only two responding purchasers reported that imports from Canada are priced lower than domestically produced product, while 25 purchasers reported that imports from Canada are not priced lower.¹⁶²

We further observe that the underselling reflected in the pricing data with respect to 45 gsm newsprint (pricing products 1-4) did not correlate with any gain in market share by subject imports at the expense of the domestic industry for that particular product. In fact, the domestic industry gained *** percentage points of market share with respect to U.S. shipments of 45 gsm newsprint during the POI; subject imports lost *** percentage points, and nonsubject imports gained *** percentage points.¹⁶³ Only two of 28 responding purchasers reported that they purchased subject imports rather than the domestic like product due to price.¹⁶⁴

We acknowledge that with respect to U.S. shipments of high bright paper, subject imports gained market share and the domestic industry lost market share during the POI, particularly from 2016 to 2017.¹⁶⁵ We do not find that this was because of underselling by

¹⁶⁰ The AUV for U.S. producers’ U.S. shipments of high bright paper was \$***/metric ton in 2015, \$***/metric ton in 2016, and \$***/metric ton in 2017. The AUV for U.S. importers’ U.S. shipments of high bright paper from subject sources was \$***/metric ton in 2015, \$***/metric ton in 2016, and \$***/metric ton in 2017. CR/PR at Tables III-8, IV-3.

¹⁶¹ CR/PR at Table II-13. As noted, a number of purchasers reported that transportation costs are as important, or more important, than price, with some purchasers observing that all firms’ UGW paper prices are the same. CR at II-20; PR at II-13.

¹⁶² CR/PR at Table V-16.

¹⁶³ The market share of the domestic industry with respect to U.S. shipments of 45 gsm newsprint was *** percent in 2015, *** percent in 2016, and *** percent in 2017. The market share of subject imports was *** percent in 2015, *** percent in 2016, and *** percent in 2017. The market share of nonsubject imports was *** percent in 2015, *** percent in 2016, and *** percent in 2017. Derived from CR/PR at Tables III-8, IV-4.

¹⁶⁴ CR/PR at Table V-16. The total quantity of subject imports from Canada that these two purchasers indicated that they purchased for reasons of price represented *** percent (*i.e.*, *** percent) of the total purchases of subject UGW paper reported by purchasers. CR/PR at Tables V-15, V-17.

¹⁶⁵ The market share of the domestic industry with respect to U.S. shipments of high bright paper was *** percent in 2015, *** percent in 2016, and *** percent in 2017. The market share of subject imports was *** percent in 2015, *** percent in 2016, and *** percent in 2017. The market share of nonsubject imports was *** percent in 2015, *** percent in 2016, and *** percent in 2017. Derived from CR/PR at Tables III-8, IV-3. High bright paper accounted for a minority share of the U.S. (Continued...)

subject imports.¹⁶⁶ Rather, this market share shift with respect to high bright paper was largely a result of Resolute U.S.'s shutdown of its UGW paper production operations at Calhoun, TN (including its production of high bright paper) in September 2017, leaving Norpac as *** U.S. producer of high bright paper.¹⁶⁷ In fact, as the domestic industry lost market share overall in U.S. shipments of high bright paper as Resolute U.S. ceased domestic production in 2017, Norpac's share of that market *** over the POI, at *** percent in 2015, *** percent in 2016, and *** percent in 2017, showing a small increase between 2016 and 2017.¹⁶⁸ As Norpac *** market share in U.S. shipments of high bright paper in 2017, margins of underselling for product 5 *** as compared to 2016, and by the fourth quarter of 2017 turned to ***.¹⁶⁹

The record reflects that the shutdown of UGW paper production at the Calhoun facility was part of Resolute's overall corporate strategy of shutting down UGW paper capacity in its least efficient North American facilities in response to the secular decline in demand for UGW paper, and not a result of subject import competition during the POI.¹⁷⁰ Indeed, as part of its strategy, Resolute U.S. began a series of *** investments *** to enable the Calhoun facility to produce out-of-scope tissue paper, which it commenced producing in 2017, rather than UGW

(...Continued)

market for UGW paper, with U.S. shipments of high bright paper accounting for *** percent of total U.S. shipments of UGW paper in 2017. Derived from CR/PR at Tables III-8, IV-3.

¹⁶⁶ As previously indicated, only 2 of 28 responding purchasers reported that they purchased subject imports rather than the domestic like product due to price. CR/PR at Table V-16. *** purchaser that reported *** quantity of purchases of subject imports instead of domestic product due to price was ***. *Id.* *** purchased high bright paper. *** purchaser questionnaire response at II-4 (EDIS Document No. 644785). Yet *** also reported that ***. CR/PR at Table V-15.

¹⁶⁷ CR at III-5, D-5; PR at III-2; D-5. U.S. producers' U.S. commercial shipments of high bright paper declined from *** metric tons in 2016 to *** metric tons in 2017, a decline of *** metric tons. CR/PR at Table II-8. Fully *** percent of this decline was accounted for by the decline in the U.S. commercial shipments of high bright paper by ***, which declined from *** metric tons in 2016 to *** metric tons in 2017, a decline of *** metric tons. Resolute U.S.'s U.S. producers' questionnaire response at II-10 (EDIS Document No. 645093). Norpac's U.S. commercial shipments of high bright paper also *** by *** percent over the POI, *** from *** metric tons in 2015 to *** in 2016 and *** metric tons in 2017, a total *** of *** metric tons over the POI. Norpac's U.S. producers' questionnaire response at II-10 (EDIS Document No. 644081).

¹⁶⁸ Derived from CR/PR at Tables III-8, IV-3; Norpac's U.S. producers' questionnaire response at II-10 (EDIS Document No. 644081). We note that Norpac was able to *** its share of U.S. shipments of high bright paper from 2016 to 2017 despite the fact that it lost *** production in *** 2017 due to an outage at an effluent wastewater treatment facility. CR at VI-13; PR at VI-5; Hearing Tr. at 168 (Crowley).

¹⁶⁹ CR/PR at Table V-8.

¹⁷⁰ Conference Tr. at 115-16 (Ovanessian) 120-22 (Blaine); Hearing Tr. at 294 (Lafave); Resolute's Posthearing Brief at Exh. 2, Declaration of John Lafave at paragraph 7. Resolute Canada ***. In ***, Resolute Canada ***. Resolute Canada shut down production on a paper machine at its Alma, QC facility in ***, but then restarted production on that machine in *** 2017. Restarting production on this Alma paper machine added 75,000 to 80,000 metric tons of annual capacity in 2017, which was ***. CR/PR at Table VII-2; CR at VII-7 to VII-9; PR at VII-5 to VII-7; Conference Tr. at 157-58 (Blaine).

paper.¹⁷¹ Thus, we cannot conclude that it was underselling by subject imports rather than Resolute's corporate strategy that caused a reduction in U.S. shipments of high bright paper by the domestic industry.

Thus, while the Commission's pricing data indicate predominant underselling by subject imports, other information in the record indicates that subject imports and the domestic like product were close in price. Further, to the extent that there was underselling, it did not affect the domestic industry's market share in 45 gsm newsprint (the largest segment of the U.S. market for UGW paper),¹⁷² while the market share shift with respect to high bright paper reflected the closing of UGW paper production facilities at Resolute U.S.'s Calhoun, TN facility for unrelated reasons, rather than underselling by subject imports. Accordingly, we do not find that there has been significant price underselling of the domestic industry by the subject imports.

The Commission's pricing data show that prices for all of the Commission's pricing products declined between January 2015 and December 2017. The declines in U.S. producers' prices ranged from *** to *** percent during the period, while the declines in subject import prices ranged from *** to *** percent. The smallest price declines were for pricing products 1-4 (45 gsm newsprint) while a larger price decline was reported for pricing product 5 (high bright paper).¹⁷³ The pricing data for newsprint pricing products 1-4 show that prices for each of these products reached their low points during the POI in the third or fourth quarter of 2015, and that prices of U.S. producers and subject imports for each of these products generally increased, with some fluctuations, during the rest of POI.¹⁷⁴

RISI data show that U.S. prices for 45 gsm newsprint in both the East and West regions in the United States (as defined by RISI) increased during the POI, with prices increasing by *** percent in the East and by *** percent in the West between January 2015 and December 2017. The RISI data show that prices in both the East and the West declined in 2015, but generally

¹⁷¹ Resolute reported that it invested \$400 million in several projects to enable the Calhoun, TN plant to produce tissue paper. CR at III-5, VI-19, VI-21 and n.31; PR at III-2, VI-7, VI-8 and n.31; Hearing Tr. at 294, 308 (Lafave); Resolute's Posthearing Brief at Exh. 2, Declaration of John Lafave at paragraph 7.

¹⁷² U.S. shipments of exactly 45 gsm newsprint accounted for *** percent of total U.S. shipments of UGW paper in 2017. Derived from CR/PR at Tables III-8, IV-3.

¹⁷³ CR at V-25; PR at V-9. For product 1, U.S. producers' prices declined by *** percent over the POI, while prices of subject imports declined by *** percent. For product 2, U.S. producers' prices declined by *** percent over the POI, while prices of subject imports declined by *** percent. For product 3, U.S. producers' prices declined by *** percent over the POI, while prices of subject imports declined by *** percent. For product 4, U.S. producers' prices declined by *** percent over the POI, while prices of subject imports declined by *** percent. For product 5, U.S. producers' prices declined by *** percent over the POI, while prices of subject imports declined by *** percent. For product 6, U.S. producers' prices declined by *** percent over the POI, while prices of subject imports declined by *** percent. While there was a *** price decline for imports of pricing product 7, this product (34.0 gsm directory paper) was excluded from the scope at Norpac's request, and there were no U.S. producers' shipments of this product.

¹⁷⁴ CR/PR at Tables V-4 to V-7; CR/PR at Figures V-2 to V-5.

increased in both regions for the rest of the POI.¹⁷⁵ The RISI data indicate that the price of 45 gsm newsprint in the West was \$*** per short ton below the price in the East during the POI, despite the fact that subject imports of newsprint have a *** market share in the West than in the remainder of the country.¹⁷⁶

When asked to rate the importance of factors affecting the price of UGW paper, U.S. producers, purchasers, and importers rated the decline in print media and other factors causing demand for paper products to decline as the factors having the most substantial effects, while fewer market participants rated the availability of subject imports as having a substantial effect on prices.¹⁷⁷ Moreover, we note that only one of 33 responding purchasers reported that U.S. producers had reduced prices in order to compete with lower-priced imports from Canada.¹⁷⁸

In light of the stable to rising prices for UGW paper products during the latter portion of the POI while subject imports increased their market penetration, the relatively modest overall declines in prices for the domestic like product during the POI, the information in the record indicating that newsprint prices were lower in the West than in the East throughout the POI despite *** subject import penetration in the West, and taking into account the secular decline in demand in the overall UGW paper market and other market conditions leading to price declines for UGW paper products, we cannot conclude that the subject imports caused significant price declines for the domestic like product. Thus, we do not find that subject imports depressed U.S. producers' prices to a significant degree.

We also do not find that subject imports prevented price increases for the domestic like product that would otherwise have occurred to a significant degree. The long-term secular decline in demand for UGW paper, including during the POI, would serve to restrain any price increases for UGW paper, notwithstanding the domestic industry's efforts to reduce capacity (and hence supply) during the POI.¹⁷⁹ In any event, the domestic industry's ratio of cost of goods sold ("COGS") to net sales showed little annual fluctuation and declined *** over the

¹⁷⁵ CR at V-6; PR at V-4; CR/PR at Figure V-1.

¹⁷⁶ CR at V-6; PR at V-4. In the Western United States, U.S. producers' share of U.S. shipments of newsprint was *** percent in 2017, while the share of subject imports was *** percent and the share of nonsubject imports was *** percent. CR/PR at Table D-12. By contrast, in the remainder of the country, U.S. producers' share of U.S. shipments of newsprint was *** percent in 2017, while the share of subject imports was *** percent and the share of nonsubject imports was *** percent. CR/PR at Table D-13.

¹⁷⁷ Twenty-nine firms reported that the decline in print media had a substantial effect on the price of UGW paper, and ten firms reported that other factors causing demand for paper products to decline had a substantial effect on the price of UGW paper. Seven firms reported that availability of subject imports had a substantial effect on the price of UGW paper. CR/PR at Table V-3. Purchasers also reported that the decrease in supply of in-scope UGW paper had a substantial effect on the price of UGW paper. *Id.*

¹⁷⁸ CR at V-33; PR at V-12. This one purchaser *** reported an estimated price reduction of 10.5 percent, and ***. *Id.*

¹⁷⁹ As noted, apparent U.S. consumption of UGW paper declined by 12.2 percent over the POI. CR/PR at Table C-1.

POI. The domestic industry's ratio of COGS to net sales fell from *** percent in 2015 to *** percent in 2016 and then increased to 105.5 percent in 2017.¹⁸⁰

Accordingly, we do not find that subject imports caused significant price effects.

E. Impact of the Subject Imports¹⁸¹

Section 771(7)(C)(iii) of the Tariff Act provides that examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."¹⁸² These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debts, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."¹⁸³

The domestic industry experienced declines in almost all of its performance indicators during the POI, and its financial performance was poor.¹⁸⁴ The domestic industry's capacity

¹⁸⁰ CR/PR at Tables VI-3, C-1.

¹⁸¹ The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final determination of sales at less than fair value, Commerce found a dumping margin of 16.88 percent for imports from Catalyst, while it found *de minimis* dumping margins of 0.00 percent for imports from Resolute Canada, White Birch, and all other Canadian producers/exporters of UGW paper. *Certain Uncoated Groundwood Paper From Canada: Final Determination of Sales at Less Than Fair Value*, 83 Fed. Reg. 39412, 39413 (Aug. 9, 2018). We take into account in our analysis the fact that Commerce has made final findings that one subject producer in Canada is selling subject imports in the United States at less than fair value. In addition to this consideration, our impact analysis has considered other factors affecting domestic prices. Our analysis of the lack of price effects of subject imports, described in both the price effects discussion and below, is particularly probative to an assessment of the impact of the subject imports.

¹⁸² 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

¹⁸³ 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

¹⁸⁴ Norpac claims that the Commission's questionnaire data reflect a "survivor bias," in that they do not reflect the production or shipments of U.S. firms that previously produced UGW paper but ceased production during the POI. Norpac's Prehearing Brief at 51-54. The Commission attempted to collect data from all known U.S. producers of UGW paper, but does not have data of record on former U.S. producers that are now defunct. While the petition contained injury allegations regarding closing of UGW paper production facilities or conversion of such facilities to production of out-of-scope products (most of which events were alleged to have occurred before 2015), the petition did not provide any contact information for such former U.S. producers. Petition, Volume 1, at 26-27 and Exh. I-8; *see* (Continued...)

declined by 20.4 percent over the POI,¹⁸⁵ and production declined by 23.6 percent,¹⁸⁶ while capacity utilization declined over the POI despite an increase between 2015 and 2016.¹⁸⁷

Net sales quantity declined by *** percent over the POI,¹⁸⁸ while U.S. shipments declined by 22.5 percent.¹⁸⁹ Ending inventories declined by *** percent over the POI.¹⁹⁰ The domestic industry's share of apparent U.S. consumption increased from 43.1 percent in 2015 to 44.1 percent in 2016, and then declined to 38.1 percent in 2017.¹⁹¹

The domestic industry experienced declines over the POI in employment,¹⁹² hours worked,¹⁹³ and wages paid.¹⁹⁴ Productivity remained relatively stable.¹⁹⁵

(...Continued)

Hearing Tr. at 180-81 (Byers). Moreover, there is no information on the record indicating that there was any shift in purchases from U.S. producers to subject imports greater in magnitude than that reflected in the data in the Commission record based on the questionnaire responses of U.S. producers and importers. Compare CR/PR at Table V-15 with *id.* at Table IV-8. We also find that, contrary to Norpac's assertions, certification by the Department of Labor of Trade Adjustment Assistance (TAA) funding for workers who lost their jobs at UGW paper plants is of little probative value in establishing that those plants closed or reduced capacity as a result of competition from subject imports. As Norpac acknowledges, the Department of Labor applies an entirely different legal standard in making TAA certification decisions than the Commission does in making injury determinations, and the TAA certifications submitted by Norpac were made well before Commerce issued its final determinations in August 2018 indicating which imports from Canada were subject imports. See Norpac's Prehearing Brief at 50 and Exhs. 11, 13-15; Norpac's Posthearing Brief, Response to Commissioner Questions, at 52-53.

Norpac has also asserted that a review of pricing and domestic industry data for 2014 demonstrates that subject imports caused a decline in the industry's performance between 2014 and 2015. Norpac's Prehearing Brief at 42-43, 55-56; Norpac's Posthearing Brief at 12-13 and Response to Commissioner Questions at 48-49. However, in these investigations we are relying on our usual three-year period of investigation for assessing present material injury, which runs from 2015 through 2017.

¹⁸⁵ Capacity declined from 2.3 million metric tons in 2015 to 2.2 million metric tons in 2016, and then to 1.8 million metric tons in 2017. CR/PR at Tables III-5, C-1.

¹⁸⁶ Production declined from 2.1 million metric tons in 2015 and 2016 to 1.6 million metric tons in 2017. CR/PR at Tables III-5, C-1.

¹⁸⁷ Capacity utilization increased from 91.6 percent in 2015 to 94.6 percent in 2016, and then declined to 87.9 percent in 2017. CR/PR at Tables III-5, C-1.

¹⁸⁸ Net sales quantity declined from *** metric tons in 2015 to *** metric tons in 2016, and then declined to 1.6 million metric tons in 2017. CR/PR at Tables VI-1, C-1.

¹⁸⁹ U.S. shipments declined from 1.7 million metric tons in 2015 and 2016 to 1.3 million metric tons in 2017. CR/PR at Tables III-7, C-1. Export shipments declined by *** percent over the POI, declining from *** metric tons in 2015 to *** metric tons in 2016, and then increasing to 340,180 metric tons in 2017. *Id.*

¹⁹⁰ Ending inventories increased from *** metric tons in 2015 to *** metric tons in 2016, and then declined to *** metric tons in 2017. CR/PR at Tables III-11, C-1.

¹⁹¹ CR/PR at Tables IV-8, C-1.

¹⁹² Employment declined by 15.7 percent over the POI, declining from 1,738 production-related workers (PRWs) in 2015 to 1,694 PRWs in 2016, and then to 1,465 PRWs in 2017. CR/PR at Tables III-13, C-1.

The domestic industry experienced poor financial performance throughout the POI, although some metrics of performance were better in 2017 than in 2015. Its revenues declined by *** percent over the POI,¹⁹⁶ and total COGS declined by a *** percentage, *** percent.¹⁹⁷ Consequently, gross income improved from *** in 2015 to *** in 2016, and then to negative \$45.9 million in 2017.¹⁹⁸ The industry's operating income, although *** throughout, also improved from *** \$*** in 2015 to *** \$*** in 2016, and then to a loss of \$90.2 million in 2017.¹⁹⁹ The industry's operating income margin was *** percent in 2015, *** percent in 2016, and negative 10.8 percent in 2017.²⁰⁰ The industry's net income fluctuated on an annual basis; the industry had *** \$*** in 2015, *** \$*** in 2016, and then a net loss of \$*** in 2017.²⁰¹ Capital expenditures declined by *** percent over the POI.²⁰²

We find that the domestic industry's poor operating and financial performance during the POI was not a result of subject imports. As noted, there has been a long-term secular decline in demand for UGW paper, and demand continued to decline during the POI.²⁰³ This decline in demand, as well as the decline in the domestic industry's market share during the POI, led to the industry's declines in output during the POI. However, the record indicates that most of the market share that the domestic industry lost during the POI was lost to nonsubject imports (*** nonsubject Canadian producer White Birch) rather than to subject imports. The domestic industry lost 5.0 percentage points of market share over the POI, while nonsubject imports gained *** percentage points, and subject imports gained *** percentage points.²⁰⁴

(...Continued)

¹⁹³ Hours worked declined by 23.9 percent over the POI, declining from 3.8 million hours in 2015 to 3.7 million hours in 2016, and then to 2.9 million hours in 2017. CR/PR at Tables III-13, C-1.

¹⁹⁴ Wages paid declined by 19.4 percent over the POI, declining from \$145.4 million in 2015 to \$144.1 million in 2016, and then to \$117.3 million in 2017. CR/PR at Tables III-13, C-1.

¹⁹⁵ Productivity increased by 0.4 percent during the POI, increasing (in metric tons per 1,000 hours) from 554.8 in 2015 to 556.0 in 2016 and 557.2 in 2017. CR/PR at Tables III-13, C-1.

¹⁹⁶ Revenues declined from \$*** in 2015 and 2016 to \$832.1 million in 2017. CR/PR at Tables VI-1, C-1.

¹⁹⁷ Total COGS declined from \$*** in 2015 to \$*** in 2016 and then to \$878.0 million in 2017. CR/PR at Tables VI-1, C-1.

¹⁹⁸ CR/PR at Tables VI-1, C-1.

¹⁹⁹ CR/PR at Tables VI-1, C-1.

²⁰⁰ CR/PR at Tables VI-1, C-1.

²⁰¹ CR/PR at Tables VI-1, C-1.

²⁰² Capital expenditures increased from \$*** in 2015 to \$*** in 2016, and then fell to \$*** in 2017. CR/PR at Table VI-5. The domestic industry incurred research and development expenses of \$*** in 2015, \$*** in 2016, and \$*** in 2017. CR/PR at Table VI-5.

²⁰³ As noted, apparent U.S. consumption of UGW paper declined by 12.2 percent over the POI. CR/PR at Table C-1.

²⁰⁴ CR/PR at Table C-1. The domestic industry's share of apparent U.S. consumption increased from 43.1 percent in 2015 to 44.1 percent in 2016, and then declined to 38.1 percent in 2017. Subject imports as a share of apparent U.S. consumption increased from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017. Nonsubject imports as a share of apparent U.S. consumption (Continued...)

Furthermore, to the extent that the domestic industry did lose some market share to subject imports in 2017, subject imports did not appear to displace substantial quantities of domestic production. The *** market share increase by subject imports and the *** increase in the market share of nonsubject imports during the POI were a result of plant closings or idlings in the Southeastern United States unrelated to subject imports.²⁰⁵ As noted, there was a market share shift in 2017 with respect to high bright paper as a result of Resolute U.S. shutting down UGW paper production at its Calhoun, TN facility, which was its only facility producing high bright paper, but we have found that this shutdown was not caused by subject import competition. Rather, it was part of Resolute’s overall corporate strategy to respond to the secular decline in demand by shutting down UGW paper capacity at its most inefficient production facilities in North America.²⁰⁶ In addition, the record indicates that the idling of Bear Island’s Ashland, VA facility in 2017, which produced newsprint sold almost exclusively in the Eastern United States,²⁰⁷ was not a result of subject import competition. Rather it was similarly a result of a corporate decision by its parent company White Birch to adjust to declining demand by shutting down its highest cost and most inefficient mill, which was unable to produce 40 gsm newsprint because of its southern yellow pine wood fiber feedstock and was also unable to produce high bright paper.²⁰⁸ Thus, we find that the record does not support

(...Continued)

declined from *** percent in 2015 to *** percent in 2016, then increased to *** percent in 2017. CR/PR at Tables IV-8, C-1.

²⁰⁵ We note that U.S. producers did not lose any market share from 2015 to 2017 with respect to commercial shipments in the Western United States (where petitioner Norpac is located), whether the product at issue was newsprint or UGW paper other than newsprint. U.S. producers’ share of commercial U.S. shipments of all UGW paper sold in the Western United States was *** percent in 2015, *** percent in 2016, and *** percent in 2017. CR/PR at Table D-18. U.S. producers’ share of commercial U.S. shipments of newsprint sold in the Western United States was *** percent in 2015, *** percent in 2016, and *** percent in 2017. CR/PR at Table D-12. U.S. producers’ share of commercial U.S. shipments of UGW paper other than newsprint sold in the Western United States was *** percent in 2015, *** percent in 2016, and *** percent in 2017. CR/PR at Table D-14.

²⁰⁶ Conference Tr. at 115-16 (Ovanessian), 120-22 (Blane); Hearing Tr. at 294 (Lafave); Resolute’s Posthearing Brief at Exh. 2, Declaration of John Lafave at paragraph 7.

²⁰⁷ While Bear Island reported some *** of newsprint during the POI, it *** shipments of newsprint to the Western United States during the POI, and *** of any UGW paper products other than newsprint during the POI. Bear Island’s supplemental U.S. producers’ questionnaire response at S-1 through S-4 (EDIS Document No. 651340).

²⁰⁸ See Conference Tr. at 124-29 (Lowder), 141-42 (O’Toole). We note that the idling of Bear Island’s facility in June 2017 coincides with a decline in the market share of U.S. producers with respect to U.S. commercial shipments of newsprint in the Eastern United States, with U.S. producers’ market share declining from *** percent in 2015 to *** percent in 2017. CR/PR at Table D-13. The market share of subject imports with respect to U.S. commercial shipments of newsprint in the Eastern United States likewise declined from *** percent in 2015 to *** percent in 2017. *Id.* However, the market share of nonsubject imports with respect to U.S. commercial shipments of newsprint in the Eastern United States increased from *** percent in 2015 to *** percent in 2017. *Id.* Thus, while the domestic industry lost *** percentage points of market share in shipments of newsprint in the Eastern United (Continued...)

Norpac's assertions that these closings were a result of subject import competition during the POI.²⁰⁹

Moreover, while there has been a market share shift over the POI from the domestic industry to subject imports with respect to U.S. shipments of 40 gsm newsprint,²¹⁰ this shift is largely attributable to the limited ability of the domestic industry to produce 40 gsm due to the inability of Southeastern producers to produce it in acceptable quality,²¹¹ rather than to the pricing of subject imports.²¹²

Norpac has asserted that the restarting of production at its idled machine #1 in March 2018, as well as the projected reopening in the third quarter of 2018 of Bear Island's idled facility in Ashland, VA, are results of the petition and the imposition of provisional duties restraining subject import volumes and prices.²¹³ Because the POI ended in 2017, we do not

(...Continued)

States over the POI, *** of that market share loss was attributable to nonsubject imports, which gained *** percentage points of market share over the POI. As previously noted, Canadian producer White Birch accounted for over *** percent of reported nonsubject imports during the POI, CR at II-10; PR at II-6, indicating that the market share lost by the domestic industry in newsprint shipments in the Eastern United States as the Bear Island facility was shut down in 2017 was lost to White Birch, Bear Island's nonsubject Canadian affiliate.

²⁰⁹ See Norpac's Posthearing Brief, Response to Commissioner Questions, at 36-38. A May 2017 RISI article Norpac submitted regarding White Birch's announcement of the idling of the Bear Island facility indicates that White Birch clearly mentioned in the announcement declining demand and the need to focus on low-cost production as reasons for the idling. While the announcement also refers to "difficult market pricing," it contains no reference to import competition as being a factor in the decision, just as it does not specifically refer to 40 gsm newsprint. Norpac's Prehearing Brief at Exh. 16.

²¹⁰ The market share of the domestic industry with respect to U.S. commercial shipments of 40 gsm (or less) newsprint declined from *** percent in 2015 to *** percent in 2016, and then to *** percent in 2017. The market share of subject imports with respect to U.S. commercial shipments of 40 gsm (or less) newsprint increased from *** percent in 2015 to *** percent in 2016, and then to *** percent in 2017. The market share of nonsubject imports with respect to U.S. commercial shipments of 40 gsm (or less) newsprint declined from *** percent in 2015 to *** percent in 2016, and then increased to *** percent in 2017. Derived from CR/PR at Tables III-8, IV-4.

²¹¹ Conference Tr. at 125-28 (Lowder), 141-42 (O'Toole); Hearing Tr. at 230-31 (O'Toole), 284-85 (Wise, Lafave), 295 (Lafave); CR at III-19 to III-20; PR at III-11; CR/PR at Table III-4; Resolute's Posthearing Brief at Exh. 2, Declaration of John Lafave at paragraphs 1-4.

²¹² The Commission did not collect pricing data for a 40 gsm newsprint product. The record does contain AUV data for U.S. commercial shipments of 40 gsm (or less) newsprint. For this product, subject imports had higher AUVs than the domestic industry in each year of the POI. The AUV for the domestic industry's U.S. commercial shipments of 40 gsm (or less) newsprint was \$*** per metric ton in 2015, \$*** per metric ton in 2016, and \$*** per metric ton in 2017, while the AUV for subject imports' U.S. commercial shipments of 40 gsm (or less) newsprint was \$*** per metric ton in 2015, \$526 per metric ton in 2016, and \$533 per metric ton in 2017. Derived from CR/PR at Tables III-8, IV-3.

²¹³ Norpac's Posthearing Brief at 14-15 and Response to Commissioner Questions at 20-21. We note that Norpac idled its machine #1 in November 2017, at a time when UGW paper prices were rising in the United States. The Commission's pricing data indicate that both U.S. producers' prices and subject import prices increased between the third quarter of 2017 and the fourth quarter of 2017 for (Continued...)

have subject import volume or pricing data for 2018,²¹⁴ and the record does not contain sufficient information for us to determine whether the re-openings (actual or projected) of idled facilities in 2018 are related to the pricing or volume of subject imports, or to other considerations, such as shifts in domestic supply.

We also observe that, apart from Norpac, *** U.S. producers responding to the Commission’s final phase questionnaire *** the petitions and indicated *** actual or anticipated negative effects from subject imports.²¹⁵ As noted above in section III.B, the owners of *** of these U.S. producers (***) also own exporters of subject or nonsubject merchandise from Canada; the ***.

In view of the foregoing, we do not find that subject imports are having a significant impact on the domestic industry. Accordingly, we find that the domestic industry is not materially injured by reason of subject imports of UGW paper from Canada that were found by Commerce to be sold in the United States at less than fair value and subsidized by the government of Canada.

V. No Threat of Material Injury by Reason of Subject Imports

A. Legal Standard

Section 771(7)(F) of the Tariff Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether “further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted.”²¹⁶ The Commission may not make such a determination “on the basis of mere conjecture or supposition,” and considers the threat factors “as a whole” in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of subject imports would occur unless an order is issued.²¹⁷ In making our determination, we consider all statutory threat factors that are relevant to these investigations.²¹⁸

(...Continued)

pricing products 1-6. CR/PR at Tables V-4 through V-9. The RISI data likewise indicate that prices for 45 gsm newsprint increased during the fourth quarter of 2017 in both the East and West regions (as defined by RISI) of the United States. CR/PR at Figure V-1.

²¹⁴ Norpac did not request in its comments on the Commission’s draft final phase questionnaires that the Commission collect data for an interim period of the first quarter of 2018. (EDIS Document No. 638180).

²¹⁵ CR/PR at Tables III-1, VI-7, VI-8. ***. Inland Empire’s Questionnaire Response (Preliminary Phase) at I-3. (EDIS Document No. 621132); CR at III-1 n.1; PR at III-1 n.1.

²¹⁶ 19 U.S.C. § 1677(7)(F)(ii).

²¹⁷ 19 U.S.C. § 1677(7)(F)(ii).

²¹⁸ These factors are as follows:

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable
(Continued...)

B. Likely Volume

As previously discussed, the volume of subject imports declined by *** percent over the POI.²¹⁹ The market share of subject imports was relatively stable during the POI, increasing from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.²²⁰ Consequently, there was no significant rate of increase in either the volume or the market share of the subject imports during the POI.

The record also does not indicate that the subject industry has substantial existing unused production capacity or plans any substantial increase in capacity. To the contrary, the production capacity of subject producers in Canada declined during the POI, and is projected to remain stable in 2018 and then decline further in 2019.²²¹ The reported capacity utilization rate

(...Continued)

subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement) and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,

(V) inventories of the subject merchandise,

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

...

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).

19 U.S.C. § 1677(7)(F)(i). To organize our analysis, we discuss the applicable statutory threat factors using the same volume/price/impact framework that applies to our material injury analysis. Statutory threat factors (I), (II), (III), (V), and (VI) are discussed in the analysis of likely subject import volume. Statutory threat factor (IV) is discussed in the analysis of likely subject import price effects. Statutory factors (VIII) and (IX) are discussed in the analysis of likely impact. Statutory factor (VII) concerning agricultural products is inapplicable to these investigations.

²¹⁹ The volume of subject imports was *** metric tons in 2015, *** metric tons in 2016, and *** metric tons in 2017. CR/PR at Table IV-2; CR at IV-2; PR at IV-2.

²²⁰ CR/PR at Tables IV-8, C-1.

²²¹ Reported capacity of subject producers in Canada declined from 3.6 million metric tons in 2015 and 2016 to 3.2 million tons in 2017. It is projected to be 3.2 million metric tons in 2018 and 3.1 (Continued...)

of subject producers was above 93 percent and increased during each year of the POI, and is projected to be higher in 2018 and 2019.²²² Given the increase in subject producers' capacity utilization rate and decline in their capacity over the POI, their unused capacity declined over the POI, and is projected to be still lower in 2018 and 2019.²²³ Inventories of subject merchandise were at generally low levels relative to production (in Canada) and imports (in the United States) during the POI. Inventories of UGW paper held by subject producers increased from 2015 to 2016, but then declined in 2017; they are projected to decline slightly in 2018 and 2019.²²⁴ U.S. importers' inventories of subject merchandise from Canada increased during the POI.²²⁵ The importance of inventories in the UGW paper market is mitigated by the fact that the vast majority of UGW paper sold in the United States is made to order.²²⁶

The recent and projected declines in subject producers' capacity reflect substantial adjustments that they have made in response to the secular decline in demand for UGW paper. In response to declining demand, Resolute has prioritized shutting down its most inefficient and least profitable UGW paper mills, stating that most of these have been in Canada. Resolute Canada ***. In ***, Resolute Canada ***. Resolute Canada shut down production on a paper machine at its Alma, QC facility in ***, but then restarted production on that machine (with an annual capacity of 75,000 to 80,000 metric tons) in *** 2017.²²⁷ Kruger has been implementing a strategy of diversifying its business away from the production of UGW paper towards

(...Continued)

million metric tons in 2019. CR/PR at Table VII-3. This overall reduction in capacity reflects reductions in the capacity of ***, offsetting increases in capacity reported by ***. CR at VII-7; PR at VII-5.

²²² The capacity utilization rate of subject producers in Canada was 93.2 percent in 2015, 94.0 percent in 2016, and 96.3 percent in 2017. It is projected to be 98.2 percent in 2018 and 97.8 percent in 2019. CR/PR at Table VII-3.

²²³ Reported production of UGW paper by subject producers in Canada was 3.3 million metric tons in 2015, 3.4 million metric tons in 2016, and 3.1 million metric tons in 2017. It is projected to be 3.1 million metric tons in 2018 and 3.0 million metric tons in 2019. CR/PR at Table VII-3. Unused capacity declined from 243,948 metric tons in 2015 to 213,471 metric tons in 2016, and then to 117,529 metric tons in 2017. It is projected to be *** metric tons in 2018 and *** metric tons in 2019. *Id.*

²²⁴ End-of-period inventories of subject producers in Canada were 181,198 metric tons in 2015, 223,782 metric tons in 2016, and 198,738 metric tons in 2017. They are projected to be 192,972 metric tons in 2018 and 192,302 metric tons in 2019. CR/PR at Table VII-3. Subject producers had inventories equivalent to 5.4 percent of production in 2015, 6.7 percent in 2016, and 6.5 percent in 2017. Their projected inventories are equivalent to 6.2 percent of projected production in 2018 and 6.4 percent in 2019. *Id.*

²²⁵ U.S. importers' inventories of subject merchandise from Canada were *** metric tons in 2015, *** metric tons in 2016, and *** metric tons in 2017. CR/PR at Table VII-6. The ratio of U.S. importers' inventories of subject merchandise to U.S. shipments of subject imports was *** percent in 2015, *** percent in 2015, and *** percent in 2016. *Id.*

The record indicates that there are no antidumping or countervailing duty orders or investigations concerning UGW paper from Canada in any other markets. CR at VII-15; PR at VII-11.

²²⁶ CR at II-19; PR at II-11 to II-12.

²²⁷ CR/PR at Table VII-2; CR at VII-7 to VII-9; PR at VII-5 to VII-6; Conference Tr. at 115-16 (Ovanessian), 120-22 (Blaine).

production of out-of-scope products. Kruger converted a paper machine producing UGW paper at its TR mill to production of linerboard in the spring of 2017. It also has investments underway at its Brompton mill to convert two paper machines from producing UGW paper to producing various out-of-scope products. Kruger also has a *** project underway at its Corner Brook mill that is ***.²²⁸

Nevertheless, we acknowledge that subject producers in Canada are export oriented.²²⁹ The United States was by far the largest export market for subject producers during the POI, although their export shipments to the United States as a percentage of total shipments are projected to decline in 2018 and 2019.²³⁰

Several subject producers *** reported the ability to produce other products, including supercalendered paper, construction paper, linerboard paper, manila paper, and out-of-scope directory paper, on the same equipment used to produce UGW paper.²³¹ However, subject producers reported that machinery designed to produce other types of paper may only be able to produce a limited range of UGW paper and that ***. Moreover, ***.²³² The limits on the ability of subject producers to produce UGW paper on machinery producing other products, and their lack of incentive to do so given the secular decline in demand for UGW paper that has led them to shutter UGW paper facilities or shift production to other products, make the potential for product shifting unlikely.²³³

²²⁸ CR at VII-7 to VII-8; PR at VII-6; Hearing Tr. at 221-23 (Angel).

²²⁹ Total export shipments accounted for 82.7 percent of total shipments by subject producers in Canada in 2015, 83.5 percent in 2016, and 82.1 percent in 2017. They are projected to account for 83.0 percent of shipments in 2018 and 82.4 percent of shipments in 2019. CR/PR at Table VII-3.

²³⁰ Exports to the United States accounted for 54.4 percent of total shipments by subject producers in Canada in 2015, 55.8 percent in 2016, and 54.1 percent in 2017. They are projected to account for 50.3 percent of shipments in 2018 and 46.4 percent in 2019. CR/PR at Table VII-3. Exports to all other markets accounted for 28.3 percent of total shipments by subject producers in 2015, 27.7 percent in 2016, and 28.0 percent in 2017. They are projected to account for 32.7 percent of shipments in 2017 and 35.9 percent in 2018. *Id.*

²³¹ CR at VII-10; PR at VII-7. Subject producers reported that approximately *** percent of their production on their shared equipment during the POI was of UGW paper, while approximately *** percent was of out-of-scope products. CR/PR at Table VII-4.

²³² CR at II-9 and n.14, VII-11; PR at II-6 and n.14; VII-7.

²³³ Norpac asserts that subject producer Irving Paper, which had previously produced supercalendered paper, began producing UGW paper after the countervailing duty order on imports of supercalendered paper from Canada went into effect in 2016. Norpac's Prehearing Brief at 60. In 2017, Irving Paper accounted for *** percent of reported production of subject producers and *** percent of subject producers' exports to the United States. CR/PR at Table VII-1. Irving Paper reported that it ***, and ***. Irving Paper's foreign producer questionnaire response (Revision) at II-9 (EDIS Document No. 645082). Moreover, its affiliated U.S. importer, Irving Paper Limited, reported that *** of its U.S. shipments of subject imports from Irving Paper in 2017 were of high bright paper, and reported that its U.S. shipments of subject imports from Irving Paper of pricing product 5 (a high bright paper product) declined by *** percent from the second quarter of 2017 to the third quarter of 2017, and by *** percent from the third quarter of 2017 to the fourth quarter of 2017. Irving Paper Limited's U.S. importer questionnaire response at II-7(a); II-7(b); III-2(c) (EDIS Document No. 644058). Since Irving
(Continued...)

Given the substantial presence of subject imports in the U.S. market during the POI and the strong export orientation of subject producers, subject imports are likely to remain in the U.S. market at sizable levels in the imminent future. However, in light of the subject producers' declining exports to the United States, generally stable U.S. market share during the POI, declining capacity, high and increasing capacity utilization rate, lack of potential for product-shifting, and modest inventory levels, we do not find a likelihood of substantially increased subject imports in the imminent future.²³⁴

C. Likely Price Effects

We found above in section IV.D that subject imports are not currently having significant price effects. In light of our finding that there is not a likelihood of substantially increased subject imports in the imminent future, there is not a likelihood that the volume of subject imports and consequently their pricing patterns will change appreciably in the imminent future. While there may be a recurrence of the underselling pattern observed during the POI, we observe that for newsprint products, much of the observed underselling during the POI was associated with regional transportation differences and did not correlate with shifts in market share, while for high bright paper the observed underselling during the POI did not correlate with shifts in market share. Consequently, while some underselling by subject imports is likely to continue in the imminent future, it is unlikely to be significant, for the same reasons we found that the underselling observed during the POI was not significant.

We find that the secular decline in demand for UGW paper is likely to continue to have a substantial effect on domestic prices for UGW paper in the imminent future, as it did during the POI, and will serve to create downward pressure on prices for UGW paper. We did not find, however, that any declines in prices for UGW paper products observed during the period of

(...Continued)

Paper accounted for a *** percentage of production and U.S. exports of UGW paper in 2017, and its production of UGW paper is projected to be *** and its U.S. exports are projected to be *** in 2018 and 2019, we do not find that Irving Paper's production of UGW paper during the POI indicates that subject producers will shift from production of out-of-scope products to production of UGW paper in substantial quantities in the imminent future.

²³⁴ In our analysis, we have considered the nature of the subsidies Commerce has found to be countervailable, particularly whether the countervailable subsidies are ones described in Articles 3 or 6.1 of the WTO Agreement on Subsidies and Countervailing Measures ("ASCM"), and whether imports of the subject merchandise are likely to increase. 19 U.S.C. § 1677(7)(F)(i)(I). We observe that Commerce found 51 countervailable subsidy programs. *Certain Uncoated Groundwood Paper From Canada: Final Affirmative Countervailing Duty Determination*, 83 Fed. Reg. 39414 (Aug. 9, 2018); Department of Commerce Memorandum from James Maeder to Gary Taverman, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Uncoated Groundwood Paper from Canada*, August 1, 2018, at 8-18 (EDIS Document No. 653358); CR at I-9 to I-11; PR at I-7 to I-9. We observe that Commerce did not report that any of these programs are export subsidies or otherwise among the ones described in ASCM Articles 3 or 6.1. We have taken these subsidy findings into account in our analysis of likely subject import volume. Particularly probative for this analysis is the information provided in the text concerning subject import trends during the POI.

investigation were substantially caused by subject imports, nor did we find that subject imports prevented price increases for the domestic like product that otherwise would have occurred. Given that subject import volume and pricing patterns are unlikely to change appreciably in the imminent future, and the absence of significant price effects during the period of investigation, this lack of adverse effects will likely continue. Accordingly, we find that imports of subject merchandise are unlikely to enter at prices that are likely to have a significant depressing or suppressing effect on domestic prices, or are likely to increase demand for such imports.

D. Likely Impact

As discussed above, we have found that the volume of subject imports is not likely to increase significantly in the imminent future. Furthermore, subject imports are not likely to undersell the domestic like product, and are not entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices. While the domestic industry is in a poor condition, the lack of a significant likely increase in volume and the lack of significant likely price effects also indicate that material injury to the domestic industry by reason of subject imports is not imminent.

We also find that subject imports are not likely to have an actual or potential negative effect on the domestic industry's existing development and production efforts. As previously discussed, in light of the long term secular decline in demand for UGW paper, UGW paper producers in both the United States and Canada have made adjustments in response to that decline in demand by shutting down UGW paper capacity or converting it to production of out-of-scope products. In light of these conditions of competition, we do not find that *** by Norpac,²³⁵ or the decline in the domestic industry's capital expenditures during the POI²³⁶ reflects an actual or potential negative effect by subject imports on the domestic industry's existing development and production efforts.

Finally, apart from Norpac, *** U.S. producers responding to the Commission's final phase questionnaire *** the petitions and indicated *** actual or anticipated negative effects from subject imports.²³⁷ These U.S. producers (***) accounted for a majority of reported U.S. production throughout the POI.²³⁸ Our reviewing court has held that the level of domestic industry support for (or opposition to) a petition is a relevant economic factor that we must consider in our analysis of threat of material injury by reason of subject imports.²³⁹ We take this consideration into account in concluding that the record does not show that there are other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of subject imports.

²³⁵ CR/PR at Tables VI-7, VI-8.

²³⁶ Capital expenditures declined by *** percent over the POI, increasing from \$*** in 2015 to \$*** in 2016, and then falling to \$*** in 2017. CR/PR at Table VI-5.

²³⁷ CR/PR at Tables III-1, VI-7, VI-8. ***. Inland Empire's Questionnaire Response (Preliminary Phase) at I-3. (EDIS Document No. 621132); CR at III-1 n.1; PR at III-1 n.1.

²³⁸ *** collectively accounted for *** percent of reported U.S. production in 2015, *** percent in 2016, and *** percent in 2017. Derived from CR/PR at Table III-5.

²³⁹ See *Suramerica de Aleaciones Laminadas v. United States*, 44 F.3d 978, 984 (Fed. Cir. 1994).

In view of the foregoing, we find that an industry in the United States is not threatened with material injury by reason of subject imports from Canada that were found by Commerce to be sold at less than fair value and subsidized by the government of Canada.

VI. Conclusion

For the reasons stated above, we determine that an industry in the United States is neither materially injured nor threatened with material injury by reason of subject imports of UGW paper from Canada that were found by Commerce to be sold in the United States at less than fair value and subsidized by the government of Canada.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by North Pacific Paper Company (“NORPAC”), Longview, Washington, on August 9, 2017, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (“LTFV”) imports of uncoated groundwood paper (“UGW paper”)¹ from Canada. The following tabulation provides information relating to the background of these investigations.^{2 3}

Effective date	Action
August 9, 2017	Petitions filed with Commerce and the Commission; institution of the Commission's investigations (82 FR 38707, August 15, 2017)
August 30, 2017	Commerce's notice of initiation of antidumping duty investigation (82 FR 41599, September 1, 2017) and countervailing duty investigation (82 FR 41603, September 1, 2017)
September 25, 2017	Commission's preliminary determinations (82 FR 45609, September 29, 2017)
January 16, 2018	Commerce's preliminary countervailing duty determination and alignment of final determination with antidumping duty determination (83 FR 2133)
March 19, 2018	Commerce's preliminary antidumping duty determination and postponement of final determination (83 FR 11960); scheduling of final phase of Commission's investigations (83 FR 14026, April 2, 2018)
July 17, 2018	Commission's hearing
August 1, 2018	Commerce's final AD determination (83 FR 39412, August 9, 2018); Commerce's final CVD determination (83 FR 39414, August 9, 2018)
August 29, 2018	Commission's vote
September 24, 2018	Commission's views

¹ See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

² Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission's website (www.usitc.gov).

³ A list of witnesses appearing at the hearing is presented in Appendix B of this report.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the “Act”) (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission—

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--⁴

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant. . . In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative

⁴ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—⁵

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, subsidy and dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission’s consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

UGW paper is generally used for newspapers, advertising circulars, promotional mailers, coupon flyers, and directories. The leading U.S. producers of UGW paper are NORPAC and Resolute Forest Products USA (“Resolute”), while leading subject producers of UGW paper from Canada include Kruger, Inc. (“Kruger”), Resolute Forest Product Canada Inc. (“Resolute”),⁶ and White Birch Paper Canada Company (“White Birch”).⁷ The leading U.S. importers of UGW paper from Canada are ***, while the leading importers of UGW from nonsubject sources include

⁵ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

⁶ Resolute was assessed a 0.00 percent dumping margin by Commerce in its final determination regarding Canada. See *Certain Uncoated Groundwood Paper From Canada: Final Determination of Sales at Less Than Fair Value*, 83 FR 39412, August 9, 2018.

⁷ White Birch was assessed a 0.00 percent dumping margin by Commerce in its final determination regarding Canada. *Certain Uncoated Groundwood Paper From Canada: Final Determination of Sales at Less Than Fair Value*, 83 FR 39412, August 9, 2018. White Birch was assessed a de minimis subsidy rate (0.82 percent) by Commerce in its final determination regarding Canada. See *Certain Uncoated Groundwood Paper From Canada: Final Affirmative Countervailing Duty Determination*, 83 FR 39414, August 9, 2018.

***. U.S. purchasers of UGW paper are firms that publish newspapers or distribute paper; the leading purchaser is ***.

Apparent U.S. consumption of UGW paper totaled approximately 3.4 million metric tons (\$1.8 billion) in 2017. Currently, four firms are known to produce UGW paper in the United States. U.S. producers' U.S. shipments of UGW paper totaled 1.3 million metric tons (\$678.5 million) in 2017, and accounted for 38.1 percent of apparent U.S. consumption by quantity and 38.3 percent by value. U.S. imports from subject sources totaled *** metric tons (\$***) in 2017 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject sources totaled *** metric tons (\$***) in 2017 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1.⁸ Except as noted, U.S. industry data are based on questionnaire responses of four firms that accounted for the vast majority of known U.S. production of UGW paper during 2017. U.S. imports are based on questionnaire responses from eleven companies, representing the vast majority of U.S. imports from Canada in 2017 under HTS statistical reporting numbers 4801.00.0120, 4801.00.0140, 4802.61.1000, 4802.61.2000, 4802.61.3110, 4802.61.3191, 4802.61.6040, 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.6140, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4805.91.5000, 4805.91.7000, and 4805.91.9000. Canadian industry data are based on questionnaire responses from seven firms. These firms' exports to the United States accounted for nearly all known U.S. imports of UGW paper from Canada in 2017.

PREVIOUS AND RELATED INVESTIGATIONS

UGW paper has not been the subject of any prior countervailing or antidumping duty investigations in the United States. However, there have been countervailing and antidumping duty investigations of other paper products. On September 23, 2009, petitions were filed by Appleton Coated LLC, NewPage Corp., Sappi Fine Paper North America, and the United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied Industrial, and Service Workers International Union, alleging that imports of certain coated paper suitable for high-quality print graphics using sheet-fed presses ("certain coated paper") from China and Indonesia were being sold at less-than-fair-value "LTFV" and subsidized by the Governments of China and Indonesia. Following Commerce's affirmative dumping and subsidy determinations, the Commission made

⁸ Detailed analysis of production, production capacity, shipment, employment, U.S. import, apparent U.S. consumption, market share, and financial data by product type and by geographic region is presented in appendix D.

affirmative injury determinations with respect to imports from China and Indonesia.⁹ Commerce issued antidumping duty orders with weighted-average margins of 7.62 percent to 135.83 percent ad valorem for imports from China, and 20.13 percent ad valorem for imports from Indonesia.¹⁰ It also issued countervailing duty orders with subsidy rates of 19.46 percent to 202.84 percent for imports from China, and 17.94 percent for imports from Indonesia.¹¹

On October 1, 2015, the Commission instituted its first five-year reviews of the antidumping and countervailing duty orders on imports of certain coated paper from China and Indonesia.¹² On January 8, 2016, Commerce determined that revocation of the antidumping duty orders would likely lead to continuation or recurrence of dumping at weighted-average margins of 135.84 percent ad valorem for China, and 20.13 percent ad valorem for Indonesia.¹³ On February 5, 2016, Commerce determined that revocation of the countervailing duty order would likely lead to a continuation or recurrence of a countervailable subsidy at the rate of 17.94 percent for imports from Indonesia.¹⁴ On February 10, 2016, Commerce determined that revocation of the countervailing duty order would likely lead to a continuation or recurrence of a countervailable subsidy at the rate of 19.46 percent to 202.84 percent for imports from China.¹⁵ On December 29, 2016, the Commission determined that revocation of the countervailing and antidumping duty orders on certain coated paper would be likely to lead to

⁹ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia*, 74 FR 50243, September 30, 2009.

¹⁰ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Amended Final Determination of Sales at Less Than Fair Value and Antidumping Order*, 75 FR 70203, November 17, 2010; *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Antidumping Duty Order*, 75 FR 70205, November 17, 2010.

¹¹ *Certain Coated paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 70201, November 17, 2010. *Certain Coated paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Countervailing Duty Order*, 75 FR 70206, November 17, 2010.

¹² *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia; Institution of Five-Year Reviews*, 80 FR 59189, October 1, 2015.

¹³ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia and the People's Republic of China: Final Results of Expedited First Sunset Reviews of the Antidumping Duty Orders*, 81 FR 907, January 8, 2016.

¹⁴ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Final Results of Expedited First Sunset Review of the Countervailing Duty Order*, 81 FR 6234, February 5, 2016.

¹⁵ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Final Results of Expedited First Sunset Review of the Countervailing Duty Order*, 81 FR 7081, February 10, 2016.

continuation or recurrence of material injury to an industry in the United States.¹⁶ Commerce issued continuations of the antidumping and countervailing duty orders on January 6, 2017.¹⁷

On February 26, 2015, a petition was filed by the Coalition for Fair Paper Imports, an ad hoc association of U.S. producers that includes Madison Paper Industries, Inc., and Verso Corp., alleging that imports of supercalendered paper were subsidized by the Government of Canada.¹⁸ Following Commerce's final affirmative subsidy determination, the Commission made an affirmative injury determination with respect to imports from Canada.¹⁹ On December 10, 2015, Commerce issued countervailing duty orders with subsidy rates of 17.87 percent to 20.18 percent ad valorem for imports from Canada.²⁰

On January 21, 2015, petitions were filed by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial Service Workers International Union, Domtar Corporation, Finch Paper LLC, P.H. Glatfelter Company, and Packaging Corporation of America alleging that imports of certain uncoated paper from Australia, Brazil, China, Indonesia, and Portugal were sold at LTFV, and imports of certain uncoated paper were subsidized by the Governments of China and India.²¹ Following Commerce's final affirmative dumping and subsidy determinations, the Commission made an affirmative injury determination with respect to imports from Australia, Brazil, China, Indonesia, and Portugal.²² On March 3, 2016, Commerce issued antidumping duty orders with weighted-average margins of 138.87 percent to 222.46 percent ad valorem for Australia, 22.37 percent to 41.39 percent ad valorem for Brazil, 2.10 percent for Indonesia, 84.05 percent to 149.00 percent for China, and 7.80 percent for Portugal.²³ It also issued countervailing duty orders with subsidy rates of 21.21 percent to 109.14 percent for Indonesia and 7.23 percent to 176.75 percent for China.²⁴

¹⁶ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia; Determinations*, 81 FR 96044, December 29, 2016.

¹⁷ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses From Indonesia and the People's Republic of China: Continuation of Antidumping and Countervailing Duty Orders*, 82 FR 1692, January 6, 2017.

¹⁸ *Supercalendered Paper from Canada; Institution of a Countervailing Duty Investigation and Scheduling of a Preliminary Phase Investigation*, 80 FR 12036, March 5, 2015.

¹⁹ *Supercalendered Paper from Canada; Determination*, 80 FR 76575, December 9, 2015.

²⁰ *Supercalendered Paper from Canada: Countervailing Duty Order*, 80 FR 76668, December 10, 2015.

²¹ *Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*, 80 FR 4311, January 27, 2015.

²² *Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal; Determinations*, 81 FR 9882, February 26, 2016.

²³ *Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal: Amended Final Affirmative Antidumping Determinations for Brazil and Indonesia and Antidumping Duty Orders*, 81 FR 11174, March 3, 2016.

²⁴ *Certain Uncoated Paper from Indonesia and the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order (Indonesia) and Countervailing Duty Order (People's Republic of China)*, 81 FR 11187, March 3, 2016.

NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

Subsidies

On August 9, 2018, Commerce published a notice in the *Federal Register* of its final determination of countervailable subsidies for producers and exporters of UGW paper from Canada.²⁵ Table I-1 presents Commerce’s findings of subsidization of UGW paper in Canada.

Table I-1
UGW paper: Commerce’s final subsidy determination with respect to imports from Canada

Entity	Final countervailable subsidy rate (percent)
Catalyst Paper Corporation ¹	3.38
Kruger Trois-Rivieres L.P. ²	9.53
Resolute FP Canada Inc. ³	9.81
White Birch Paper Canada Company ⁴	0.82
All others	8.54

¹ Commerce has found the following companies to be cross-owned with Catalyst Paper Corporation: Catalyst Paper, Catalyst Pulp Operations Limited, and Catalyst Pulp and Paper Sales Inc.

² Commerce has found the following companies to be cross-owned with Kruger Trois-Rivieres L.P.: Kruger Publication Papers Inc., Corner Brook Pulp and Paper Limited, Kruger Energy Bromptonville LP, Kruger Holdings L.P., Kruger Holdings GP Inc., and Kruger Inc.

³ Commerce has found the following companies to be cross-owned with Resolute FP Canada Inc.: Resolute FP Canada, Fibrek General Partnership, and Resolute Growth.

⁴ Commerce has found the following companies to be cross-owned with White Birch Paper Canada Company NSULC: Papier Masson WB (White Birch) LP, FF Soucy WB LP, and Stadacona WB LP.

Source: 83 FR 39414, August 9, 2018.

In its final determination, Commerce found the following programs in Canada to be countervailable.²⁶

1. Provision of stumpage for Less-Than-Adequate-Remuneration (“LTAR”) – Ontario
2. Provision of stumpage for LTAR – Quebec
3. British Columbia Log and Wood Export Restraints
4. Federal ACCA for Class 29 Assets
5. Federal SR&ED Tax Credit
6. Powell River City Tax Exemption Program
7. School Tax Credit for Class 4 Major Industrial Properties
8. Lower Tax Rates for Coloured Fuel/BC Coloured Fuel Certification

²⁵ *Certain Uncoated Groundwood Paper from Canada: Final Affirmative Countervailing Duty Determination*, 83 FR 39414, August 9, 2019.

²⁶ DOC, ITA, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Uncoated Groundwood Paper from Canada*, August 1, 2018.

9. Newfoundland and Labrador SR&ED Tax Credit
10. Waiver of Managed Forest Land Tax
11. Property Tax Exemption
12. Credits for the Construction and Major Repair of Public Access Roads and Bridges in Forest Areas
13. Quebec SR&ED Tax Credit
14. Tax Credit for the Acquisition of Manufacturing and Processing Equipment in Quebec
15. Fees and Dues Paid to a Research Consortium
16. Tax Credit for Private Partnership Pre-Competitive Research
17. Training in MFMS
18. TIPFP Property Tax
19. The FPPGTP
20. Canada-BC Job Grant Program
21. BC Hydro: Power Smart
22. LMP
23. Maintenance of Competitive Position Grant
24. Forest Insect Control and Survey Assistance
25. Productive Forest Lands Inventory Program
26. Canada-NL Job Grant
27. Capacity Assistance Agreement with NL Hydro
28. Silviculture Assistance Program
29. NIER Program
30. IESO Demand Response
31. The Government of Ontario's Provision of IESO
32. Ontario Forest Roads Funding Program
33. Ontario FSPF Grants
34. Hydro-Quebec IEO
35. Debt-to-Equity Conversion for KPPI
36. Equity Infusion into KHLP
37. PCIP
38. Investment Program in Public Forests Affected by Natural or Anthropogenic Disturbance – Incentives for Harvesting Areas Infested by Spruce Budworm
39. Paix des Braves
40. Emploi-Quebec Grants
41. PAREGES Program
42. FPIInnovations Ash Valuation Development Grants
43. Hydro-Quebec's Industrial Systems Program/Energy Efficiency Program
44. EcoPerformance – MERN (TEQ)/Energy Efficiency Conversion Projects
45. Hydro-Quebec Special L Rate for Industrial Customers Affected by Spruce Budworm
46. Newfoundland and Labrador Provision of Loans to CBPP
47. IQ Loan Guarantee to KEGPL
48. BC Hydro EPAs
49. NL Hydro Cogeneration PPA
50. Government of Ontario Purchase of Electricity for MTAR

51. Government of Quebec Purchase of Electricity for MTAR

Sales at LTFV

On August 9, 2018, Commerce published a notice in the *Federal Register* of its final determination of sales at LTFV with respect to imports from Canada.²⁷ Table I-2 presents Commerce's dumping margins with respect to imports of UGW paper from Canada.

Table I-2

UGW paper: Commerce's final weighted-average LTFV margins with respect to imports from Canada

Exporter/producer	Final dumping margin (percent)
Catalyst Pulp and Paper Sales, Inc./Catalyst Paper General Partnership	16.88
Resolute FP Canada Inc./Donohue Malbaie Inc.	0.00
White Birch Paper Canada Company/Papier Masson WB LP/FF Soucy WP/Stadacona WB LP	0.00
All others	0.00

Source: 83 FR 39412, August 9, 2018.

THE SUBJECT MERCHANDISE

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:²⁸

The merchandise covered by this investigation includes certain paper that has not been coated on either side and with 50 percent or more of the cellulose fiber content consisting of groundwood pulp, including groundwood pulp made from recycled paper, weighing not more than 90 grams per square meter.

Groundwood pulp includes all forms of pulp produced from a mechanical pulping process, such as thermo-mechanical process (TMP), chemi-thermo mechanical process (CTMP), bleached chemi-thermo mechanical process (BCTMP) or any other mechanical pulping process. The scope includes paper shipped in any form, including but not limited to both rolls and sheets.

²⁷ *Certain Uncoated Groundwood Paper From Canada: Final Determination of Sales at Less Than Fair Value*, 83 FR 39412, August 9, 2018.

²⁸ *Certain Uncoated Groundwood Paper From Canada: Final Affirmative Countervailing Duty Determination*, 83 FR 39414, August 9, 2018.

Certain uncoated groundwood paper includes but is not limited to standard newsprint, high bright newsprint, book publishing, and printing and writing papers. The scope includes paper that is white, off-white, cream, or colored.

Specifically excluded from the scope are imports of certain uncoated groundwood paper printed with final content of printed text or graphic. Also excluded are papers that otherwise meet this definition, but which have undergone a supercalendering process. Additionally, excluded are papers that otherwise meet this definition, but which have undergone a creping process over the entire surface area of the paper.

Also excluded are uncoated groundwood construction paper and uncoated groundwood manila drawing paper in sheet or roll format. Excluded uncoated groundwood construction paper and uncoated groundwood manila drawing paper: (a) Have a weight greater than 61 grams per square meter; (b) have a thickness greater than 6.1 caliper, i.e., greater than .0061" or 155 microns; (c) are produced using at least 50 percent thermomechanical pulp; and (d) have a shade, as measured by CIELAB, as follows: L less than or 75.0 or b* greater than or equal to 25.0.*

Also excluded is uncoated groundwood directory paper that: (a) Has a basis weight of 34 grams per square meter or less; and (b) has a thickness of 2.6 caliper mils or 66 microns or less.

Certain uncoated groundwood paper is classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) in several subheadings, including 4801.00.0120, 4801.00.0140, 4802.61.1000, 4802.61.2000, 4802.61.3110, 4802.61.3191, 4802.61.6040, 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.6140, 4802.69.1000, 4802.69.2000, and 4802.69.3000. Subject merchandise may also be imported under several additional subheadings including 4805.91.5000, 4805.91.7000, and 4805.91.9000.

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations is imported under 4801.00.0120, 4801.00.0140, 4802.61.1000, 4802.61.2000, 4802.61.3110, 4802.61.3191, 4802.61.6040, 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.6140, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4805.91.5000, 4805.91.7000, and 4805.91.9000 of the Harmonized Tariff Schedule of the United States ("HTS"). These statistical reporting numbers contain products that are outside the scope of these investigations. The 2018 general rate of duty for all of these HTS provisions is "free." Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

THE PRODUCT

Description and applications

Paper product categories²⁹

The global paper industry produces five broad categories of printing and writing paper products, differentiated by the surface characteristics of the paper and the processes by which their wood fibers are obtained. These five categories, ranked in descending order by overall quality and price, are described below:

Coated free sheet—clay coated paper predominately composed of chemically obtained fibers (90 percent or more by weight), used primarily for permanent and higher priced publications such as premium magazines, gift books, and art reproductions.

Uncoated free sheet—similar in composition to coated free sheet but without coating and used primarily for xerographic paper, printing, drawing, and writing paper (e.g., letterhead, stationery).

Coated groundwood—clay coated paper made with substantial proportions of mechanically derived pulp, generally used for multi-colored publications that remain in use from several days to a month—primarily magazines, merchandising catalogues, and better quality newspaper inserts.³⁰

Uncoated groundwood—similar in composition to coated groundwood but without the coating, used primarily for directory stock, lesser quality drawing and writing paper, black and white publications, and relatively short-lived color publications, such as newspaper inserts.

Newsprint—although a type of uncoated groundwood paper, the industry usually separates newsprint into a separate category. Newsprint is designed exclusively for newspapers and similar publications commonly disposed of within a day.

²⁹ The information in this section is drawn from *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia, Investigation Nos. 701-TA-470-471 and 731-TA-1169-1170 (Preliminary)*, USITC Publication 4108, November 2009, p. I-9.

³⁰ Coated groundwood paper contains more than 10 percent mechanical pulp by weight. Paper products that contain predominately mechanical pulp are generally called “groundwood” or “mechanical” papers in the paper industry.

Physical characteristics of paper³¹

The primary physical characteristics of all paper products, including UGW paper, include: (1) brightness, (2) basis weight, (3) finish, (4) opacity, (5) smoothness, and (6) caliper.

Brightness

Brightness is a measure of the paper's ability to reflect light. The higher the brightness, the greater the contrast is between the paper and the colors printed upon it. In the paper industry, brightness can be measured using several established methods, the most common being the (1) GE Brightness Scale, which is more common in North America, and (2) ISO Brightness Scale, which is more common in Europe. The two scales differ slightly in how they measure brightness and as a result ISO brightness is approximately one to two units lower than GE brightness. In the GE Brightness Scale, brightness ranges from 1, a totally black grade, to 100, the brightest measured grade.

Basis weight

Basis weight, a traditional unit of measurement in the U.S. paper industry, is the weight in pounds of a ream of paper (500 sheets of paper) of a given size (the basis). The size of the basis can differ for various paper products. In the metric system, the weight of paper is measured in grams per square meter (gsm).

Finish

The finish on a paper product refers to the characteristics of the surface of the paper. The most common finishes are gloss, dull, and matte. Paper with a gloss finish has a very hard and smooth surface, which results in a printed image that is lustrous and shiny in appearance. Paper with a dull finish has a smooth surface and is low in gloss. Paper with a matte finish also has a smooth surface but has no gloss.

Opacity

Opacity is a measure of the amount of light which is transmitted through the paper. The higher the opacity the less likely a printed image on one side of the paper will show through to the other side. The opacity measurement is expressed as a percentage of the light that cannot pass through the sheet of paper. For example, a measurement of 98 percent opacity means

³¹ The information in this section is drawn from *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia, Investigation Nos. 701-TA-470-471 and 731-TA-1169-1170 (Final)*, USITC Publication 4192, November 2010, pp. I-15-I-17.

that 98 percent of the light cannot pass through the paper. Therefore, when measuring opacity, the higher the percentage of opacity then the less translucent the paper.

Smoothness

Smoothness is the even and consistent continuity of the surface of the paper. Smoothness can be measured by a number of methods. The Bekk method measures smoothness in units of time (seconds) for a given volume of air to pass across the surface of the paper. Using this method, the longer the time measured then the smoother the paper. For example, a surface that measures 500 Bekk seconds is smoother than a surface that measures 200 Bekk seconds. Another method, the Parker-Print Surface (“PPS”) method is designed specifically for measuring the surface roughness of printing papers and also uses forced air passing over the surface of the paper to quantify smoothness. Using this method, the lower the PPS value the smoother the paper. Generally, paper products with a gloss finish have the smoothest surface.

Caliper

Caliper is the thickness of the paper, measured in thousandths of an inch and typically expressed as points (e.g., 10 points equals 0.010 inch, 8 points equals 0.008 inch, etc.).

UGW paper

UGW paper consists of uncoated paper having 50 percent or more of the cellulose fiber content consisting of groundwood pulp or deinked pulp made from recycled newspapers, and weighing not more than 90 grams per square meter. Chemical pulp, fillers, and other additives are also used in the production of UGW paper.³² Almost all of this paper, whether domestically produced or imported, is believed to be sold in rolls.³³

UGW paper includes standard newsprint, high-bright groundwood paper, directory paper, and book publishing paper (high bulk paper). Standard newsprint generally ranges in weight from 40 gsm to 48.8 gsm. Brightness levels generally range from 56 to 62. Standard newsprint can be white, off-white, or colored. End uses for standard newsprint typically include newspapers, newspaper inserts, advertising circulars, promotional mailers, and coupon flyers. High-bright groundwood paper ranges in weight from 36 gsm to 70 gsm and in brightness from 65 to 84. End uses for high-bright groundwood paper include local and community newspapers, newspaper inserts, coupon flyers, promotional mailers, and advertising circulars. This paper provides sharper color reproduction and easier legibility than that from standard newsprint.³⁴

³² Petition, pp. I-5, I-7.

³³ Petition, p. I-5; Conference transcript, p. 183 (Lowder), (Blaine), (Stapleton), and (D’Amours).

³⁴ Petition, pp. I-6, I-13.

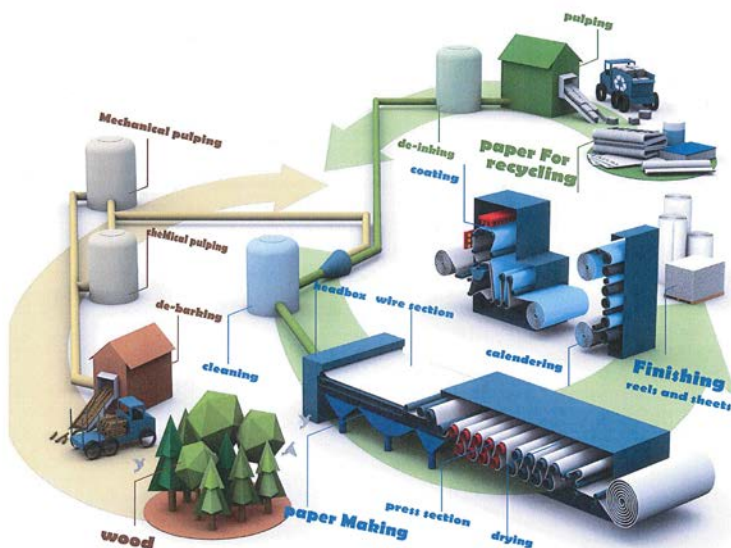
Directory paper is a lighter paper, generally with a basis weight of 36 gsm or less³⁵ and a brightness of 56 or less.³⁶ Directory paper is frequently used for telephone and other types of directories, catalogues, inserts, and in other commercial printing applications.

Book publishing paper generally ranges in weight from 52 gsm to 82 gsm and in brightness from 65 to 84. This paper can also be produced in off-white and cream shades. Book publishing paper tends to be bulkier and requires very precise thicknesses. End uses for this paper include paperback books, trade books, and workbooks.³⁷

Manufacturing processes

As illustrated in figure I-1, the production of UGW paper from harvested log to final end use product includes the following manufacturing processes: (1) the production of pulp, (2) the production of the paper, and (3) the finishing processes.

Figure I-1
UGW paper: Papermaking process



Source: <http://www.paperonline.org/uploads/paper%20making.pdf> (accessed February 23, 2015).

Production of pulp

UGW paper is made from mechanical pulp, recycled paper pulp, chemical pulp,³⁸ fillers, and additives.³⁹ The mechanical pulp portion is larger than the chemical pulp portion; the

³⁵ Conference transcript, p. 194 (D'Amours).

³⁶ Catalyst's comments on Commission's questionnaire, p. 4.

³⁷ Petition, pp. I-13-I-14.

³⁸ Chemical pulp produced using a sulphate chemical process is commonly referred to as "Kraft pulp" in the paper industry.

greater strength of the chemical pulp acts to reinforce the lower strength mechanical pulp. Mechanical pulping breaks the solid wood apart into wood fibers by one of three mechanical processes—groundwood, pressure groundwood, and thermomechanical. All three processes begin with the removal of bark from logs in a debarking machine. In the groundwood process, logs are ground against a rotating grindstone with an abrasive surface while a shower of water cleans and cools the grindstone and washes the fibers off of it; in the pressure groundwood process, logs are pretreated with steam and then ground against a rotating grindstone accompanied by elevated air pressure and water temperature. In the thermomechanical process, logs are chipped into small, uniformly sized chips in a chipper. The wood chips are placed into refiners where, under heat and pressure, they are broken apart into fibers between two rotating disks. Chemical pulping breaks solid wood apart into wood fibers by a chemical process. The wood logs are debarked and chipped and the chips are cooked under pressure with water and chemicals in a digester cooking vessel to separate the cellulose fibers from the lignin, the glue that holds the fibers together, and other impurities.⁴⁰

The resulting wood pulp from both the mechanical and chemical processes is bleached to attain a level of whiteness and brightness required for the grade of paper being produced. The paper can be made from both pulp made from hardwood trees (hardwood pulp) and pulp made from softwood trees (softwood pulp). The short hardwood fibers help provide a good printing surface, while the longer softwood fibers provide strength to the sheet. Different materials are added to the pulp, including fillers such as kaolin clay and calcium carbonate for brightness, opacity, and smoothness, additives (dyes for shade control and optical brighteners for whiteness), and sizing agents for moisture control. The exact proportions of these materials are determined by the specifications for the particular type of paper that is being produced. A large volume of water is also added.

Production of the paper

At this stage of the manufacturing process, the pulp mixture is 99.5 percent water and it is ready to be run continuously through a paper machine. A paper machine has three major parts—the base sheet forming section (the wet end), the press section, and the dryer section. The mixture is pumped out onto a continuously moving wire web that is usually oriented horizontally and which loops around rollers at both ends. As the wire web moves along, water drains through it, the fibers begin to bond, and a sheet (web) of paper begins to form on the wire. The web at this point has 80 percent water content. The web of paper leaves the moving

(...continued)

³⁹ UGW paper can also contain recycled fiber, which is recycled paper (typically old newspapers and old magazines) returned to the paper mill where it is repulped and combined with virgin pulp. In some instances, UGW paper is made entirely from recycled fiber.

⁴⁰ The advantages of mechanical pulp are a higher yield (more than 90 percent of the wood is converted into pulp) and high opacity; the disadvantages are low strength and yellowing of the paper after a time. The advantages of chemical pulp are good strength, resistance to yellowing of the paper, and easier bleaching; the disadvantages are a lower yield (only 60 percent of the wood is converted into pulp) and more waste product to be treated.

wire and enters the press section, where a set of steel rollers squeezes more water out of the web, reducing its water content to about 65 percent. The web then proceeds into the dryer section and passes over and under successive steam-heated drying cylinders. This drying process removes most of the remaining water from the web of paper.

Finishing processes

The web may then undergo calendering, a process of pressing the paper web by passing it through a series of rolls (a calender) to further finish and improve its surface. The type of calendering is determined by the kind of paper to be produced. The web snakes around each roll, with the point of contact between each of the rolls (the nip) applying heat, pressure, and friction to the web, adding smoothness and reducing stiffness. The calender can be situated at the end of the paper machine or away from the paper machine as a separate unit. After calendering, the web of paper is wound onto large reels (jumbo rolls or parent rolls), which are transported to the finishing department where a slitter/rewinder unwinds and slits them into smaller width rolls ranging from 15 to 150 inches and rewinds them onto narrower reels. The reels are wrapped and labeled for delivery, then held in climate-controlled areas and monitored via inventory control software until shipment to the customer.

DOMESTIC LIKE PRODUCT ISSUES⁴¹

In this final phase of these investigations, the petitioner, NORPAC, contends that there is one domestic like product consisting of a continuum of all items covered by the original scope of these investigations.⁴² NORPAC asserts that despite the change in scope between the preliminary and final phases of these investigations, directory paper is still a product on the UGW paper continuum because of the lack of a dividing line between directory paper and other kinds of UGW paper.⁴³ With respect to end-uses, NORPAC notes that Catalyst lists standard newsprint, high bright newsprint, and super high bright products as being suitable for use in newspapers, inserts, or flyers.⁴⁴ NORPAC also notes that these overlapping end uses are outlined in marketing materials of other UGW paper producers, including Irving and White Birch.⁴⁵ Regarding production, NORPAC states that standard newsprint and high bright papers are manufactured in the same facilities with the same machines and workers.⁴⁶ NORPAC adds that ***.⁴⁷ According to NORPAC, UGW paper is priced and sold on a nationwide basis.⁴⁸

⁴¹ Analysis of U.S. producers' ability to shift production from newsprint to other forms of UGW paper and comparative data of production, channels of distribution, and unit value are presented in appendix D.

⁴² Petitioner's posthearing brief, p. 3.

⁴³ Ibid.

⁴⁴ Ibid., questions from Commissioners, p. 7.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Petitioner's posthearing brief, questions from Commissioners, p. 8.

Respondents Kruger, News Media Alliance, and Resolute contend that newsprint is a separate like product from other forms of UGW paper.⁴⁹ Kruger and Resolute state that newsprint's lower brightness, lighter weight, and chemical characteristics distinguishes it from other form of UGW paper.⁵⁰ Regarding interchangeability, Resolute states that high bright paper is primarily used for advertising inserts in newspapers or advertising circulars stuffed in mailboxes and is not used for publish newspapers.⁵¹ Kruger adds that high-bright paper is more interchangeable with supercalendered paper than newsprint.⁵² With respect to channels of distribution, Kruger states that newsprint is typically shipped to end-users, primarily newspapers, while high bright is sold to brokers or end users.⁵³ Regarding manufacturing, Resolute states that a paper machine designed to produce newsprint cannot produce high bright, book, or directory paper as additional equipment is required to produce the latter products.⁵⁴ Kruger adds that a peroxide bleaching tower is needed to produce high bright paper, which is a capital investment in the range of tens of millions of dollars and requires highly trained employees.⁵⁵ Kruger and Resolute note that there is a sizable price gap between newsprint and high bright paper.⁵⁶

(...continued)

⁴⁸ Ibid., p. 14.

⁴⁹ Respondent Resolute's posthearing brief, answers to Commissioners' questions, pp. 47-48, respondent Kruger's post hearing brief, responses to Commission questions, pp. 2-3.

⁵⁰ Respondent Resolute's prehearing brief, pp. 19-20.

⁵¹ Respondent Resolute's posthearing brief, answers to Commissioners' questions, p. 50.

⁵² Respondent Kruger's posthearing brief, responses to Commission questions, p. 3.

⁵³ Respondent Kruger's prehearing brief, pp. 73-74.

⁵⁴ Respondent Resolute's posthearing brief, answers to Commissioners' questions, pp. 48 and 52.

⁵⁵ Respondent Kruger's posthearing brief, responses to Commission questions, p. 4.

⁵⁶ Respondent Resolute's prehearing brief, p. 27, respondent Kruger's prehearing brief, pp. 76-77.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

UGW paper is produced to multiple different standards, including: newsprint (for newspapers, promotional mailers, advertising circulars, coupons, and flyers), book grade (trade books and workbooks), directory paper (phonebooks, directories, catalogues, and inserts),¹ printing and writing paper, and machine finished paper.² UGW paper is typically used for printed materials that are normally disposed of relatively quickly.³

Newspaper publishers are the largest users of UGW paper. In 2017, *** percent of apparent U.S. consumption of UGW paper was classified as newsprint.⁴ Newspapers mostly use newsprint but also use high bright UGW paper for some advertising and other inserts. With the growth of electronic media, the demand for printed newspapers has declined and resulted in lower advertising revenue as well as fewer paid subscriptions. To reduce costs, many newspapers have reduced the content and the number of pages, the size of pages, the weight of the newsprint paper,⁵ and the frequency of printing.⁶ In their questionnaire responses, a number of newspapers report that they are in a downward spiral; revenues are falling, and most, if not all, the remaining cost cutting possibilities require a reduction in content. As the content is reduced, newspapers claim that fewer households opt to subscribe, which will lead to lower advertising revenue.

Purchasers of newsprint tend to prefer purchasing from local suppliers in order to minimize shipping costs and reduce logistical problems. Newsprint is available from more sources than other forms of UGW paper. Other forms of UGW paper tend to be purchased in smaller amounts than newsprint, and are typically shipped longer distances than newsprint.

Apparent U.S. consumption of UGW paper decreased by 12.2 percent (by weight) between 2015 and 2017. U.S. newsprint consumption by weight decreased by 16.0 percent, in part reflecting a shift to lighter-weight newsprint between 2015 and 2017.⁷ Petitioner

¹ Under Commerce's scope definition, directory paper not meeting specified criteria for weight and thickness is excluded from the scope of these investigations. ***.

² Petition, pp. 5, 13-14.

³ Petition, p. 15.

⁴ Petitioner estimates that 30 to 35 percent of newsprint is used in commercial printing, retail flyers, and publications other than newspapers. Hearing transcript, p. 121 (Crowley).

⁵ Lighter weight paper costs more per ton but provides more printing surface per ton. Lighter weight paper (because fewer tons are needed) reduces the amount of paper pulp used, transportation and other logistical costs, and the volume of used paper requiring disposal.

⁶ Newspapers also report reducing cost by reducing employment. Hearing transcript, pp. 241, 245-246, 248 (Johnson, Tash, Lutz).

⁷ Between 2015 and 2017, apparent U.S. consumption of high bright paper decreased by *** percent, consumption of directory paper decreased by *** percent, and consumption of other UGW paper increased by *** percent. These breakouts were only available for U.S. and Canadian product; however, these make up the vast majority of overall U.S. consumption of UGW paper.

estimated that demand has decreased by about 10 percent per year over the last three years⁸ and respondents estimated that demand has decreased by 8 to 10 percent per year over the last 15 years.⁹

U.S. PURCHASERS

The Commission received 34 usable questionnaire responses from firms that bought UGW paper during 2015-17.¹⁰ Most (24) responding purchasers are newspapers and publishers, 6 are distributors, 2 are “other” end users, and 9 are other (mainly commercial printers).¹¹ Responding U.S. purchasers were headquartered in all regions of the United States. The largest responding purchasers of UGW paper in 2017 were, in order of size, *** metric tons of UGW paper in 2017. ***.

CHANNELS OF DISTRIBUTION

U.S. producers sold the largest share of their sales (***) to publisher and newspaper end users, as shown in table II-1. Importers of UGW paper from subject Canadian sources and nonsubject sources sold most of their imports to publisher and newspaper end users. The share of U.S. producers’ and subject import sales to publisher/newspapers declined from 2015 to 2017.

Table II-1
UGW paper: U.S. producers’ and importers’ U.S. commercial shipments, by sources and channels of distribution, 2015-17

* * * * *

⁸ Petition, p. 18.

⁹ Hearing transcript, p. 248 (Lutz).

¹⁰ Of the 34 responding purchasers, the number that reported purchasing domestic UGW paper fell from 29 to 27 between 2015 and 2017. Twenty-one purchased imports of UGW paper produced in Canada by White Birch, 23 purchased imports of UGW paper produced in Canada by Resolute, 28 purchased imports of UGW paper produced in Canada by other firms, and 30 purchased from one or more Canadian sources. Four purchased imports of UGW paper from other sources. Three purchasers reported shifting from purchasing UGW paper directly from the U.S. producers and importers in 2015 to purchasing from Gannett or other purchasing agent in 2017. A number of purchasers who purchased from importers erroneously reported they were the importer; these have been corrected. In addition, (***) reported purchasing UGW paper from ***. Its quantities have been removed to prevent double counting but its other responses are used in sections II and V.

¹¹ In addition, among firms reporting “other”, one firm was a ***, one ***, and one ***. ***. Staff telephone interview with ***, May 3, 2018.

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported the share of their newsprint and other UGW paper they sold to five regions in the United States (table II-2). Newsprint shipments tended to be more regionally concentrated than shipments of other UGW paper. U.S. producers sold *** percent of their newsprint in the South and West but just *** percent of its other UGW paper in the South and West. Subject importers reported selling *** percent of their newsprint in the Northeast and Central regions and *** percent of other products in the Northeast and Central regions.

Table II-2
UGW paper: Geographic market areas in the United States served by U.S. producers and importers for newsprint and other UGW paper

* * * * *

Purchasers were asked how frequently they purchased UGW paper in the same five regions of the United States (table II-3). Most responding purchasers reported that they rarely or never purchased or considered purchasing from suppliers located in the Northeast, Central, or “other” parts of the United States. Most responding purchasers reported that they always or usually purchase or considered purchasing from suppliers located in the South and West (the regions of the United States where there is domestic production). ***.

Table II-3
UGW paper: Frequency by which purchasers purchased in geographic market areas in the United States

Region	Always	Usually	Sometimes	Rarely/Never
Northeast	5	---	2	27
Central	4	---	2	26
South	12	10	4	8
West	15	7	4	8
Other	3	1	---	30

¹ Northeast—CT, ME, MA, NH, NJ, NY, PA, RI, and VT; Central—IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, and WI; South—AL, AR, DE, DC, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, and WV; West—AZ, CA, CO, ID, MT, NV, NM, OR, UT, WA, and WY; Other—All other markets in the United States not previously listed, including AK, HI, PR, and VI.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers and importers were asked the distance that they shipped UGW paper (table II-4). Both U.S. producers and importers shipped most of their product within 1,000 miles of their facilities or port of entry. Importers, however, shipped a larger share of their UGW paper 1,000 miles or fewer in the United States than did U.S. producers. U.S. producers’ share shipped over 2,000 miles was over twice as large as importers’ share.¹²

¹² *** U.S. producers that reported shipping any product over 1,500 miles. ***. Six of seven responding importers reported shipping some product over 1,500 miles. ***.

Table II-4

UGW paper: Share of domestic and imported UGW paper transported distances within the United States

Distance	U.S. producers	Importers
Within 500 miles	***	***
501 to 1,000 miles	***	***
1,001 to 1,500 miles	***	***
1,501 to 2,000 miles	***	***
Over 2,000 miles	***	***
Reporting firms	4	7

Source: Compiled from data submitted in response to Commission questionnaires.

Most responding purchasers (18 of 33) reported that they prefer to purchase UGW paper from firms that produce within a certain distance from their printing facilities. Only eight purchasers reported the maximum distances they preferred, distances ranged from 300 to 1,500 miles, with five of the eight reporting that they preferring distances of 500 miles or less. Purchasers' reasons for this preference included: shipping costs (which are a large share of the overall cost of UGW paper); delivery time; delivery reliability; lower inventory requirement; better responsiveness to changes in requirements; greater flexibility in method of transportation; less damage in transit; and avoiding water-borne transportation.¹³ One purchaser (***) reported that its shipping distances for UGW paper vary by region: East (500-1,000 miles), Midwest (500-1,800 miles), West (1,000-1,800 miles), and Southeast (2,300 miles).

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Table II-5 provides a summary of the supply factors regarding UGW paper from U.S. producers and from subject producers in Canada.

¹³ Purchasers also noted that UGW paper may not be available near their location and that if they purchased from an intermediary then they could not control shipping distances. Five purchasers reported that they did not prefer suppliers within a certain distance from their printing facilities, with explanations including that they prefer Western prices if the producers are willing to ship to Eastern locations; prefer to purchase from mills that provide ocean freight, giving them access to UGW paper from longer distances; and, if other things are equal, prefer shorter distances.

Table II-5
UGW paper: Supply factors that affect the ability to increase shipments to the U.S. market

Country	Capacity (thousand metric tons)		Capacity utilization (percent)		Ratio of inventories to total shipments (percent)		Shipments by market, 2017 (percent)		Able to shift to alternate products
	2015	2017	2015	2017	2015	2017	Home market shipments	Exports to non- U.S. markets	No. of firms reporting "yes"
United States	2,289	1,822	91.6	87.9	***	***	***	***	1 of 4
Subject Canada	3,591	3,168	93.2	96.3	5.3	6.5	17.9	28.0	3 of 6

Note.—Responding U.S. producers accounted for the vast majority of U.S. production of UGW paper in 2017. Responding foreign producer/exporter firms accounted for virtually all of U.S. imports of UGW paper from subject firms in Canada during 2017. For additional data on the number of responding firms and their share of U.S. production and of U.S. imports from subject Canadian producers, please refer to Part I, "Summary Data and Data Sources."

Source: Compiled from data submitted in response to Commission questionnaires.

Domestic production

Based on available information, U.S. producers of UGW paper have the ability to respond to changes in demand with small-to-moderate changes in the quantity of shipments of U.S.-produced UGW paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of some unused capacity and sales to export markets. Factors mitigating responsiveness of supply include limited availability of inventories and limited ability to shift production to or from alternate products.

Both U.S. production and capacity decreased from 2015 to 2017 but production fell more rapidly than capacity, resulting in a reduction in capacity utilization. *** was the only U.S. producer that reported it can produce any other product (***) on the same equipment as UGW paper. Production of *** increased from *** percent of overall production in 2015 to *** percent in 2017.

Subject imports from Canada

Based on available information, subject producers of UGW paper from Canada have the ability to respond to changes in demand with small changes in the quantity of shipments of UGW paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are shipments to non-U.S. markets, and the ability of most Canadian firms to shift to or from alternative products. Factors mitigating responsiveness of supply include the high and rising capacity utilization rate and limited inventories.

Both production and capacity decreased from 2015 to 2017 but capacity fell more rapidly than production, resulting in an increase in capacity utilization. Other products that Canadian producers reported producing on the same equipment as UGW paper include:

supercalendered paper, coated groundwood paper, specialty grade paper for food industrial and packaging, and manila paper. These other paper products accounted for under *** percent of combined production on equipment used to produce UGW paper. Factors affecting foreign producers' ability to shift production include: machinery designed to produce other types of paper that can only produce a limited range of UGW paper, dewatering capacity, maintenance, and the time required to transition between different types of UGW paper.¹⁴

Imports from nonsubject sources

The largest nonsubject source for UGW paper imported into the United States is White Birch (Canada). Its imports increased from *** percent of U.S. apparent consumption in 2015 to *** percent of U.S. apparent consumption in 2017, and from *** percent of total imports in 2015 to *** percent in 2017. White Birch represented over *** percent of reported nonsubject imports in 2015-17. Other imports were reported from Finland and Brazil.

Supply constraints

Three of 4 responding U.S. producers and 8 of 11 responding importers reported supply constraints including: the decline in the North American demand for UGW paper has led to reductions in capacity; mills declined orders based on availability, delivery time, and price; unplanned disruptions in production led to reduced availability; lack of availability led producers to seek no new customers, to ask customers to order from other suppliers, or to ask customers to accept late deliveries; demand exceeds capacity during certain periods; and transportation difficulties constrain availability. ***. Other U.S. producers reported reduced capacity due to the need to adjust equipment when changes were made to the weight or dimension of the UGW paper, and that lighter-weight paper required more time to produce per ton than heavier-weight paper.

Most responding purchasers (24 of 33) reported that their suppliers had announced plans to reduce or eliminate production of some types of newsprint. Many purchasers noted that paper companies are shifting to lighter-weight newsprint and no longer sell heavier weights.¹⁵ On the other hand, *** reported that Resolute does not produce 40 gsm newsprint

¹⁴ One foreign producer (***) reported that *** could shift from nonsubject UGW paper to subject UGW paper, but this would result in a loss of production, increased costs, and the production of a lower value product. One foreign producer (***) reported that paper machines could be shifted among different types of UGW paper and some out-of-scope products using the same pulp as UGW paper such as ***. When these shifts were made, there was some reduction in production because of time to make the transition. On the other hand, papermaking machines can be converted to produce other types of paper requiring other types of pulp. After these conversions, the papermaking machines are no longer set up to make UGW paper.

¹⁵ Some purchasers preferred lighter-weight paper because it was less costly to ship and store, and was more environmentally friendly because the same number of printed pages results in less waste. A few preferred heavier-weight paper, including one purchaser that found that lighter-weight paper did not run as well on its printing equipment.

in its U.S. mills because it uses softwood pulp. Other purchasers noted that mills have shut down and machines have been converted so that they no longer produce UGW paper.

New suppliers

Four of 34 responding purchasers indicated that new suppliers entered the U.S. market since January 1, 2015. Purchasers cited White Birch and Kruger as introducing book grade paper and Holman and Stora as providing book grade paper from Europe since the interim duties were assessed. Some purchasers reported temporary use or testing of new sources. UMP (Finland), and Irving (Canada) have reportedly temporarily introducing high-bright paper. *** reported that it used Norske paper in a trial for books but decided not to use it because of differences in the shade of the paper from the other paper it was using.

U.S. demand

Based on available information, the overall demand for UGW paper is likely to experience small-to-moderate changes in response to changes in price. The main contributing factors are the lack of substitute products and the small cost share of UGW paper in most of its end-use products.

End uses and cost share

U.S. demand for UGW paper depends on the demand for U.S.-produced downstream products. Reported end uses include newspapers and other publications such as books, flyers, inserts, and advertising.

UGW paper accounts for a low-to-moderate share of the cost of the end-use products in which it is used. Most firms (15 of 20) reported cost shares for newspapers of 5 to 10 percent.^{16 17} The cost share of UGW paper used in other types of printing tended to be higher, ranging from 26 to 45 percent for commercial printing and 30 to 50 percent for “print only applications,” such as college class schedules, state voter books, retail inserts, and catalogs.

A number of purchasers reported that newspapers are extremely sensitive to any increase in costs or reduced availability of UGW paper. They reported that most newspapers are currently earning low profits and losing readership and advertising revenue. In order to reduce costs, many newspapers have had to reduce staff which results in less news coverage, particularly, local coverage. As news coverage declines, readership further erodes and lower circulation reduces the amount of advertising and prices that can be charged for advertising.

¹⁶ One purchaser reported a similar cost share for “****” (7 percent). Five firms reported cost shares above 10 percent. Petitioner claims that cost shares of 50 percent or more “cannot be the case” for newspapers. Petitioner’s posthearing brief, exh. 7, p. 13.

¹⁷ A number of purchasers reported more detail about how they had determined cost shares, or reported separately for different newspapers. “***. ***. ***.”

Business cycles

Three of 4 U.S. producers, 7 of 10 importers, and 25 of 34 purchasers indicated that the market was subject to business cycles or conditions of competition. Business cycles were reported by 1 producer, 6 importers, and 19 purchasers. Business cycles reported included: seasonal demand for back to school and Thanksgiving to Christmas advertising, and higher demand in the educational market from September to March. Distinctive conditions of competition were reported by 3 U.S. producers, 6 importers, and 16 purchasers including: (1) reduction in demand (structural decline in demand; newspapers have lost advertising revenue to digital media; reduced publication runs (for books); and demand for newsprint has fallen more than demand for high bright); (2) changes in supply (UGW paper industry has reduced its capacity to match lower demand; and shortages in availability of trucks because of changes in trucking regulations); (3) regional conditions (the market for UGW paper is regional because of shipping cost and there is no national market; and there is overcapacity in the Pacific Northwest because it has not reduced production in line with falling demand);¹⁸ and (4) exchange rate effects (because UGW paper is produced mainly in Canada, the price of UGW paper changes with the value of the Canadian dollar).

Three responding U.S. producers, all 7 responding importers, and 21 of 30 responding purchasers reported changes in conditions of competition since 2015. Most reported continued reductions in demand. Some firms reported changes related to reduced demand and supply including: fewer mills producing UGW paper;¹⁹ fewer buyers (with smaller orders) and fewer sellers have led to use of buying consortiums; high cost producers have left the market; and reduced production has resulted in poor inventories, transportation delays, and refusal of both U.S. and Canadian suppliers to sell UGW paper.²⁰

¹⁸ One purchaser reported that the Ponderay paper mill in Washington is jointly owned by several publishers and Resolute Forest Products. According to this purchaser the publisher-owners have slowed the closing of this mill and the larger capacity has resulted in Western U.S. prices being lower than Eastern U.S. prices. As this gap between the prices widens, UGW paper producers from the U.S. Pacific Northwest are able to ship further into the U.S. Midwest, shifting the market share from Eastern North American suppliers to Pacific Northwest based producers. This purchaser reported that a number of buying consortiums have also shifted their purchases from the East to West.

¹⁹ One purchaser reported that, since 2007, 78 UGW paper machines in North America have either shut down or been converted to produce other products (49 of these were in Canada and 29 were in the United States).

²⁰ Some firms also reported that the market has been very tight since January 2018.

Demand trends

Almost all firms reported a decrease in U.S. demand for UGW paper since January 1, 2015 (table II-6).²¹ Most firms also reported that demand is also decreasing outside the United States.

Table II-6
UGW paper: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	---	---	4	---
Importers	---	---	9	1
Purchasers	1	1	32	---
Demand for end use product(s): Purchasers	1	1	25	---
Demand outside the United States				
U.S. producers	---	---	4	---
Importers	---	---	9	---
Purchasers	---	2	15	5

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers, importers, and purchasers were asked to rate the importance of changes in demand caused by four factors. There was general agreement in the order of importance of these factors. From most important to least important, they were (1) the decline in demand for print media/periodicals, (2) the increased use of digital media, (3) the shift to lighter weight newsprint, and (4) shifts between UGW paper and other papers (table II-7).

Responses were similar for the decline in print media and the increase in digital media. Most responding producers, importers, and purchasers perceived the decline in demand for print media and the increased use of digital media as causing a substantial reduction in demand for UGW paper. The overall explanation of this change was the movement of readership and advertising from print media to digital media. This shift has reduced the circulation and the number of pages of most newspapers, which reduced demand for UGW paper. One firm noted that these changes had caused demand for UGW paper to decline more than 70 percent in the last 10 years.

²¹ The purchaser that reported increased demand was *** and the purchaser that reported unchanged demand was ***.

Table II-7

UGW paper: Number of firms that reported the impact of factors on demand in the U.S. market for UGW paper products

Factor	Decreased demand in U.S. for UGW paper			No impact	Increased demand in U.S. for UGW paper		
	Sub	Mod	Min		Min	Mod	Sub
U.S. producers							
Decline in demand for print media/periodical	3	1	---	---	---	---	---
Use of digital media	3	1	---	---	---	---	---
Shift to lighter- weight newsprint	---	1	2	1	---	---	---
Demand shift between UGW paper and other paper	---	1	1	---	1	2	---
Importers							
Decline in demand for print media/periodical	8	1	---	---	---	---	---
Use of digital media	7	2	---	---	---	---	---
Shift to lighter- weight newsprint	---	6	1	---	---	---	---
Demand shift between UGW paper and other paper	1	---	5	1	1	2	---
Purchasers							
Decline in demand for print media/periodical	25	5	---	1	---	---	---
Use of digital media	24	8	---	---	---	---	---
Shift to lighter- weight newsprint	5	8	10	3	---	---	---
Demand shift between UGW paper and other paper	3	1	4	18	1	2	---

Note.--Sub = Substantial, Mod = Moderate, Min = Minimal.

Source: Compiled from data submitted in response to Commission questionnaires.

Most producers, importers, and purchasers reported that the shift to lighter-weight paper had caused either a moderate or minimal decrease in demand for UGW paper.^{22 23} Reported changes included: lighter weights reduced consumption (measured in tons) but also reduced storage and transportation costs for producers and purchasers; the shift to lighter-weight paper has shifted demand from Southern U.S. producers, which cannot produce lighter-weight newsprint, to Northern producers, which can; the price of lighter-weight paper is based on a formula based on its weight which causes lighter-weight paper to have a higher price per ton; and the shortages of paper making pulp increased the use of lighter-weight paper.

There was little agreement on the impact of demand shifts between UGW paper and other paper, with 3 of 4 producers reporting demand shifts had increased demand for UGW paper, 6 of 10 importers reporting demand shifts had decreased demand for UGW paper, and 18 of 29 purchasers reporting demand shifts had not changed demand for UGW paper.

²² *** reported that the shift to lighter-weight paper had a moderate impact on its purchases. It had shifted from 45 gsm newsprint in 2014 to 43 gsm in 2016 and to 40 gsm in 2018, and this change has reduced its consumption of newsprint by 11 percent.

²³ *** reported that according to PPPC (The Pulp and Paper Products Council), the average weight of shipments into the United States has declined from 45.3 g in 2015 to 44.8 g in 2017.

Substitute products

Substitutes for UGW paper are very limited. Other types of paper can be used in some end uses and electronic media can replace printed material that is made from UGW paper. Most U.S. producers (3 of 4 responding) and importers (9 of 10) reported that there were substitutes. In contrast, only 8 of the 32 responding purchasers reported that there were substitutes. No firm reported a substitute for use in printing newspapers. Reported substitutes included: supercalendared paper for inserts, flyers, and other publications; uncoated free sheet paper for books and inserts; digital media for news, advertising, direct mailing, books, and financial statements; and ***.

Electronic media has reduced newspaper publishers' demand for printed media using UGW paper, and advertising dollars have shifted from print media to electronic media. Respondents claim that electronic media is a substitute for UGW paper.²⁶ Petitioner reported the increased use of digital media by firms that formerly used print media, but did not opine on whether digital media is a substitute for print media.²⁷ Digital media cannot be used in the production of newspapers or other printed material and thus is not a direct substitute for UGW paper in production of printed materials. Digital media thus is a substitute for the newspapers or other printed material in which UGW paper is used. Thus electronic media has had a major indirect effect on the demand for UGW paper.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported UGW paper depends upon such factors as relative prices (including transportation costs/distance), quality (e.g., grade standards, defect rates, runability,²⁸ etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, reliability of supply, product services, etc.). Based on available data, staff believes that there is a moderate degree of substitutability between domestically produced UGW paper and UGW paper imported from subject sources.

Lead times

Most UGW paper is produced-to-order. U.S. producers reported that 99.5 percent of their U.S. commercial shipments of newsprint and *** percent of other UGW paper were produced-to-order. Importers reported that 99.6 percent of their U.S. commercial shipments of

²⁴ Respondent Kruger's posthearing brief, exh. 6. The exhibit does ***.

²⁵ Respondent Kruger's posthearing brief, exh. 6.

²⁶ Conference transcript, pp. 178-180 (Blaine, Shor, and Cameron).

²⁷ Conference transcript, pp. 91-92 (Jones, Buckingham).

²⁸ Runability is the ability of a roll of newsprint to run smoothly without breakage through a particular printing press. Hearing transcript. p. 251 (Lutz).

newsprint and 99.8 percent of other UGW paper imported from Canada were produced-to-order. Lead times for U.S. producers' produced-to-order newsprint averaged 29 days and other UGW paper averaged *** days. Produced to order imports from Canada lead times averaged 31 days for both newsprint and other UGW paper.²⁹

Knowledge of country sources

Thirty-three purchasers indicated they had marketing/pricing knowledge of domestic UGW paper, 31 of Canadian product, and 7 of product from nonsubject countries.³⁰

As shown in table II-8, most purchasers either sometimes or never make purchasing decisions based on the producer, while most purchasers never make purchasing decisions based on country. Most purchasers report that their customers never make purchasing decisions either based on the producer or country of origin. Five purchasers reported that they always make decisions based on the manufacturer. Reasons these firms gave included: combined ownership; a long-term agreement; a strategic supplier; shifting to lighter-weight newsprint requires purchase from Canada; and lower transportation cost for product from Canada because Canadian producers were nearer.

Table II-8
UGW paper: Purchasing decisions based on producer and country of origin

Purchaser/Customer Decision	Always	Usually	Sometimes	Never
Purchaser makes decision based on producer	5	11	5	13
Purchaser's customers make decision based on producer	1	3	8	15
Purchaser makes decision based on country	1	3	4	26
Purchaser's customers make decision based on country	1	1	5	20

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers were asked if they or their customers prefer purchases from one country over other possible sources; 7 of 34 responding reported preferences. Reasons given for country preferences included: prefer Southern newsprint for Southern printing plants; prefer Canadian UGW paper due to basis weight and whiteness; and prefer sources that minimize shipping costs.

Factors affecting purchasing decisions

The most often cited top three factors firms consider in their purchasing decisions for UGW paper were price/transportation cost (28 firms), availability/reliability of supply (27 firms)

²⁹ The remaining *** percent of U.S. producers' commercial shipments of newsprint came from inventories, with lead times averaging *** days. The remaining *** percent of U.S. producers' commercial shipments of other UGW paper came from inventories with lead times of *** days. The remaining 0.4 percent of U.S. commercial shipments of newsprint and 0.2 percent of U.S. commercial shipments of other UGW paper imported from Canada were sold from U.S. inventories with lead times of ***. No imports were reported from Canadian inventories.

³⁰ Nonsubject country sources reported were Australia, Austria, China, Finland, Germany, Japan, Korea, Mexico, New Zealand, Norway, South Africa, Spain, Sweden, and the United Kingdom.

and quality/runability (27 firms) as shown in table II-9. Price and availability were the most frequently cited first-most important factor (cited by 12 firms each), followed by quality (8 firms); quality was the most frequently reported second-most important factor (10 firms); and price was the most frequently reported third-most important factor (10 firms). A number of purchasers reported that transportation costs were as important, or more important, than price because all firms' UGW paper prices were the same.

Table II-9
UGW paper: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor

Factor	First ¹	Second	Third	Total
Price/transportation costs	12	6	10	28
Availability/reliability of supply/delivery	12	8	7	27
Quality/runability ²	8	10	9	27
Relationship with supplier/traditional supplier/ supplier reputation	3	1	2	6
Location of supplier	0	4	0	4
Other ³	0	2	3	5

¹ One firm reported price, availability, and quality as first factor. These have all been counted in the first factor. This firm explained that "In some instances, availability dominates the decision making process. Availability has become a dominant factor recently because of the tight market on production of UGW paper. In some instances, price outweighs the other two factors listed. And, in some instances, quality outweighs the other two factors listed."

² One firm reported runability as the second-most important factor and quality as the third-most important factor. Both responses were counted in quality.

³ Other factors include: technical support and range of product line for second factor; and shade of paper, terms and conditions, and compliance with *** requirements for inventory and invoice processing for third factor.

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers were asked to report the factors that they considered in determining quality. Many reported a number of factors including: the paper runs well on the machines (tensile strength, smoothness, water absorption, lint buildup, and proper winding of the roll); prints well (stability of sheet for print registration, opacity, cleanness, brightness, and whiteness); lack of defects (wrinkles, holes, web breaks, slipped or crushed cores, minimal damage in transit, and minimal curling); and other (caliper/thickness, and minimal waste/high yield).

The majority of purchasers (26 of 31) reported that they either usually or sometimes purchase the lowest-priced product. Two firms always purchased the lowest-priced product,³¹ 14 usually purchased the lowest-priced product, 12 sometimes purchased the lowest-priced product, and 3 never purchased the lowest-priced product.³²

³¹ ***

³² ***

Importance of specified purchase factors

Purchasers were asked to rate the importance of 23 factors in their purchasing decisions (table II-10). The factors rated as very important by more than half of responding purchasers were availability and reliability of supply (30 firms each), product consistency (29), price and product meets industry standards (28 each), delivery time (26), delivery terms (24), and long term supplier (18). There were a number of factors firms rated as not important more frequently than they were rated as very important, including: availability of 36 gsm or lower weight directory paper (26 firms reported this factor was not important); recycled content (13); extension of credit (12); quality exceeds industry standards (11); minimum quantity requirement and packaging (9 each); and fiber type (8).

Table II-10
UGW paper: Importance of purchase factors, as reported by U.S. purchasers, by factor

Factor	Very important	Somewhat important	Not important
Appearance and/or feel of paper	16	15	1
Availability	30	2	---
Availability of 36 gsm or lower weight directory paper	4	2	26
Availability of 40 gsm weight newsprint	16	7	9
Delivery terms	24	7	1
Delivery time	26	5	1
Discounts offered	17	13	2
Extension of credit	7	13	12
Familiarity with product/supplier	12	19	1
Fiber type (e.g. southern yellow pine, spruce/pine/fir, etc.)	5	19	8
Long term supplier	18	11	3
Minimum quantity requirements	6	17	9
Packaging	7	16	9
Price	28	4	---
Producer located near your location of use	13	14	5
Product consistency	29	2	1
Product range	6	21	4
Quality meets industry standards	28	3	1
Quality exceeds industry standards	4	17	11
Recycled content	---	19	13
Reliability of supply	30	1	1
Technical support/service	17	14	1
U.S. transportation costs	18	10	4

Source: Compiled from data submitted in response to Commission questionnaires.

Almost all purchasers (30 of 33) reported purchasing more than one type of UGW paper and most of these (22 of 30) reported that the importance of the 23 factors did not differ by product type. Differences reported by the other purchasers for high bright paper were that brightness, familiarity with the supplier, and ability to combine orders were more important than for other types of UGW paper, while distance of the supplier was less important because there were fewer suppliers. One firm reported differences between newsprint and book grade paper, reporting that newsprint is standardized but book grade has minimal tolerance for calipers, finish, and shade.

Most responding purchasers (19 of 33) reported that they had shifted to purchasing lighter-weight paper since 2015. The amount they shifted ranged from 5 to 100 percent, with seven purchasers shifting 80 percent or more, and seven shifting less than 20 percent to lighter-weight paper. Seven of these purchasers reported that the shift to lighter-weight paper had affected the country source, with all seven reporting a reduction in purchases of U.S.-produced UGW paper and an increase in purchases of Canadian UGW paper.³³

Substitutability by product type

Producers, importers, and purchasers were asked to report the substitutability of product types within UGW paper (table II-11). Most producers, importers, and purchasers reported that newsprint was never interchangeable with “other” UGW paper, and that directory paper was never interchangeable with either high bright or “other.” Most producers, importers, and purchasers reported that high bright was sometimes interchangeable with newsprint and “other”. Most producers and purchasers reported that newsprint was never interchangeable with directory paper but most importers reported they were sometimes interchangeable.

Table II-11
UGW paper: Interchangeability between types of UGW paper

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
Newsprint vs. directory paper	---	---	1	3	---	1	5	3	---	---	5	24
Newsprint vs. high bright	---	---	4	---	1	1	8	---	3	1	16	11
Newsprint vs. other UGW paper	---	---	1	2	1	---	2	5	---	---	3	6
Directory paper vs. high bright	---	---	1	3	---	---	3	5	---	---	1	18
Directory paper vs. other UGW paper	---	---	1	2	---	---	2	3	---	---	2	3
High bright vs. other UGW paper	---	---	3	---	1	1	5	1	---	---	5	4

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Supplier certification

Sixteen of 34 responding purchasers require their suppliers to become certified or qualified to sell UGW paper to their firm. Purchasers reported that the time to qualify a new supplier ranged from 1 week to 6 months. Most purchasers that required certification needed it to determine how well the paper ran in their presses and the quality of the printed material produced on the paper. Nine purchasers reported that a domestic or foreign supplier had failed in its attempt to qualify UGW paper, or had lost its approved status since 2015. Firms that failed

³³ ***.

to qualify included: U.S. mills (Resolute (mentioned by 4 purchasers), Bear Island (3 purchasers), and Ponderay (1 purchaser));³⁴ a Canadian mill, Kruger (2 purchasers);³⁵ and a Norwegian producer, Norske (1 purchaser).

Multiple suppliers

Thirty-two purchasers provided reasons for purchasing from multiple suppliers. Many reported that printing in a number of locations led to the use of multiple suppliers to reduce transportation distance and transportation cost. Other responses included: reduce supply chain risks/increase security of supply (plant or delivery issues, to maintain a diverse supply base, limit dependence on a single supplier, prefer suppliers with potential to continue providing UGW paper, maintain relationship with multiple suppliers, and desire for multiple suppliers in a tight market); availability of specific types of UGW paper (high-bright is only available from NORPAC or Canada, and 40 gsm and 43 gsm are not available from Southern mills); reduced inventories; and price.

Changes in purchasing patterns

Purchasers were asked about changes in their purchasing patterns from different sources since 2015 (table II-12). Reasons given for decreasing purchases of U.S. product included: decline in circulation/page count; outsourcing printing or purchase of paper; closure of mills/machines in Washington state and in the South (Resolute and White Birch transfer of its production from U.S. to Canadian mills); price; move to lighter-weight paper which was available from Canadian and not U.S. mills; and NORPAC reduced purchaser's allocation. Reasons purchasers reported for increasing purchases from one or more Canadian sources included: closure of U.S. production; shift purchases from Southern U.S. supplier to Canadian supplier; shifting purchases among Canadian sources; shift purchases to lighter-weight paper; diversify sources; price; availability; and reduced allocation from NORPAC.

³⁴ Resolute 25.5 pound paper was rejected because of poor show through; Resolute and Bear Island 40 gsm newsprint failed test and (type of paper unspecified) for poor print quality; Resolute (type of paper unspecified) was rejected because it lacked cross dimensional tear strength; and Ponderay (type of paper unspecified) was rejected based on runability, lint, and web breaks.

³⁵ Kruger (type of paper unspecified) was rejected by one purchaser because it was not strong enough and another because it refused *** payment terms.

Table II-12
UGW paper: Changes in purchase patterns from U.S., Canada (by firm) subject and nonsubject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	2	20	3	3	5
Canada – White Birch (nonsubject)	6	6	9	1	6
Canada – Resolute	5	7	8	3	6
Canada – All other firms	4	17	6	2	4
All other	21	0	3	0	2

Source: Compiled from data submitted in response to Commission questionnaires.

Four of 34 purchasers reported new suppliers. One reported that Canadian suppliers White Birch and Kruger had introduced book grades, and that Holman and Stora have imported book grades from Europe since duties were assessed. One reported the temporary availability of high-bright paper from Irving and paper from Finland;³⁶ and one reported a limited trial of Norske (Norwegian) paper.³⁷

Importance of purchasing domestic product

Thirty of 32 responding purchases reported that all their purchases had no domestic content requirement. One reported that domestic product was required by law (for 0.3 percent of its purchases), one reported it was required by its customers (for 0.3 percent of its purchases), and two reported other preferences for domestic product (for 0.3 to 40 percent of their purchases). One firm explained that it preferred U.S.-produced product because of easier logistics.³⁸

Comparisons of domestic products, Canadian, and nonsubject country imports³⁹

Purchasers were asked a number of questions comparing UGW paper produced in the United States, Canada, and nonsubject countries. Purchasers were asked for a country-by-country comparison on the same 23 factors (table II-13) for which they were asked to rate the importance. Most purchasers reported that U.S. and Canadian UGW paper were comparable on all factors except availability of directory paper and availability of 40 gsm weight newsprint, for which most responding purchasers reported that Canadian product was superior. Half of the responding purchasers reported that the availability of 40 gsm weight newsprint was very important (see table II-10). Most purchasers, reported that the availability of directory paper was not important. For availability and reliability of supply, the two factors rated as most important by the largest number of purchasers, no purchasers reported U.S. product was

³⁶ The purchaser did not report the type of paper available from Finland.

³⁷ One purchaser reported using Irving Paper (Canadian) on a temporary basis.

³⁸ One purchaser (***) reported preference for domestic UGW paper for 40 percent of its purchases because of logistics, but also reported that it sometimes preferred Canadian UGW paper because of its whiteness and bulk.

³⁹ The questions in this section did not separate out subject and nonsubject Canadian producers.

superior to Canadian product. On the other hand, 11 purchasers reported that Canadian product was superior for availability, and 5 purchasers reported that Canadian product was superior for reliability of supply.

Table II-13
UGW paper: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. Canada			U.S. vs. nonsubject countries			Canada vs. nonsubject countries		
	S	C	I	S	C	I	S	C	I
Appearance and/or feel of paper	---	27	2	1	7	---	2	7	---
Availability	---	18	11	4	2	2	6	3	---
Availability of 36 gsm or lower weight directory paper	---	7	9	---	1	3	4	1	---
Availability of 40 gsm weight newsprint	---	8	15	---	1	4	3	3	---
Delivery terms	---	28	1	4	3	1	3	5	1
Delivery time	1	26	2	7	1	---	7	2	---
Discounts offered	1	23	4	---	7	1	---	9	---
Extension of credit	---	26	---	---	7	---	---	8	---
Familiarity with product/supplier	1	27	1	2	5	1	2	6	1
Fiber type (e.g. southern yellow pine, spruce/pine/fir, etc.)	---	16	13	---	5	4	4	5	---
Long term supplier	1	26	2	4	4	---	7	2	---
Minimum quantity requirements	---	28	---	2	5	---	2	6	---
Packaging	---	29	---	---	8	---	---	9	---
Price ¹	1	23	4	---	6	1	1	7	---
Producer located near your location of use	5	17	6	8	---	---	9	---	---
Product consistency	---	29	---	1	7	---	2	7	---
Product range	---	22	7	1	5	2	4	5	---
Quality meets industry standards	---	29	---	---	8	---	---	9	---
Quality exceeds industry standards	---	27	---	---	6	---	---	7	---
Recycled content	3	24	---	1	4	2	---	5	3
Reliability of supply	---	24	5	4	3	1	6	3	---
Technical support/service	1	28	---	4	4	---	4	5	---
U.S. transportation costs ¹	4	20	4	2	4	---	4	3	---

¹ A rating of superior means that price/U.S. transportation cost is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior.

Source: Compiled from data submitted in response to Commission questionnaires.

Half or more responding purchasers reported that U.S. and nonsubject country UGW paper were comparable for 16 factors. Most responding purchasers rated U.S. product superior to product from nonsubject countries for availability, delivery terms, delivery time, producer near your location, and reliability of supply. Most responding purchasers rated U.S. product as inferior to product from nonsubject countries for availability of directory paper and availability of 40 gsm newsprint.

Half or more of the responding purchasers reported the Canadian product was comparable with nonsubject countries imports for 15 factors and that Canadian product was

superior for availability, availability of directory weight, delivery time, long term supplier, near location, reliability of supply, and U.S. transportation costs.

Comparison of U.S.-produced and imported UGW paper

In order to determine whether U.S.-produced UGW paper can generally be used in the same applications as imports from Canada, U.S. producers, importers, and purchasers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-14, half the producers reported that UGW paper from all country pairs was sometimes interchangeable. Most importers reported that UGW paper from all country pairs was always or frequently interchangeable. Most purchasers reported that U.S. and Canadian UGW paper were always interchangeable, while nonsubject country imports were either always or usually interchangeable with U.S. and Canadian product. Reasons for reduced interchangeability included: Southern fiber cannot produce the lighter weight paper that is strong enough to be run on newspaper presses; Southern mills do not have comparable optical properties/opacity to Northern U.S. and Canadian mills;⁴⁰ certain paper is only available from a U.S. or Canadian source; differences in availability, appearance, price per impression, and mailing costs; newer equipment in Europe allows more efficient production of lower basis weight product; paper with recycled content has difficulty competing with paper made from virgin fibers; different mills may differ in performance; and some presses require beveled, metal-capped or notched cores that are not available from other countries.

Table II-14
UGW paper: Interchangeability between UGW paper produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries: U.S. vs. Canada	1	1	2	---	4	4	3	---	18	6	5	---
Nonsubject countries comparisons: U.S. vs. nonsubject countries	1	1	2	---	3	4	2	---	5	4	4	---
Canada vs. nonsubject countries	1	1	2	---	3	5	1	---	5	3	4	---

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

As can be seen in table II-15, most (19 of 30) responding purchasers reported that domestically produced product usually met minimum quality specifications. Similarly most (17 of 29) responding purchasers reported that Canadian UGW paper usually met minimum quality specifications.

⁴⁰ *** reported that New Zealand paper was tested and did not have the desired optical properties for use on the U.S. West Coast.

Table II-15
UGW paper: Ability to meet minimum quality specifications, by source¹

Source	Always	Usually	Sometimes	Rarely or never
United States	9	19	1	1
Canada	12	17	---	---
Other countries	2	2	2	---

¹ Purchasers were asked how often domestically produced or imported UGW paper meets minimum quality specifications for their own or their customers' uses.

Source: Compiled from data submitted in response to Commission questionnaires.

In addition, producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of UGW paper from the United States, Canada, or nonsubject countries. As seen in table II-16, most of the producers and importers reported that there were sometimes differences other than price between U.S. and Canadian product. In contrast, most purchasers reported that there were always or frequently differences other than price between U.S. and Canadian UGW paper. Differences other than price included: availability (U.S. mills cannot meet U.S. demand; U.S. mills are not located near where product is needed; U.S. 40 gsm newsprint not available in the eastern United States, and availability has become a major factor in 2018); quality (do not purchase from the closest U.S. mill because of quality, do not purchase below 45 gsm newsprint from the South because of optical qualities unless required by contract printers, lighter basis weight from Canada is higher quality than from the United States, higher Canadian quality is always significant, mills run paper through presses at 1,800 feet per minute so quality is very important and technical support is essential, and as mills and newspapers downsize the expertise in the market is thinning); and transportation cost/reliability of supply (proximity is important, overseas suppliers have longer lead times than U.S. or Canadian suppliers, and Canadian product is better for proximity, transportation costs, and reliability of supply). Other cited reasons were customers prefer a supplier with a full product range; some products are only available from a limited number of sources; customers want dependable suppliers; and mills outside of the United States and Canada are not a long-term supply option because they view the United States as a spot market.

Table II-16
UGW paper: Significance of differences other than price between UGW paper produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting				
	A	F	S	N	A	F	S	N	A	F	S	N	
U.S. vs. subject countries:													
U.S. vs. Canada	---	1	2	1	---	3	4	4	10	7	8	5	
Nonsubject countries comparisons:													
U.S. vs. nonsubject country	---	1	3	---	---	3	3	3	3	2	4	2	
Canada vs. nonsubject country	---	---	3	---	---	2	4	3	3	2	3	2	

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

ELASTICITY ESTIMATES

This section discusses elasticity estimates. No party comments were provided directly regarding these estimates, however, general comments about elasticities of demand were provided both by the petitioner and respondents as noted below.

U.S. supply elasticity

The domestic supply elasticity⁴¹ for UGW paper measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of UGW paper. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced UGW paper. Analysis of these factors above indicates that the U.S. industry has the ability to somewhat increase or decrease shipments to the U.S. market; an estimate in the range of 1 to 3 is suggested.

U.S. demand elasticity

The U.S. demand elasticity for UGW paper measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of UGW paper. This estimate depends on factors discussed above such as the existence, availability, and commercial viability of substitute products, the weakness of the newspaper industry, as well as the component share of the UGW paper in the production of any downstream products. Based on the available information, the aggregate demand for UGW paper is likely to be moderately inelastic; a range of -0.5 to -1.0 is suggested.⁴²

⁴¹ A supply function is not defined in the case of a non-competitive market.

⁴² Petitioner claims that demand for UGW paper is not elastic because there are no real substitutes for UGW paper in the production of newspapers. Petitioner's postconference brief, p. A-16. Respondents, in contrast, claim that demand for UGW paper is more elastic. They claim that the elasticity of demand will increase over time from *** in 6 months to *** percent within 2 years, and that any reduction in demand will lead to a permanent reduction in UGW paper consumption. Respondent Media Alliance, prehearing brief, p. 21.

Substitution elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.⁴³ Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, appearance, basis weight, opacity, etc.) and conditions of sale (e.g., availability, sales terms/discounts/promotions, shipping distances, etc.). Based on available information, the elasticity of substitution between U.S.-produced UGW paper and imported UGW paper is likely to be moderate in the range of 2 to 5.

⁴³ The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of four firms that accounted for the vast majority of U.S. production of UGW paper during 2017.

U.S. PRODUCERS

The Commission issued a U.S. producers' questionnaire to seven firms based on information contained in the petition. Four firms provided usable data on their productive operations.^{1 2} Staff believes that these responses represent the vast majority of known U.S. production of UGW paper. Table III-1 lists U.S. producers of UGW paper, their production locations, positions on the petition, and shares of total U.S. production. ***.

Table III-1
UGW paper: U.S. producers of UGW paper, their positions on the petition, production locations, and shares of reported production, 2017

Firm	Position on petition	Production location(s)	Share of production (percent)
Bear Island	***	Ashland, VA	***
NORPAC	Petitioner	Longview, WA	***
Ponderay	***	Usk, WA	***
Resolute	***	Augusta, Georgia Calhoun, Tennessee Grenada, Mississippi	***
Total			100.0

Source: Compiled from data submitted in response to Commission questionnaires.

As indicated in table III-2, three U.S. producers (***, **, and **) are related to foreign producers of the subject merchandise. ***. *** is a joint venture between ***.³ ***. **. In addition, as discussed in detail below, *** directly imported the subject merchandise. Responding U.S. producers did not report purchases of the subject merchandise from U.S. importers.

¹ ***. *** have not produced UGW paper since January 1, 2015.

² A summary of production, production capacity, U.S. producers' U.S. shipments, and financial data by product type and geographical region is presented in appendix D.

³ ***.

Table III-2
UGW paper: U.S. producers' ownership, related and/or affiliated firms

* * * * *

Changes in operations

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2015. *** producers experienced either a plant closure or a prolonged shutdown to facilities that produce UGW paper.

Table III-3
UGW paper: U.S. producers' reported changes in operations, since January 1, 2015

* * * * *

Through a series of investments ***, Resolute converted its UGW paper production facility in Calhoun, Tennessee to manufacture tissue paper, uncoated freesheet paper, and market pulp. These investments include \$*** for machinery to produce tissue products and \$100 million to install new tissue machinery.⁴ As of October 2017, ***. Resolute believes that making a similar investment into the production of UGW paper is not economical due to the decline in demand. Bear Island will re-open later this year as Cascades, a Canadian paper manufacturer, plans to invest \$275 million to restart Bear Island's operations.⁵ According to White Birch, the re-opened mill will produce newsprint. White Birch notes that the ***.⁶

In November 2016, One Rock Capital acquired NORPAC. NORPAC notes that ***.⁷ According to NORPAC, ***.⁸ ***.⁹ NORPAC states that ***.¹⁰

Table III-4 presents a list of closures of paper mills in the U.S. and Canada since 2014.

Table III-4
UGW paper: Closures of paper mills in the United States and Canada, since 2014

* * * * *

⁴ Respondent Resolute's postconference brief, answers to questions asked at staff conference, p. 7.

⁵ White Birch Paper Mill to Reopen Hanover, Virginia Operations, <http://www.areadevelopment.com/newsItems/7-12-2018/white-birch-paper-mill-bear-island-hanover-virginia.shtml>, accessed August 6, 2018.

⁶ Respondent White Birch's response to Commission question, pp 2-3.

⁷ Petitioner's posthearing brief, answers to Commissioners' questions pp. 41-42.

⁸ Petitioner's posthearing brief, answers to Commissioners' questions, p. 42.

⁹ Ibid., p. 43.

¹⁰ Ibid.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

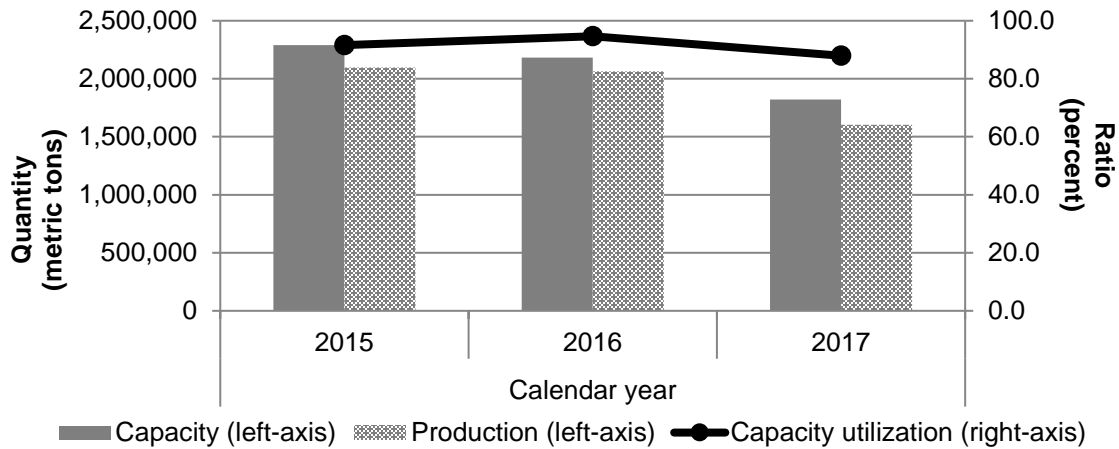
From 2015 to 2017, total annual capacity to produce UGW paper decreased by 20.4 percent, with most of the decrease occurring from 2016 to 2017. This change in production capacity reflects decreases in *** reported capacity, as those two firms accounted for nearly *** percent of the total decrease. This decrease is consistent with *** and ***, the idling of Bear Island in ***, and ***. *** responding U.S. producers reported lower production capacity in 2017 than in 2015. Table III-5 and figure III-1 present data on U.S. producers' production, capacity, and capacity utilization.

Table III-5
UGW paper: U.S. producers' production, capacity, and capacity utilization, 2015-17

Item	Calendar year		
	2015	2016	2017
Capacity (metric tons)			
Bear Island	***	***	***
NORPAC	***	***	***
Ponderay	***	***	***
Resolute	***	***	***
Total capacity	2,289,253	2,181,282	1,822,193
Production (metric tons)			
Bear Island	***	***	***
NORPAC	***	***	***
Ponderay	***	***	***
Resolute	***	***	***
Total production	2,097,775	2,064,524	1,602,424
Capacity utilization (percent)			
Bear Island	***	***	***
NORPAC	***	***	***
Ponderay	***	***	***
Resolute	***	***	***
Average capacity utilization	91.6	94.6	87.9

Source: Compiled from data submitted in response to Commission questionnaires.

Figure III-1
UGW paper: U.S. producers' production, capacity, and capacity utilization, 2015-17



Source: Compiled from data submitted in response to Commission questionnaires.

Between 2015 and 2017, U.S. producers' production decreased by 23.6 percent with the majority of the decrease occurring from 2016 to 2017. *** accounted for *** of the total decrease from 2015 to 2017. This change in production may be due to ***. NORPAC's production *** from 2015 to 2016 and then *** from 2016 to 2017, ending *** than in 2015. NORPAC's production *** while the production *** in 2017 is due to ***.¹¹ NORPAC also ***.¹² Ponderay's production *** from 2015 to 2016 and then *** in 2017. The *** in 2016 was due to Ponderay ***. Ponderay's ***.¹³ In the beginning of 2016, Ponderay ***.¹⁴ Moreover, in July 2015, ***.¹⁵

U.S. producers' average capacity utilization fluctuated, increasing from 91.6 percent in 2015 to 94.6 percent in 2016, and then decreasing to 87.9 percent in 2017. From 2015 to 2016, Bear Island, NORPAC, and Ponderay ***. However, in 2017, ***. ***.

Alternative products

Resolute and NORPAC ***. As shown in table III-6, UGW paper accounted for *** percent, *** percent, and *** percent of U.S. producers' production on shared equipment in 2015, 2016, and 2017, respectively. Resolute *** and NORPAC ***.

¹¹ ***, email correspondence with USITC staff, May 9, 2018.

¹² Petitioner's posthearing brief, supplemental questions from Commission staff, p. 65.

¹³ ***, email correspondence with USITC staff, May 15, 2018.

¹⁴ Ibid.

¹⁵ Ibid.

Table III-6
UGW paper: U.S. producers' overall plant capacity and production on the same equipment as
subject production, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (metric tons)		
Overall capacity	2,325,008	2,244,030	1,922,316
Production:			
UGW paper	2,097,775	2,064,524	1,602,424
Other products	***	***	***
Total production on same machinery	***	***	***
	Ratios and shares (percent)		
Overall capacity utilization	***	***	***
Share of production:			
UGW paper	***	***	***
Other products	***	***	***
Total production on same machinery	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Resolute's ***. Resolute also stated that ***. NORPAC stated that it ***.
 NORPAC also stated that ***. Bear Island noted that it ***.
 Ponderay and Bear Island ***. Ponderay noted that ***. Bear Island cited ***.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-7 presents data on U.S. producers' U.S. shipments, export shipments, and total shipments. U.S. shipments, by quantity, increased by 1.9 percent from 2015 to 2016 and then decreased by 23.9 percent from 2016 to 2017, ending 22.5 percent lower in 2017 than in 2015. The U.S. shipments of ***. According to NORPAC, a portion of the *** in its U.S. shipments from 2016 to 2017 can be attributed to ***.¹⁶ U.S. shipments accounted for *** percent, *** percent, and 79.4 percent of total shipments in 2015, 2016, and 2017, respectively.

¹⁶ Petitioner's posthearing brief, supplemental questions from Commission staff, p. 66.

Table III-7
UGW paper: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (metric tons)		
U.S. shipments	1,686,522	1,719,038	1,307,647
Export shipments	***	***	340,180
Total shipments	***	***	1,647,827
	Value (1,000 dollars)		
U.S. shipments	885,160	901,666	678,483
Export shipments	***	***	153,647
Total shipments	***	***	832,130
	Unit value (dollars per metric ton)		
U.S. shipments	525	525	519
Export shipments	***	***	452
Total shipments	***	***	505
	Share of quantity (percent)		
U.S. shipments	***	***	79.4
Export shipments	***	***	20.6
Total shipments	100.0	100.0	100.0
	Share of value (percent)		
U.S. shipments	***	***	81.5
Export shipments	***	***	18.5
Total shipments	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers' U.S. shipments, by value, increased by 1.9 percent from 2015 to 2016 and then decreased by 24.8 percent from 2016 to 2017, ending 23.3 percent lower in 2017 than in 2015. *** out of four U.S. producers reported lower values for their U.S. shipments in 2017 than in 2015. There was no internal consumption or transfers to related firms during the period for which data were collected.

The average unit value of U.S. producers' U.S. shipments was \$525 per metric ton in 2015 and 2016. It decreased to \$519 per metric ton in 2017. The unit values of the U.S. shipments of NORPAC, Resolute, Bear Island, and Ponderay were \$*** per metric ton, \$*** per metric ton, \$*** per metric ton, and \$*** per metric ton, respectively, in 2017. The variance in unit values among the U.S. producers reflects *** sales of high bright paper, which has a higher value than newsprint. As discussed in detail below, the majority of *** U.S. shipments during 2015-17 were high bright paper while most of *** U.S. shipments were newsprint. *** only sold newsprint.

By quantity, export shipments accounted for *** percent, *** percent, and 20.6 percent of total shipments in 2015, 2016, and 2017, respectively. *** accounted for most of the export shipments in 2017. Fluctuating year to year, exports shipments decreased by *** percent from 2015 to 2016, and then increased by *** percent from 2016 to 2017, ending *** percent lower in 2017 than in 2015. The average unit value of export shipments decreased from \$*** per

metric ton in 2015 to \$*** per metric ton in 2016 to \$452 per metric ton in 2017. ***. U.S. producers exported to ***.

U.S. producers' commercial U.S. shipments by type¹⁷

Table III-8 presents U.S. producers' commercial U.S. shipments of UGW paper by product type. After increasing by *** percent from 2015 to 2016, U.S. producers' commercial U.S. shipments of newsprint decreased by *** percent from 2016 to 2017, ending *** percent lower in 2017 than in 2015. This decrease reflects the change in *** reported newsprint shipments. These two firms accounted for *** of the total decrease. *** accounted for the largest share of newsprint shipments in 2017 (*** percent), followed by *** (*** percent). Newsprint accounted for *** percent, *** percent, and *** percent of commercial U.S. shipments of UGW paper in 2015, 2016, and 2017, respectively. The limited change in newsprint's share of U.S. shipments can be attributed to commercial U.S. shipments of high bright paper decreasing at a similar rate (*** percent).

¹⁷ Newsprint is UGW paper designed exclusively for newspapers and similar publications commonly disposed of within a day. Standard newsprint has a weight typically ranging from 40 grams per square meter (gsm) to 48.8 gsm and has brightness levels ranging from 56 to 62. Directory paper is a type of uncoated groundwood paper, which is also known as uncoated mechanical paper. It can have a basis weight of 36 gsm or less and an ISO Brightness of 56 or less. Directory paper is used for telephone directories, other types of directories, catalogues, and inserts. High bright paper is any paper that meets the definition of UGW paper (defined in part I) with an ISO brightness of 65 or greater.

Table III-8
UGW paper: U.S. producers' commercial U.S. shipments by product type, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change in quantity (percent)		
U.S. producers' commercial U.S. shipments.--						
Newsprint 40 gsm or less	***	***	***	***	***	***
Newsprint 40 to 45 gsm	67,535	66,652	47,553	(29.6)	(1.3)	(28.7)
Newsprint exactly 45 gsm	629,570	655,550	468,499	(25.6)	4.1	(28.5)
Newsprint more than 45 gsm	***	***	***	***	***	***
Newsprint	***	***	***	***	***	***
High bright paper	***	***	***	***	***	***
Directory paper	---	---	---	---	---	---
Other UGW paper	***	***	***	***	***	***
Other than newsprint	***	***	***	***	***	***
All UGW paper	1,686,522	1,719,038	1,307,647	(22.5)	1.9	(23.9)
	Value (\$1,000)			Change in value (percent)		
U.S. producers' commercial U.S. shipments.--						
Newsprint 40 gsm or less	***	***	***	***	***	***
Newsprint 40 to 45 gsm	31,006	32,856	23,193	(25.2)	6.0	(29.4)
Newsprint exactly 45 gsm	287,476	306,019	221,872	(22.8)	6.5	(27.5)
Newsprint more than 45 gsm	***	***	***	***	***	***
Newsprint	***	***	***	***	***	***
High bright paper	***	***	***	***	***	***
Directory paper	---	---	---	---	---	---
Other UGW paper	***	***	***	***	***	***
Other than newsprint	***	***	***	***	***	***
All UGW paper	885,160	901,666	678,483	(23.3)	1.9	(24.8)

Table continued on next page.

Table III-8--Continued

UGW paper: U.S. producers' commercial U.S. shipments by product type, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Unit value (\$ per metric ton)			Change in unit values (percent)		
U.S. producers' commercial U.S. shipments.--						
Newsprint 40 gsm or less	***	***	***	***	***	***
Newsprint 40 to 45 gsm	459	493	488	6.2	7.4	(1.1)
Newsprint exactly 45 gsm	457	467	474	3.7	2.2	1.4
Newsprint more than 45 gsm	***	***	***	***	***	***
Newsprint	***	***	***	***	***	***
High bright paper	***	***	***	***	***	***
Directory paper	---	---	---	---	---	---
Other UGW paper	***	***	***	***	***	***
Other than newsprint	***	***	***	***	***	***
All UGW paper	525	525	519	(1.1)	(0.1)	(1.1)
	Share of quantity (percent)			Change in shares (percentage points)		
U.S. producers' commercial U.S. shipments.--						
Newsprint 40 gsm or less	***	***	***	***	***	***
Newsprint 40 to 45 gsm	4.0	3.9	3.6	(0.4)	(0.1)	(0.2)
Newsprint exactly 45 gsm	37.3	38.1	35.8	(1.5)	0.8	(2.3)
Newsprint more than 45 gsm	***	***	***	***	***	***
Newsprint	***	***	***	***	***	***
High bright paper	***	***	***	***	***	***
Directory paper	---	---	---	---	---	---
Other UGW paper	***	***	***	***	***	***
Other than newsprint	***	***	***	***	***	***
All UGW paper	100.0	100.0	100.0	---	---	---

Note.—Percent change shown as “0.0” represent values greater than zero, but less than “0.05” percent.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers' commercial U.S. shipments of high bright paper decreased by *** percent from 2015 to 2017. This decrease reflects the changes in *** commercial U.S. shipments, as they were the only firms to report commercial U.S. shipments of high bright paper. Despite this decrease, high bright paper's share of commercial U.S. shipments was relatively constant (*** percent, *** percent and *** percent in 2015, 2016, and 2017, respectively). ***. During 2015-17, high bright paper accounted for between *** percent and *** percent of NORPAC's commercial U.S. shipments and between *** percent and *** percent of Resolute's commercial U.S. shipments. *** were the only producers to report commercial U.S. shipments of other UGW paper, which decreased irregularly by *** percent between 2015 and 2017. There were no commercial U.S. shipments of directory paper during 2015-17.

During 2015-17, newsprint accounted for *** commercial U.S shipments; *** percent to *** percent of Resolute’s commercial U.S. shipments; and *** percent to *** percent of NORPAC’s commercial U.S. shipments. Newsprint that is 45 gsm accounted for the largest, but a decreasing, share of commercial U.S. shipments of newsprint (*** percent in 2015, *** percent in 2016, and *** percent in 2017). Newsprint that is 40 gsm or less accounted for a smaller, but increasing, share of commercial U.S. shipments of newsprint (*** percent in 2015, *** percent in 2016, and *** percent in 2017). *** commercial U.S. shipments of newsprint that is 40 gsm or less increased between 2015 and 2017. After entering the market in 2016, *** commercial U.S. shipments of newsprint that is 40 gsm or less increased in 2017 while *** commercial U.S. shipments of such newsprint decreased. *** reported fewer commercial U.S. shipments of newsprint that is 40 gsm or less in 2017 than in 2015. *** reported fewer commercial U.S. shipments of newsprint that is exactly 45 gsm in 2017 than in 2015 while *** reported more commercial U.S. shipments of such newsprint. Table III-9 presents U.S. producers’ commercial U.S. shipments of newsprint.

Table III-9
UGW paper: U.S. producers’ commercial U.S. shipments of newsprint, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change in quantity (percent)		
U.S. producers' commercial U.S. shipments.-- Newsprint 40 gsm or less	***	***	***	***	***	***
Newsprint 40 to 45 gsm	67,535	66,652	47,553	(29.6)	(1.3)	(28.7)
Newsprint exactly 45 gsm	629,570	655,550	468,499	(25.6)	4.1	(28.5)
Newsprint more than 45 gsm	***	***	***	***	***	***
Newsprint	***	***	***	***	***	***
	Share of quantity (percent)			Change in shares (percentage points)		
U.S. producers' commercial U.S. shipments.-- Newsprint 40 gsm or less	***	***	***	***	***	***
Newsprint 40 to 45 gsm	***	***	***	***	***	***
Newsprint exactly 45 gsm	***	***	***	***	***	***
Newsprint more than 45 gsm	***	***	***	***	***	***
Newsprint	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

NORPAC states that it produced 40 gsm newsprint prior to the closing of machine number 1 and is willing to produce this lighter newsprint if it is economically viable.¹⁸ Resolute notes that its production of 40 gsm newsprint represents failed attempts at commercial

¹⁸ Hearing transcript, p. 94 (Crowley), p. 139 (Jones), p. 145 (Anneberg).

production to address increasing demand.¹⁹ According to Resolute representative John Lafave, the 40 gsm newsprint that Resolute produced ***. Resolute states that it cannot economically produce 40 gsm newsprint in its Southern U.S. mills due to the difficulty of producing such newsprint with Southern yellow pine.²⁰ Resolute ***.

U.S. producers' commercial U.S. shipments by geographic market

Table III-10 presents U.S. producers' commercial U.S. shipments of UGW paper by geographic market. Most commercial U.S. shipments of UGW paper that went to the South and West were newsprint while most commercial U.S. shipments of UGW paper that went to the Northeast and Central were other UGW paper. In 2017, most commercial U.S. shipments of all UGW paper went to the South (44.9 percent) and to the West (*** percent). Most commercial U.S. shipments of newsprint went to the South (*** percent) or to the West (*** percent) while most commercial U.S. shipments of other UGW paper were more evenly distributed to the Northeast, Central, South, and West.

In 2017, the majority of *** commercial U.S. shipments of newsprint (*** percent and *** percent, respectively) went to the West while the majority of *** commercial U.S. shipments of newsprint (*** percent and *** percent, respectively) went to the South. *** percent of Resolute's and *** Bear Island's commercial U.S. shipments of newsprint went to the West. *** percent of NORPAC's and *** Ponderay's commercial U.S. shipments of newsprint went to the Northeast.

¹⁹ Respondent Resolute's posthearing brief, answers of Resolute FP Canada Inc. and Resolute FP U.S. Inc. to Commission staff questions, p. 1.

²⁰ Respondent Resolute's posthearing brief, answers of Resolute FP Canada Inc. and Resolute FP U.S. Inc. to Commission staff questions, p. 2.

Table III-10
UGW paper: U.S. producers' commercial U.S. shipments by geographic market, 2017

Type	Calendar year 2017		
	Newsprint	Other	All types
	Quantity (metric tons)		
U.S. producers' commercial U.S. shipments.-- Northeast	***	***	126,354
Central	***	***	***
South	***	***	587,568
West	***	***	***
Other	***	***	***
All regions	***	***	1,307,647
	Value (\$1,000)		
U.S. producers' commercial U.S. shipments.-- Northeast	***	***	68,898
Central	***	***	***
South	***	***	299,061
West	***	***	***
Other	***	***	***
All regions	***	***	678,484
	Unit value (\$ per metric ton)		
U.S. producers' commercial U.S. shipments.-- Northeast	***	***	545
Central	***	***	***
South	***	***	509
West	***	***	***
Other	***	***	***
All regions	***	***	519
	Share of quantity down (percent)		
U.S. producers' commercial U.S. shipments.-- Northeast	***	***	9.7
Central	***	***	***
South	***	***	44.9
West	***	***	***
Other	***	***	***
All regions	100.0	100.0	100.0
	Share of quantity across (percent)		
U.S. producers' commercial U.S. shipments.-- Northeast	***	***	100.0
Central	***	***	100.0
South	***	***	100.0
West	***	***	100.0
Other	***	***	100.0
All regions	***	***	100.0

Note. – Shares and ratios shown as “0.0” percent represent values greater than zero, but less than “0.05” percent.

Source: Compiled from data submitted in response to Commission questionnaires.

According to Resolute, newsprint producers located in the West rarely ship newsprint to the East and newsprint producers located in the West rarely ship newsprint to the East because of the high cost of transporting newsprint by truck or rail.²¹ Resolute’s and Bear Island’s production facilities are located in the South while NORPAC and Ponderay operate in the West. In response to current market conditions, NORPAC limited most of its shipments of newsprint to the West coast.²² Representatives from NORPAC also noted that there is limited competition from Eastern suppliers in the Western market.²³ However, according to hearing testimony, NORPAC has been able to increase its sales of newsprint to the Eastern region of the United States in the last few months in 2018.²⁴

NORPAC’s shipments of other UGW paper in 2017 were distributed across all geographical markets (**% percent to the Northeast, **% percent to the Central, **% percent to the South, and **% percent to the West). **% of Resolute’s U.S. shipments of other UGW paper in 2017 went to the South (**% percent) or to the Central region (**% percent). Higher profit margins enable NORPAC to transport high bright paper further from its West Coast base.²⁵

U.S. PRODUCERS’ INVENTORIES

Table III-11 presents U.S. producers’ end-of-period inventories and the ratio of their inventories to production, U.S. shipments, and total shipments. From 2015 to 2016, U.S. producers’ end-of-period inventories increased by **% percent and then decreased by **% percent from 2016 to 2017, ending **% percent lower in 2017 than in 2015. **% of the four U.S. producers reported lower inventories in 2017 than in 2015 with **% accounting for most of the decrease. The ratios of inventories to U.S. production and U.S. shipments decreased by **% percentage points and **% percentage points, respectively, between 2015 and 2017. **% U.S. producers’ ratio of their inventories to U.S. production and to U.S. shipments declined from 2015 to 2017.

Table III-11
UGW paper: U.S. producers’ inventories, 2015-17

* * * * *

U.S. PRODUCERS’ IMPORTS AND PURCHASES

Table III-12 presents U.S. producers’ imports and purchases of UGW paper. Resolute imported UGW paper from subject sources in Canada while Bear Island imported from nonsubject sources in Canada. The ratio of Resolute’s imports to its U.S. production **% from **% percent in 2015 to **% percent in 2016, and to **% percent in 2017. After **% from **%

²¹ Respondent Resolute’s postconference brief, attachment res-a, p. 8.

²² Conference transcript, p. 107 (Anneberg).

²³ Hearing transcript, p. 158 (Crowley).

²⁴ Hearing transcript, pp. 93-94, 137 (Crowley).

²⁵ Ibid.

percent in 2015 to *** percent in 2016, the ratio of Bear Island’s imports from Canada to its U.S. production *** to *** percent in 2017.

Table III-12

UGW paper: U.S. producers’ U.S. production, imports and purchases, 2015-17

* * * * *

According to testimony in the staff conference, Resolute’s customers in the Northeastern United States will not buy newsprint from the Southern United States because that newsprint does not have the same brightness or strength as newsprint from Canada.²⁶ Bear Island reported that ***. White Birch, Bear Island’s parent company, stated that it ***.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-13 presents U.S. producers’ employment-related data. The number of production and related workers (“PRWs”), total hours worked, hours worked per PRW, and wages paid were lower in 2017 than in 2015 while hourly wages, productivity and unit labor costs were higher. *** U.S. producers reported *** PRWs in 2017 than in 2015. NORPAC reported ***. Bear Island ***. ***.

Table III-13

UGW paper: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2015-17

Item	Calendar year		
	2015	2016	2017
Production and related workers (PRWs) (number)	1,738	1,694	1,465
Total hours worked (1,000 hours)	3,781	3,713	2,876
Hours worked per PRW (hours)	2,175	2,192	1,963
Wages paid (\$1,000)	145,418	144,097	117,273
Hourly wages (dollars per hour)	\$38.46	\$38.81	\$40.78
Productivity (metric tons per 1,000 hours)	554.8	556.0	557.2
Unit labor costs (dollars per metric tons)	\$69.32	\$69.80	\$73.18

Source: Compiled from data submitted in response to Commission questionnaires.

²⁶ Conference transcript, pp. 181-182 (Feldman).

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 24 firms believed to be importers of UGW paper, as well as to all U.S. producers of UGW paper.¹² Usable questionnaire responses were received from eleven companies,³ representing the vast majority of U.S. imports from Canada between 2015 and 2017 under HTS statistical reporting numbers 4801.00.0120, 4801.00.0140, 4802.61.1000, 4802.61.2000, 4802.61.3110, 4802.61.3191, 4802.61.6040, 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.6140, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4805.91.5000, 4805.91.7000, and 4805.91.9000. These HTS subheadings represent basket categories. Table IV-1 lists all responding U.S. importers of UGW paper from Canada and other sources, their locations, and their shares of U.S. imports, in 2017.

¹ The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection (“Customs”), may have accounted for more than one percent of total imports under HTS statistical reporting numbers 4801.00.0120, 4801.00.0140, 4802.61.1000, 4802.61.2000, 4802.61.3110, 4802.61.3191, 4802.61.6040, 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.6140, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4805.91.5000, 4805.91.7000, and 4805.91.9000 in 2017.

² Data for U.S. imports from Canada and all nonsubject sources (for all periods) as well as for U.S. importers’ U.S. commercial shipments are based on questionnaire responses.

³ ***. These firms, combined, accounted for approximately *** percent of U.S. imports from Canada in 2016. The complete responses from the eleven U.S. importers serve as a reliable proxy for U.S. imports of UGW paper from subject and nonsubject sources. *** reported that they had not imported UGW paper since January 1, 2015. ***. *** accounted for *** of total U.S. imports in 2016.

Table IV-1
UGW paper: U.S. importers, their headquarters, and share of total imports by source, 2017

Firm	Headquarters	Share of imports by source (percent)				
		Canada, subject	Canada, nonsubject	All other sources	Nonsubject sources	All import sources
Alberta	Whitecourt, AB	***	***	***	***	***
Catalyst	Seattle, WA	***	***	***	***	***
Irving	Saint John, NB	***	***	***	***	***
Kruger	Montreal, QC	***	***	***	***	***
Lakehead	Thunder Bay, ON	***	***	***	***	***
Perez	Miami, FL	***	***	***	***	***
Resolute	Catawba, SC	***	***	***	***	***
Stora Enso	Stamford, CT	***	***	***	***	***
Tembec	Toronto, ON	***	***	***	***	***
UPM Kymmene	Naperville, IL	***	***	***	***	***
White Birch ¹	Greenwich, CT	***	***	***	***	***
Total		100.0	100.0	100.0	100.0	100.0

¹ White Birch ***.

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. Canada subject represents imports from all producers in Canada except White Birch, while Canada nonsubject represents imports from White Birch facilities in Canada.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table IV-2 and figure IV-1 present data for U.S. imports of UGW paper from subject sources in Canada, nonsubject sources in Canada, and all other sources. After increasing by *** percent between 2015 and 2016, U.S. imports of UGW paper from subject sources in Canada, by quantity, decreased by *** percent from 2016 to 2017, ending *** percent lower in 2017 than in 2015. *** accounted for *** percent, *** percent, and *** percent of all subject imports from Canada, by quantity, in 2015, 2016, and 2017, respectively. Consequently, these firms accounted for *** of the total decrease in imports from subject sources in Canada between 2015 and 2017. The decrease in *** imports from subject sources in Canada is attributed to the reduction in UGW paper production at its Canadian facilities.⁴ *** of the six firms that imported UGW paper from subject sources in Canada in 2015 reported fewer subject imports in 2017 than in 2015.

⁴ Conference transcript, p. 121 (Blaine).

Table IV-2
UGW paper: U.S. imports by source, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (metric tons)		
U.S. imports from.-- Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	2,232,505	2,208,176	2,140,366
	Value (\$1,000)		
U.S. imports from.-- Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	1,129,961	1,126,220	1,097,790
	Unit value (dollars per metric ton)		
U.S. imports from.-- Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	506	510	513
	Share of quantity (percent)		
U.S. imports from.-- Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	100.0	100.0	100.0

Table continued on the next page.

Table IV-2--Continued
UGW paper: U.S. imports by source, 2015-17

Item	Calendar year		
	2015	2016	2017
	Share of value (percent)		
U.S. imports from.-- Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	100.0	100.0	100.0
	Ratio to U.S. production		
U.S. imports from.-- Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	106.4	107.0	133.6

Note. -- Canada subject represents imports from all producers in Canada except White Birch, while Canada nonsubject represents imports from White Birch facilities in Canada.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-1
UGW paper: U.S. import volume and prices by source, 2015-17

* * * * *

Among the firms that reported imports of UGW paper in 2015, *** was the *** firm that had *** subject imports in 2017 than in 2015. ***.⁵ However, most of the *** in 2016 was offset by a *** in imports in 2017 as ***. Irving entered the U.S. market in 2016 after the imposition of the countervailing duty order on imports of supercalendered paper from Canada.⁶ Previously, Irving produced only supercalendered paper in New Brunswick, Canada.⁷

After decreasing by *** percent from 2015 to 2016, U.S. imports of UGW paper from nonsubject sources in Canada increased by *** percent from 2016 to 2017, ending *** percent higher than in 2015. U.S. imports from nonsubject sources in Canada accounted for *** percent, *** percent, and *** percent of total U.S. imports in 2015, 2016, and 2017, respectively. The decrease from 2015 and 2016 reflects the continuing decline in demand for newsprint.⁸ ***.⁹ U.S. imports from all other sources accounted for *** percent, *** percent, and *** percent of total U.S. imports in 2015, 2016, and 2017, respectively.

⁵ ***, email correspondence with USITC staff, May 16, 2018.

⁶ Conference transcript, p. 46 (Byers).

⁷ Ibid.

⁸ ***, email correspondence with USITC staff, May 14, 2018.

⁹ Ibid.

As the quantity of U.S. imports from subject sources in Canada decreased, so too did their value, which decreased irregularly by *** percent from 2015 to 2017. *** reported lower values in 2017 than in 2015, with *** accounting for over *** percent of the total decrease. The average unit value of imports from nonsubject sources in Canada increased irregularly by *** percent from 2015 to 2017.

The average unit value of UGW paper from subject sources in Canada increased from \$*** per metric ton in 2015 to \$*** per metric ton in 2016 and to \$*** per metric ton in 2017. *** were the only firms to report a unit value less than \$*** per metric ton in each year during 2015-17. *** unit value ranged from \$*** per metric ton to \$*** per metric ton. The average unit value of UGW paper imports from subject sources in Canada was lower than the average unit value of imports from nonsubject sources in Canada in 2015 and 2016, but was higher in 2017. The average unit values of U.S. imports from subject and nonsubject sources in Canada were lower than the average unit value of U.S. imports from all other sources.

COMMERCIAL U.S. SHIPMENTS BY PRODUCT TYPE

Table IV-3 presents U.S. importers' commercial U.S. shipments of UGW paper by product type. U.S. importers' commercial U.S. shipments of newsprint from subject sources in Canada decreased by 19.1 percent from 2015 to 2017. This decrease reflects the change in *** shipments, which accounted for *** percent of the total decrease. These firms accounted for *** percent, *** percent, and *** percent of commercial U.S. shipments of newsprint from subject sources in 2015, 2016, and 2017, respectively. *** accounted for the next largest share of commercial U.S. shipments of newsprint from subject sources in Canada (*** percent in 2015, *** percent in 2016, and *** percent in 2017). During 2015-17, newsprint accounted for *** percent to *** percent of Tembec's commercial U.S. shipments, *** percent to *** percent of Catalyst's commercial U.S. shipments, *** percent to *** percent of Kruger's commercial U.S. shipments, *** percent to *** percent of Alberta's U.S. shipments, and *** percent to *** percent of Resolute's commercial U.S. shipments. Such shipments also accounted for *** percent and *** percent of Irving Paper's commercial U.S. shipments in 2016 and 2017, respectively. U.S. importers' commercial U.S. shipments of newsprint from nonsubject sources fluctuated year-to-year, decreasing by *** percent from 2015 to 2016 and then increasing by *** percent in 2017, ending *** percent higher than in 2015.

Table IV-3
UGW paper: U.S. importers' commercial U.S. shipments by product type, 2015-17

Type	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change in quantity (percent)		
U.S. importers: Canada, subject.--						
Newsprint 40 gsm or less	***	154,908	207,084	***	***	33.7
Newsprint 40 to 45 gsm	***	71,207	61,665	***	***	(13.4)
Newsprint exactly 45 gsm	***	965,871	735,422	***	***	(23.9)
Newsprint more than 45 gsm	***	149,518	126,393	***	***	(15.5)
Newsprint	1,398,156	1,341,504	1,130,564	(19.1)	(4.1)	(15.7)
High bright paper	***	***	***	***	***	***
Directory paper	***	***	***	***	***	***
Other UGW paper	***	***	***	***	***	***
Other than newsprint	420,332	475,179	498,560	18.6	13.0	4.9
All UGW paper	1,818,488	1,816,683	1,629,124	(10.4)	(0.1)	(10.3)
	Value (\$1,000)			Change in value (percent)		
U.S. importers: Canada, subject.--						
Newsprint 40 gsm or less	***	81,430	110,420	***	***	35.6
Newsprint 40 to 45 gsm	***	36,637	33,471	***	***	(8.6)
Newsprint exactly 45 gsm	***	459,627	353,240	***	***	(23.1)
Newsprint more than 45 gsm	***	66,301	56,257	***	***	(15.1)
Newsprint	656,916	643,995	553,388	(15.8)	(2.0)	(14.1)
High bright paper	***	***	***	***	***	***
Directory paper	***	***	***	***	***	***
Other UGW paper	***	***	***	***	***	***
Other than newsprint	260,967	281,826	291,215	11.6	8.0	3.3
All UGW paper	917,883	925,821	844,603	(8.0)	0.9	8.8

Table continued on next page.

Table IV-3--Continued
UGW paper: U.S. importers' commercial U.S. shipments by product type, 2015-17

Type	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Unit value (dollars per metric ton)			Change in unit values (percent)		
U.S. importers: Canada, subject.--						
Newsprint 40 gsm or less	***	526	533	***	***	1.4
Newsprint 40 to 45 gsm	***	515	543	***	***	5.5
Newsprint exactly 45 gsm	***	476	480	***	***	0.9
Newsprint more than 45 gsm	***	443	445	***	***	0.4
Newsprint	470	480	489	4.2	2.2	2.0
High bright paper	***	***	***	***	***	***
Directory paper	***	***	***	***	***	***
Other UGW paper	***	***	***	***	***	***
Other than newsprint	621	593	584	(5.9)	(4.5)	(1.5)
All UGW paper	505	510	518	2.7	1.0	1.7
	Share of quantity (percent)			Change in shares (percentage points)		
U.S. importers: Canada, subject.--						
Newsprint 40 gsm or less	***	8.5	12.7	***	***	4.2
Newsprint 40 to 45 gsm	***	3.9	3.8	***	***	(0.1)
Newsprint exactly 45 gsm	***	53.2	45.1	***	***	(8.0)
Newsprint more than 45 gsm	***	8.2	7.8	***	***	(0.5)
Newsprint	76.9	73.8	69.4	(7.5)	(3.0)	(4.4)
High bright paper	***	***	***	***	***	***
Directory paper	***	***	***	***	***	***
Other UGW paper	***	***	***	***	***	***
Other than newsprint	23.1	26.2	30.6	7.5	3.0	4.4
All UGW paper	100.0	100.0	100.0	---	---	---

Table continued on next page.

Table IV-3--Continued
UGW paper: U.S. importers' commercial U.S. shipments by product type, 2015-17

* * * * *

U.S. importers' commercial U.S. shipments of high bright paper from subject sources in Canada increased by *** percent from 2015 to 2017. This increase reflects the changes in *** commercial U.S. shipments. These firms accounted for *** percent of the total increase. In 2017, *** accounted for the largest share of commercial U.S. shipments of high bright paper (*** percent) followed by *** (*** percent), and *** (*** percent). *** also reported commercial U.S. shipments of high bright paper during 2015-17, but combined, they accounted for *** percent of all commercial U.S. shipments of high bright paper from subject sources in Canada in 2017. High bright paper accounted for *** percent, *** percent, and *** percent of all commercial U.S. shipments of UGW paper from subject sources in Canada in 2015, 2016, and 2017, respectively.

After increasing by *** percent from 2015 to 2016, U.S. importers' commercial U.S. shipments of directory paper from subject sources in Canada decreased by *** percent in 2017, ending *** percent lower than in 2015. *** were the only firms to report commercial U.S. shipments of directory paper. There was a larger year-to-year fluctuation in *** commercial U.S. shipments of directory paper than ***, which is consistent with ***.

U.S. importers' commercial U.S. shipments of high bright paper from nonsubject sources increased by *** percent from 2015 to 2017. High bright paper's share of total commercial U.S. shipments from nonsubject sources increased from *** percent in 2015 to *** percent in 2016 and then decreased to *** percent in 2017. Commercial U.S. shipments of directory paper from nonsubject sources decreased by *** percent from 2015 to 2017 and accounted for *** percent, *** percent, and *** percent of total commercial U.S. shipments from nonsubject sources in 2015, 2016, and 2017, respectively.

Newsprint that is 45 gsm accounted for the largest, but decreasing, share of all commercial U.S. shipments of newsprint from subject sources in Canada (*** percent in 2015, *** percent in 2016, and *** percent in 2017). Conversely, newsprint that is 40 gsm or less accounted for an increasing share of commercial U.S. shipments of newsprint from subject sources in Canada (*** percent in 2015, *** percent in 2016, and *** percent in 2017). *** firms that reported commercial U.S. shipments of newsprint that is 45 gsm in 2015 had fewer of those shipments in 2017 than in 2015. After entering the market in 2016, *** commercial U.S. shipments of newsprint that is 45 gsm decreased in 2017. Conversely, *** of the five firms that reported commercial U.S. shipments of newsprint that is 40 gsm or less had more of those shipments in 2017 than in 2015. Newsprint that is exactly 45 gsm accounted for the largest, but a decreasing, share of commercial U.S. shipments of newsprint from nonsubject sources (*** percent in 2015, *** percent in 2016, and *** percent in 2017), followed by newsprint that is more than 45 gsm (*** percent in 2015, *** percent in 2016, and *** percent in 2017).

Facing cost and profit margin challenges caused by lower demand for newspaper, newspaper publishers are moving towards lighter weight papers, which allow them to produce

more pages per ton and are cheaper to transport.¹⁰ Currently, all but one of Gannett’s in-house newspapers is printed on 40 gsm newsprint and Gannett is aiming to have all of its newspapers printed on 40 gsm newsprint.¹¹ Gannett states that the shift towards lighter weight newsprint is part of its commitment to printing narrower newspapers to reduce its carbon footprint and was necessitated by shortages of paper-making pulp.¹² Table IV-4 presents U.S. importers’ commercial U.S. shipments of newsprint.

Table IV-4
UGW paper: U.S. importers’ commercial U.S. shipments of newsprint, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change in quantity (percent)		
U.S. importers: Canada, subject.-- Newsprint 40 gsm or less	***	154,908	207,084	***	***	33.7
Newsprint 40 to 45 gsm	***	71,207	61,665	***	***	(13.4)
Newsprint exactly 45 gsm	***	965,871	735,422	***	***	(23.9)
Newsprint more than 45 gsm	***	149,518	126,393	***	***	(15.5)
Newsprint	1,398,156	1,341,504	1,130,564	(19.1)	(4.1)	(15.7)
	Share of quantity (percent)			Change in shares (percentage points)		
U.S. importers: Canada, subject.-- Newsprint 40gsm or less	***	11.5	18.3	***	***	6.8
Newsprint 40 to 45 gsm	***	5.3	5.5	***	***	0.1
Newsprint exactly 45 gsm	***	72.0	65.0	***	***	(6.9)
Newsprint more than 45 gsm	***	11.1	11.2	***	***	0.0
Newsprint	100.0	100.0	100.0	---	---	---
	Quantity (metric tons)			Change in quantity (percent)		
U.S. importers: nonsubject sources.-- Newsprint 40gsm or less	***	***	***	***	***	***
Newsprint 40 to 45 gsm	***	***	***	***	***	***
Newsprint exactly 45 gsm	***	***	***	***	***	***
Newsprint more than 45 gsm	***	***	***	***	***	***
Newsprint	***	***	***	***	***	***
	Share of quantity (percent)			Change in shares (percentage points)		
U.S. importers: nonsubject sources.-- Newsprint 40gsm or less	***	***	***	***	***	***
Newsprint 40 to 45 gsm	***	***	***	***	***	***
Newsprint exactly 45 gsm	***	***	***	***	***	***
Newsprint more than 45 gsm	***	***	***	***	***	***
Newsprint	100.0	100.0	100.0	---	---	---

Note. -- Canada subject represents imports from all producers in Canada except White Birch, while nonsubject sources represents imports from White Birch facilities in Canada and from countries other than Canada. Percent change shown as “0.0” represent values greater than zero, but less than “0.05” percent.

Source: Compiled from data submitted in response to Commission questionnaires.

¹⁰ Conference transcript, p. 131 (D’Amours).

¹¹ Respondent Gannett’s prehearing brief, p. 10.

¹² Conference transcript, p. 139 (O’Toole).

COMMERCIAL U.S. SHIPMENTS BY GEOGRAPHIC MARKET

Table IV-5 presents U.S. importers' commercial U.S. shipments of UGW paper by geographic market in 2017. In 2017, most commercial U.S. shipments of newsprint from subject sources in Canada went either to the Central region (36.3 percent), Northeast (***) percent, or South (20.5 percent). Most commercial U.S. shipments of other UGW paper from subject sources in Canada also went to those three markets. *** percent of U.S. importers' commercial U.S. shipments of all UGW paper from subject sources in Canada went to the West in 2017. Newsprint accounted for most of the commercial U.S. shipments of UGW paper from subject sources in Canada to each region.

In 2017, most of *** commercial U.S. shipments of newsprint went to the Northeast or Central region and most of *** commercial U.S. shipments of newsprint went to the Northeast or the South. Most of *** commercial U.S. shipments of newsprint went to the Northeast or West. Most of *** commercial U.S. shipments of newsprint, on the other hand, went to the West. Alberta Newsprint is based in the Central region of Canada while Tembec, Irving, Kruger, and Resolute are based in the Eastern part of Canada. Resolute also operate in the Southern United States. Catalyst is the only importer that operates primarily in the West.

Table IV-5
UGW paper: U.S. importers' commercial U.S. shipments by geographic market, 2017

Type	Calendar year		
	Newsprint	Other	All types
	Quantity (metric tons)		
U.S. importers: Canada, subject.-- Northeast	***	***	***
Central	409,897	172,023	581,920
South	232,068	147,909	379,977
West	***	***	***
Other	***	***	***
All regions	1,130,565	498,559	1,629,124
	Value (\$1,000)		
U.S. importers: Canada, subject.-- Northeast	***	***	***
Central	208,655	103,406	312,061
South	113,164	82,138	195,302
West	***	***	***
Other	***	***	***
All regions	***	***	***
	Unit value (dollars per metric ton)		
U.S. importers: Canada, subject.-- Northeast	***	***	***
Central	509	601	536
South	488	555	514
West	***	***	***
Other	***	***	***
All regions	489	584	518
	Share of quantity (percent)		
U.S. importers: Canada, subject.-- Northeast	***	***	***
Central	36.3	34.5	35.7
South	20.5	29.7	23.3
West	***	***	***
Other	***	***	***
All regions	100.0	100.0	100.0
	Share of quantity across (percent)		
U.S. importers: Canada, subject.-- Northeast	***	***	100.0
Central	***	***	100.0
South	***	***	100.0
West	***	***	100.0
Other	***	***	100.0
All regions	***	***	100.0

Table continued on next page.

Table IV-5--Continued
UGW paper: U.S. importers' commercial U.S. shipments by geographic market, 2017

* * * * *

According to Gannett, newsprint suppliers operate within reasonable regional distance from their customers because of newsprint's high transportation cost relative to its low value and the newsprint industry's vulnerability to delivery delay or disruption.¹³ Gannett estimates that shipping newsprint across the country costs *** of the newsprint's average unit value.¹⁴ According to NORPAC representatives, there is little Canadian produced UGW paper from the East entering the Western market.¹⁵ Catalyst states that it does not compete for sales in the Western market with suppliers that are based in the eastern region of the United States and Canada.¹⁶ Catalyst adds that its main competitors are west-coast based producers, primarily NORPAC, Ponderay, and Inland Empire. According to Catalyst, these conditions of competitions hold true for newsprint and high-bright paper.¹⁷

Most commercial U.S. shipments of newsprint from nonsubject sources in 2017 went to the Northeast (***) percent) or to the South (***) percent), while most commercial U.S. shipments of other UGW paper from nonsubject sources in Canada went to the Central region (***) percent), the Northeast (***), or the South (***) percent). *** percent of commercial U.S. shipments of all UGW paper from nonsubject sources went to the West.

NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.¹⁸ Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.¹⁹ By quantity, imports from

¹³ Respondent Gannett's prehearing brief, pp. 20-22.

¹⁴ Ibid.

¹⁵ Hearing transcript, p. 158 (Crowley).

¹⁶ Respondent Catalyst's posthearing brief, exh. 3, p. 2.

¹⁷ Ibid.

¹⁸ Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

¹⁹ Section 771 (24) of the Act (19 U.S.C § 1677(24)).

subject sources in Canada accounted for *** percent of total imports of UGW paper for which Commerce made a final affirmative determination of dumping and *** percent of total imports of UGW paper for which Commerce made a final affirmative determination of countervailable subsidization from August 2016 to July 2017.²⁰ Table IV-6 presents Canada’s share of total U.S. imports, by quantity, during the most recent 12-month period (August 2016 to July 2017).

Table IV-6
UGW paper: U.S. imports in the twelve-month period preceding the filing of the petition

Item	August 2016 through July 2017			
	AD investigation		CVD investigation	
	Quantity (metric tons)	Share (percent)	Quantity (metric tons)	Share (percent)
U.S. imports from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	2,114,732	100.0	2,114,731	100.0

Note. -- For the antidumping investigation, only Catalyst is a subject source. For the countervailing duty investigation, subject sources includes all firms except White Birch.

Source: Compiled from data submitted in response to Commission questionnaires.

APPARENT U.S. CONSUMPTION

From 2015 to 2017, apparent U.S. consumption, by quantity, decreased by 12.2 percent; the majority of the decreasing occurring from 2016 to 2017. By value, apparent consumption decreased by 12.0 percent from 2015 to 2017. The petitioner and respondents acknowledged that demand for UGW paper, particularly newsprint, has been in long-term secular decline due to the growth of digital content.²¹ Resolute notes that the decrease in demand from 2016 to 2017 reflects the reduction in demand from purchasers and supply shortages in the market.²² According to Tembec, the decline in demand is also driven by reductions in the number and frequency of publications, size of existing publications, and the number of print news media subscriptions.²³ Table IV-7 and figure IV-2 present data on apparent U.S. consumption for UGW paper.

²⁰ For the antidumping duty investigation, Catalyst is the only subject source. For the countervailing duty investigation, subject sources includes all firms except White Birch.

²¹ Hearing transcript, p. 90 (Crowley); hearing transcript, p. 247 (Lutz); and respondent Kruger’s postconference brief, pp. 5-6.

²² Respondent Resolute’s posthearing brief, answers of Resolute FP Canada Inc., and Resolute FP US Inc. to Commissioners’ questions, p. 9.

²³ Respondent Tembec’s prehearing brief, p. 5.

Table IV-7
UGW paper: Apparent U.S. consumption, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (metric tons)		
U.S. producers' U.S. shipments	1,686,522	1,719,038	1,307,647
U.S. importers' U.S. shipments from.--			
Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	2,225,777	2,183,047	2,125,998
Apparent consumption	3,912,299	3,902,085	3,433,645
	Value (\$1,000)		
U.S. producers' U.S. shipments	885,160	901,666	678,483
U.S. importers' U.S. shipments from.--			
Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	1,127,659	1,116,827	1,093,731
Apparent consumption	2,012,819	2,018,493	1,772,214

Note. -- Canada subject represents imports from all producers in Canada except White Birch, while Canada nonsubject represents imports from White Birch facilities in Canada.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-2
UGW paper: Apparent U.S. consumption, 2015-17

* * * * *

U.S. MARKET SHARES

U.S. producers' share of the domestic market, by quantity, increased from 43.1 percent in 2015 to 44.1 percent in 2016 and then decreased to 38.1 percent in 2017. Conversely, the market share of U.S. imports from subject sources in Canada increased from *** percent in 2015 to *** percent in 2017. Most of the U.S. producers' loss in market share was captured by U.S. imports of UGW paper from nonsubject sources in Canada. The market share of imports from nonsubject sources decreased from *** percent in 2015 to *** percent in 2016 and then increased to *** percent in 2017. U.S. imports from all other sources accounted for *** percent of the domestic market in each period for which data were collected. Table IV-8 presents data on the U.S. market shares of UGW paper.

Table IV-8
UGW paper: U.S. market shares, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (metric tons)		
Apparent consumption	3,912,299	3,902,085	3,433,645
	Share of quantity (percent)		
U.S. producers' U.S. shipments	43.1	44.1	38.1
U.S. importers' U.S. shipments from.--			
Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	56.9	55.9	61.9
	Value (\$1,000)		
Apparent consumption	2,012,819	2,018,493	1,772,214
	Share of value (percent)		
U.S. producers' U.S. shipments	44.0	44.7	38.3
U.S. importers' U.S. shipments from.--			
Canada, subject	***	***	***
Canada, nonsubject	***	***	***
All other sources	***	***	***
Nonsubject sources	***	***	***
All import sources	56.0	55.3	61.7

Note. -- Canada subject represents imports from all producers in Canada except White Birch, while Canada nonsubject represents imports from White Birch facilities in Canada.

Source: Compiled from data submitted in response to Commission questionnaires.

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

The major input used in the production of UGW paper is groundwood pulp. U.S. producers reported that raw materials as a share of cost of goods sold (“COGS”) increased from *** percent in 2015 to 45.7 percent in 2017. Most producers of UGW paper produce most or all of their groundwood pulp. Groundwood pulp is produced from sawmill residue and other wood, and may include some recycled paper. The pulp is combined with water and chemicals to produce UGW paper (see Part I).

Transportation costs to the U.S. market

Transportation costs for UGW paper shipped from Canada to the United States averaged 4.3 percent of landed duty paid value during 2017. This estimate was derived from official import data and represents transportation and other charges on imports.¹

U.S. inland transportation costs

All 4 responding U.S. producers and all 11 responding importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from 11 to 17 percent of total costs while most importers reported transportation costs of 6 to 20 percent.

PRICING PRACTICES

Pricing methods

U.S. producers and importers reported using transaction-by-transaction negotiations, contracts, and other methods of price setting (table V-1).²

¹ The estimated transportation cost was obtained by subtracting the customs value from the c.i.f. value of the imports for 2016 and then dividing by the customs value based on the HTS subheading 4801.00.01, 4802.61.10, 4802.61.20, 4802.61.30, 4802.61.31, 4802.61.60, 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.61, 4802.69.10, 4802.69.20, and 4802.69.30.

² One importer reported using a set price list. For other methods of sale, U.S. producers reported using letters of agreement and pricing to meet competition, while importers reported letters of agreement; prices tied to the industry RISI price index; and agreements that set the price monthly, quarterly, or half-yearly and contain volume commitments.

Table V-1

UGW paper: U.S. producers' and importers' reported price setting methods, by number of responding firms¹

Method	U.S. producers	Importers
Transaction-by-transaction	3	10
Contract	4	6
Set price list	---	1
Other	2	4
Responding firms	4	11

¹ The sum of responses down do not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

Source: Compiled from data submitted in response to Commission questionnaires.

The majority of U.S. producers' and importers' sales were on a contract basis (table V-2). Importers reported selling a higher share via annual or long-term contracts (***) than did U.S. producers (***).

Table V-2

UGW paper: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2017

* * * * *

U.S. producers' and importers' short-term contracts typically ranged from 30 to 180 days and their long-term contracts typically ranged from 2 to 3 years. Most U.S. producers' contracts, regardless of length of the contract, typically have fixed prices but allow for price renegotiation during the contract. Importer responses were more varied. Six importers reported short-term contracts; two each reported that such contracts fixed quantity, fixed price, and fixed both price and quantity, and three reported allowing price renegotiations during the contract. Five importers reported annual contracts, all of which allowed price renegotiations during the contract, and most reported that such contracts fixed quantity but not price. The four responding importers reporting long-term contracts indicated that they allowed price renegotiations during the contract, and two reported that such contracts fixed quantity.

Nine purchasers reported that they purchase product daily, 7 purchase weekly, and 16 purchase monthly.³ Most responding purchasers (27 of 33) reported that their purchasing frequency had not changed since 2015. Purchasers reported contacting 1 to 10 suppliers before making a purchase, but most purchasers (17 of 32 responding) contact 1 to 3 suppliers.

³ One purchaser reported purchasing annually based on forecasts with monthly orders. One purchaser reported that it does not purchase UGW paper and that ***.

Sales terms and discounts

Three of the four responding U.S. producers and all eight responding importers reported that they typically quote prices on a delivered basis.⁴ Three producers reported total volume discounts (one of these also reported quantity discounts), two reported proximity discounts, and two reported early payment discounts.⁵ Six importers reported annual volume discounts (four of these also offered quantity discounts), four offered proximity discounts, and five importers reported no discount policy. All four responding U.S. producers and eight of nine responding importers reported selling net 30 days.⁶

Price leadership

Most purchasers reported one or more price leaders. Resolute was most often reported to be a price leader (23 purchasers), followed by NORPAC (10), Kruger (8), Catalyst (7), and White Birch (6). Purchasers explained that price leaders typically announced increases in price but that sellers did not announce price reductions, and as a result, it is more difficult to determine which firms were leading prices down. Purchasers also reported that Resolute was a price leader because it was the largest producer. Three firms mentioned that price leadership differs by region, with Resolute being the price leader in the East while NORPAC was the price leader in the West.

Price factors

U.S. producers, importers, and purchasers were asked to rate the importance of five factors on the price of UGW paper, with “1” indicating little or no effect and “5” indicating maximum effect (table V-3). The largest number of firms rated the decline in print media as having maximum effect. The remaining factors had less than half as many firms reporting that these factors were of maximum importance as the decline in print media. Most producers and importers reported that “other factors causing demand for paper product to decline” had an average or above average impact on prices. Most responding importers and purchasers and half the responding producers reported that the availability of substitutes had an average or greater than average impact on prices. Most producers and importers reported that competition among U.S. producers had an average or greater than average impact on prices. In contrast, most purchasers rated competition among U.S. producers as having an average or less than average impact on prices. Most producers and importers rated availability of subject imports as having an average or less than average impact on prices, while most purchasers reported that the availability of subject imports had an average or greater than average impact on prices.

⁴ *** reported that purchasers prepaid freight to the destination and therefore it has been included with firms that sell delivered. ***.

⁵ The other producer (***) reported that it has no discounts because it does use price lists; instead, it reported negotiating transaction prices.

⁶ The other importer (***) reported net 45 days.

Table V-3

UGW paper: U.S. producers, importers, and purchasers rating of importance of factors in the price of UGW paper

Factor	Rating of the factor ¹														
	U.S. producers					Importers					Purchasers				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
The decline in print media	0	1	0	0	3	0	0	2	0	7	0	1	5	7	19
Other factors causing demand for paper products to decline	0	1	1	2	0	0	0	2	3	2	0	7	6	7	8
Availability of substitute products	1	1	0	2	0	0	3	1	2	3	3	1	5	3	5
Competition among U.S. producers	0	1	1	2	0	1	1	3	4	2	6	6	11	2	2
Availability of subject imports	0	2	1	0	1	1	2	5	0	1	5	1	10	7	5
Decrease in supply of in scope UGW paper											0	1	0	7	24
Shift to lighter-weight newsprint											3	7	7	6	4

¹ A rating of 1 represents no effect or minimal effect, and 5 represents substantial effect.

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers were also asked about the price effects of two additional factors, the decrease in the supply of in-scope UGW paper and the shift to lighter-weight paper (table V-3). Purchasers on average rated the decrease in supply of in-scope UGW paper as having a greater impact on price than the decline in print media. All but one responding purchaser (***) reported that this had a greater than average impact on prices. Purchasers' responses to the impact of the shift to lighter-weight paper on price were mixed; as many purchasers responded 1 and 2 (below average impact) as responded 4 and 5 (above average impact).

PRICE DATA

Publicly available price information

RISI⁷ publishes price data for 45 gsm newsprint in two regions-- the East and the West.⁸ Prices of 45 gsm newsprint were higher in the East than in the West regions beginning in 2015 (figure V-1).⁹ Between January 2015 and July 2017, the price of 45 gsm newsprint in the West ranged from *** below the price in the East. The RISI prices fluctuated, being lowest in ***. Between January 2015 and December 2017, the RISI price increased by *** percent in the East and by *** percent in the West. Between January 2015 and March 2018, the RISI price increased by *** percent in the East and *** percent in the West.

⁷ RISI is an independent organization that provides information on the paper industry. Hearing transcript, p. 135 (Klett).

⁸ Petitioners explained that the Rocky Mountains divide the East and West regions. Hearing transcript, p. 136 (Crowley).

⁹ RISI also provides eastern and western prices for 48.4 gsm paper; however, these data were not available for the full period.

Figure V-1
Newsprint paper prices: Price per metric ton reported by RISI for the East and West regions of the United States for 45 gsm paper, by month, January 2015 to March 2018

* * * * *

Prices from the questionnaires

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and delivered value of the following UGW paper products shipped to unrelated U.S. customers during 2015-17.

Product 1.-- Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. **Sold in the Northeast (CT, ME, MA, NH, NJ, NY, PA, RI, and VT).**

Product 2.-- Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. **Sold in the Central U.S. (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, and WI).**

Product 3.-- Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. **Sold in the South (AL, AR, DE, DC, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, and WV).**

Product 4.-- Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. **Sold in the West (AZ, CA, CO, ID, MT, NV, NM, OR, UT, WA, and WY).**

Product 5.-- 65 Bright, 44.0-46.0 gsm (27-28 lb. newsprint weight) with ISO brightness of 65, in rolls.

Product 6.-- 80 Bright, 51.5-52.5 gsm (35.0 lb. book weight), with ISO brightness of 80, in rolls.

Product 7.-- Directory, 34.0 gsm (20.9 lb. directory weight), with ISO brightness of 56 in rolls.

Four U.S. producers and seven importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products or in all quarters.¹⁰

¹⁰ Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

Pricing data reported by these firms accounted for approximately 46 percent of U.S. producers' U.S. shipments and *** percent of U.S. shipments of subject Canadian imports in 2017.

Price data for products 1-7 are presented in tables V-4 to V-10 and figures V-2 to V-8. Nonsubject Canadian prices for White Birch are presented in Appendix E.

Table V-4

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 1 (Northeast region) and margins of underselling/(overselling), by quarters, 2015-17

* * * * *

Table V-5

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 2¹ (Central region) and margins of underselling/(overselling), by quarters, 2015-17

Period	United States		Subject Canada		
	Price (per kilogram)	Quantity (kilograms)	Price (per kilogram)	Quantity (kilograms)	Margin (percent)
2015:					
Jan.-Mar.	0.58	6,530,029	***	***	***
Apr.-June	0.55	6,360,332	***	***	***
July-Sept.	0.52	5,834,641	***	***	***
Oct.-Dec.	***	***	***	***	***
2016:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	0.55	10,544,070	***	***	***
Oct.-Dec.	***	***	***	***	***
2017:					
Jan.-Mar.	0.55	8,750,516	***	***	***
Apr.-June	0.54	6,995,828	***	***	***
July-Sept.	0.54	5,062,511	***	***	***
Oct.-Dec.	***	***	***	***	***

¹ Product 2: Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. Sold in the Central U.S. (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, and WI).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-6

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 3 (South region) and margins of underselling/(overselling), by quarters, 2015-17

* * * * *

Table V-7

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 4 (West region) and margins of underselling/(overselling), by quarters, 2015-17

* * * * *

Table V-8

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 5 and margins of underselling/(overselling), by quarters, 2015-17

* * * * *

Table V-9

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 6 and margins of underselling/(overselling), by quarters, 2015-17

* * * * *

Table V-10

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 7 and margins of underselling/(overselling), by quarters, 2015-17

* * * * *

Figure V-2

UGW paper: Weighted-average prices and quantities of domestic and subject imported product 1, (Northeast region) by quarters, 2015-17

* * * * *

Figure V-3

UGW paper: Weighted-average prices and quantities of domestic and subject imported product 2, (Central region) by quarters, 2015-17

* * * * *

Figure V-4

UGW paper: Weighted-average prices and quantities of domestic and subject imported product 3, (South region) by quarters, 2015-17

* * * * *

Figure V-5

UGW paper: Weighted-average prices and quantities of domestic and subject imported product 4, (West region) by quarters, 2015-17

* * * * *

Figure V-6

UGW paper: Weighted-average prices and quantities of domestic and subject imported product 5, by quarters, 2015-17

* * * * *

Figure V-7
UGW paper: Weighted-average prices and quantities of domestic and subject imported product 6, by quarters, 2015-17

* * * * *

Figure V-8
UGW paper: Weighted-average prices and quantities of domestic and subject imported product 7, by quarters, 2015-17

* * * * *

Regional price data for 45.0 gsm newsprint

Regional price data for 45.0 gsm newsprint (products 1-4) reflected regional price gaps for U.S.-produced product. Overall prices were generally lower in the Western region and these price gaps were generally larger for U.S.-produced product than for imported subject Canadian product. Prices for U.S.-produced 45.0 gsm newsprint were higher in the Eastern, Central, and the Southern regions than they were in the Western region in all quarters for which data were collected (table V-11). In contrast, subject Canadian 45.0 gsm newsprint prices were sometimes higher in the Western region than in the other regions.

Table V-11
UGW paper: Comparisons of prices of 45.0 gsm newsprint from Western and from all other regions by source of the paper

Source	Western prices lower than other regions				Western prices higher than other regions			
	Number of quarters	Average	Highest	Lowest	Number of quarters	Average	Highest	Lowest
		Cents per kilogram difference				Cents per kilogram difference		
U.S.	36	1.8	3.5	0.4	0	--	--	--
Subject Canada	24	1.6	3.5	0.0	12	1.0	2.2	0.2
All Canada ¹	18	2.0	3.4	0.6	18	0.9	2.1	0.1

¹ All Canada includes data from White Birch presented in appendix E.

Source: Compiled from data submitted in response to Commission questionnaires.

There were also regional differences in the U.S. and Canadian producers' reported share of 45.0 gsm newsprint price data. Canadian product made up the vast majority of reported pricing products sales in the Eastern and Central regions and a minority of sales in the Southern and Western regions (table V-12).

Table V-12
UGW paper: Share of 45.0 gsm newsprint from subject Canada and all Canada by region

* * * * *

Petitioners claim that, in spite of the limited shipments from Eastern suppliers into the West, competition in the UGW paper industry is national and prices in the East and West affect each other.¹¹ Respondents claim that the market for newsprint is regional.¹² For example, Kruger stated it does not ship newsprint west of the Rocky Mountains and this provision is included in one of its contracts.¹³ Respondent News Media Alliance explained that the major regional distinction is between markets East and West of the Rocky Mountains and that the Eastern and Western United States have different suppliers and different prices.¹⁴

Respondents claim that Canadian prices for newsprint reported in questionnaire data tend to be lower than the U.S. producers' prices in some regions because the prices collected were for delivered UGW paper (rather than f.o.b.). In the Northeast and Central regions, the Canadian producers are closer to the purchasers than are any U.S. producers. In these cases, the underselling reflects the shorter distance and the resulting lower transportation costs of the Canadian producers.¹⁵ Respondents contend that AUVs for some of the specific products that were collected in the questionnaires can be used to compare U.S. and Canadian prices excluding transportation costs and respondents claim that Canadian AUVs tend to be higher than AUVs reported by U.S. producers.¹⁶

Price trends

All prices decreased during 2015-17. Table V-13 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases ranged from *** to *** percent during 2015-17 while import price decreases ranged from *** to *** percent. The largest price reductions occurred in pricing products 5 and 7, while price reductions tended to be smaller for 45.0 gsm newsprint (products 1-4).

¹¹ Hearing transcript, pp. 156-159 (Crowley).

¹² Hearing transcript, p. 227 (Dwyer).

¹³ Hearing transcript, p. 223 (Angel).

¹⁴ News Media Alliance's posthearing brief, answers to Commissioner questions, pp. 8-10.

¹⁵ Respondent Kruger's posthearing brief, pp. 8-9.

¹⁶ Respondent Kruger's posthearing brief, pp. 10-11.

Table V-13

UGW paper: Summary of weighted-average delivered prices for products 1-7 from the United States and subject Canada

Item	Number of quarters	Low price (per kilogram)	High price (per kilogram)	Change in price ¹ (percent)
Product 1 (Northeast)				
United States	12	***	***	***
Subject Canada	12	***	***	***
Product 2 (Central)				
United States	12	***	***	***
Subject Canada	12	***	***	***
Product 3 (South)				
United States	12	***	***	***
Subject Canada	12	***	***	***
Product 4 (West)				
United States	12	***	***	***
Subject Canada	12	***	***	***
Product 5				
United States	12	***	***	***
Subject Canada	12	***	***	***
Product 6				
United States	12	***	***	***
Subject Canada	12	***	***	***
Product 7				
United States	0	--	--	--
Subject Canada	12	***	***	***

¹ Percentage change from the first quarter in 2015 to the last quarter in 2017.

Source: Compiled from data submitted in response to Commission questionnaires.

Price comparisons

As shown in table V-14, prices for subject imports from Canada were below those for U.S.-produced product in 60 of 72 instances (2,937 million kilograms); margins of underselling ranged from 0.2 to 15.0 percent. In the remaining 12 instances (267 million kilograms), prices for product from subject imports from Canada were between 0.0 and 3.3 percent above prices for the domestic product. There were no instances of overselling for products 1 and 2 (45.0 gsm newsprint sold in the Northeast and Central United States). There were 3 instances of overselling for product 3 (45.0 gsm newsprint in the Southern region) and 6 instances of overselling for product 4 (45.0 gsm newsprint in the Western region). Between 2015 and 2017, products 1-4 represent *** percent of the pricing data supplied by the subject Canadian firms and *** percent of pricing data provided by U.S. producers.

Table V-14
UGW paper: Instances of underselling/overselling and the range and average of margins, for
subject Canada, 2015-17

Product	Underselling				
	Number of quarters	Quantity (1,000 kilograms)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1 (Northeast)	12	***	***	***	***
Product 2 (Central)	12	***	***	***	***
Product 3 (South)	9	***	***	***	***
Product 4 (West)	6	***	***	***	***
Product 5	11	***	***	***	***
Product 6	10	***	***	***	***
Product 7	0	0	---	---	---
Total, underselling	60	2,937,002	3.6	0.2	15.0
Product	(Overselling)				
	Number of quarters	Quantity (1,000 Kilograms)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1 (Northeast)	0	0	---	---	---
Product 2 (Central)	0	0	---	---	---
Product 3 (South)	3	***	***	***	***
Product 4 (West)	6	***	***	***	***
Product 5	1	***	***	***	***
Product 6	2	***	***	***	***
Product 7	0	0	---	---	---
Total, overselling	12	266,585	(1.3)	(0.0)	(3.3)

Source: Compiled from data submitted in response to Commission questionnaires.

LOST SALES AND LOST REVENUE

In the preliminary phase of the investigations, the Commission requested that U.S. producers of UGW paper report purchasers where they experienced instances of lost sales or revenue due to competition from imports of UGW paper from Canada during January 2014 to April 2017. One U.S. producer, ***, submitted lost sales and lost revenue allegations. It identified 10 firms where it lost sales or revenue (4 consisting lost sales allegations, 3 consisting of lost revenue allegations, and 3 consisting of both types of allegations).

In the final phase of these investigations, one of the four responding U.S. producers, ***, reported that it had reduced prices and rolled back announced price increases because of imports from Canada. *** was also the only U.S. producer that reported it had lost sales due to Canadian imports.

Staff contacted 66 purchasers and received responses from 34 purchasers. Responding purchasers reported purchasing 6.7 million metric tons of UGW paper during 2015-17 (table V-15).

Table V-15
UGW paper: Purchasers' responses to purchasing patterns

* * * * *

Of the 34 responding purchasers, 28 reported that, since 2015, they had purchased imported UGW paper from Canada instead of U.S.-produced product. Two of these purchasers reported that subject import prices were lower than U.S.-produced product, and both of these purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. These two purchasers estimated the quantity of UGW paper from subject Canada purchased instead of domestic product: *** kilograms and *** kilograms, respectively (table V-16). Purchasers reported a number of reasons for purchasing subject Canadian product rather than U.S.-produced product, including: availability (availability for press date, lack of U.S. capacity, product purchased not available from U.S. producers, U.S. producer refused to provide product when requested, closure of Bear Island production facility, and lighter basis weight newsprint is only available from Canadian producers in the East);¹⁷ shipping distances (lack of availability of U.S. produced product lighter weight newsprint in the East and better supply chain); supplier (contract with supplier, producer has plants in both the United States and Canada and it determines which source it sells from, and needing alternative supplier); and quality (runability). Table V-17 presents quantities of lost sales by source.

Table V-16
UGW paper: Purchasers' responses to purchasing subject imports instead of domestic product

* * * * *

Table V-17
UGW paper: Number of purchasers reporting purchasing Canadian product, number reporting lower price, number reporting price was reason for purchase quantity of imports they purchase by Canadian producer, and quantity purchased

Source	Count of purchasers reporting subject instead of domestic	Count of purchasers reported that imports were priced lower	Count of purchasers reporting that price was a primary reason for shift	Quantity purchased (metric tons)
Canada—Resolute	22	1	1	1,056
Canada--All other firms	26	2	2	25,301
Total, subject sources	28	2	2	26,357
Canada--White Birch	17	1	1	275

Source: Compiled from data submitted in response to Commission questionnaires.

¹⁷ *** .

Of the 33 responding purchasers, one (***) reported that U.S. producers had reduced prices in order to compete with lower-priced imports from Canada (table V-18; 15 reported that they did not know). The reported estimated price reduction was 10.5 percent. In describing the price reductions, this purchaser reported that ***.

Table V-18
UGW paper: Purchasers' responses to U.S. producer price reductions

* * * * *

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Four U.S. producers provided usable financial data on their UGW paper operations.¹ These were the same firms that provided data in the trade section of the Commission's questionnaire: NORPAC,² Resolute,³ Bear Island,⁴ and Ponderay.⁵

OPERATIONS ON UGW PAPER

Table VI-1 presents aggregate data on U.S. producers' operations in relation to UGW paper over the calendar years 2015-17, while table VI-2 presents changes in unit values, and table VI-3 provides data on a firm-by-firm basis.

¹ Each firm has a fiscal year that ends on December 31 and each filed on the basis of GAAP. There were no differences between the trade and financial sections of the Commission's questionnaire. As noted earlier in the report, a fifth U.S. producer, ***.

² Prior to November 1, 2016, NORPAC was a joint venture between Weyerhaeuser and Nippon Paper Industries. On November 1, 2016, the firm was acquired by One Rock Capital Partners LLC. NORPAC stated that there have been no changes to production or sales efforts, decision-making, or the management team as a result of the acquisition. Petitioner's postconference brief, answers to staff questions, pp. A-1-A-2.

³ Resolute was formed on January 25, 2007, from the merger of Bowater Inc. and Abitibi Consolidated (announced as a merger to create AbitibiBowater) and subsequently the firm changed its name to Resolute Forest Products.

⁴ Christopher Brant, President and Chief Operating Officer of White Birch, announced the closure of the Bear Island, Virginia paper and pulp mill on May 17, 2017, citing difficult market pricing, challenging cost fundamentals, and declining demand. White Birch Paper Co. press release May 17, 2017 included in Petition, Vol. I, exh. I-3. White Birch recently stated that the mill plans to resume production of standard newsprint before the end of the third quarter 2018; it will be owned by Cascade, which is investing \$275 million in pulp production, but managed and operated by White Birch for "the next 27 months." Response by White Birch to Commission question, July 30, 2018.

⁵ Ponderay is a joint venture between Resolute and a group of newspaper publishers, Gannet, McClatchy, Media News, and Copley Press.

Table VI-1

UGW paper: Results of operations of U.S. producers, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (metric tons)		
Total net sales	***	***	1,647,823
	Value (1,000 dollars)		
Total net sales	***	***	832,130
Cost of goods sold (COGS):-			
Raw materials	***	***	401,175
Direct labor	***	***	144,348
Other factory costs	***	***	332,492
Total COGS	***	***	878,015
Gross profit or (loss)	***	***	(45,885)
SG&A expense	***	***	44,316
Operating income or (loss)	***	***	(90,201)
Interest expense	***	***	***
All other expenses ¹	***	***	***
All other income ¹	***	***	***
Net income or (loss)	***	***	***
Depreciation/amortization	***	***	***
Cash flow	***	***	***
	Ratio to net sales (percent)		
COGS:			
Raw materials	***	***	48.2
Direct labor	***	***	17.3
Other factory costs	***	***	40.0
Total COGS	***	***	105.5
Gross profit or (loss)	***	***	(5.5)
SG&A expense	***	***	5.3
Operating income or (loss)	***	***	(10.8)
Net income or (loss)	***	***	***

Table continued on next page.

Table VI-1 -- Continued

UGW paper: Results of operations of U.S. producers, 2015-17

Item	Calendar year		
	2015	2016	2017
	Ratio to total COGS (percent)		
COGS:			
Raw materials	***	***	45.7
Direct labor	***	***	16.4
Other factory costs	***	***	37.9
Total COGS	***	***	100.0
	Unit value (dollars per metric ton)		
Total net sales	***	***	505
COGS:			
Raw materials	***	***	243
Direct labor	***	***	88
Other factory costs	***	***	202
Total COGS	***	***	533
Gross profit or (loss)	***	***	(28)
SG&A expense	***	***	27
Operating income or (loss)	***	***	(55)
Net income or (loss)	***	***	***
	Number of firms reporting		
Operating losses ²	***	***	***
Net losses ²	***	***	***
Data	4	4	4

¹ Data were accounted for by ***.

² Operating losses were reported by ***. Net losses were reported by ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2

UGW paper: Changes in average unit values, between calendar years, 2015-17

* * * * * * *

Table VI-3

UGW paper: Results of operations of U.S. producers, by firm, 2015-17

* * * * * * *

Net sales quantity and value

Net sales of UGW paper consisted of commercial sales (including exports) only. As shown in table VI-1, aggregate UGW paper sales continually declined from 2015 to 2017. Changes in sales quantity and value by *** accounted for the *** between 2015 and 2017, as

shown in table VI-3. Total sales by ***. Export shipments also fell between 2015 and 2017, contributing to the decline in total sales, by ***.⁶ ***.

The industry average net sales unit value for UGW paper declined from 2015 to 2017 (tables VI-1 and VI-2). As shown in table VI-3, between 2015 and 2016, ***. The average unit value of sales was lower in 2017 ***. The firm-by-firm data also shows a ***.⁷

Cost of goods sold and gross profit or (loss)

Raw materials account for a large percentage of overall COGS, accounting for between *** percent in 2015 and 45.7 percent in 2017 of total COGS. Raw material costs, which represented *** percent of net sales value in 2015, increased to 48.2 percent of net sales value in 2017. The Commission's questionnaire requested that firms break out raw material costs into the cost of "own-pulp", purchased pulp, and other inputs. Pulp includes the costs of producing pulp from purchased fiber materials such as wood chips or wood in other forms and from reclaimed newspapers as well as purchases of pulp. All other costs include energy, chemicals, bleach, and the like. The reported cost of "own-pulp" accounted for approximately *** percent of total raw material costs in 2017.⁸ One firm described trends in raw material costs as due to inflation and market-driven increases in prices of whole logs and residual chip costs.⁹ Another stated that it was able to lower the overall input cost by modifying the fiber input mix.

⁶ Respondent Resolute argued: That upon NORPAC's sale by its parents to One Rock Capital Partners, LLC, NORPAC "lost" 60,000 metric tons of annual production of UGW paper earmarked for Nippon Paper Industries; ***; and that NORPAC "lost" approximately 32,500 metric tons of 2017 production due to effluent and related issues ***. Respondent Resolute also asserted that "One Rock reduced NORPAC employees' pay by *** percent, took away retirement benefits, shut down one of three paper machines, laid off workers, and ***." Respondent Resolute argued that the production losses were enough to cause the shut-down of a paper machine; the production and *** losses "explain why NORPAC scaled back ***, employee pay, and employee benefits." Respondent Resolute's prehearing brief, pp. 1 and 8-9. Petitioner NORPAC responded to the allegations and stated: ***. Petitioners' posthearing brief, answers to Commission questions, #15, pp. 41-43 and #21, p. 53; also section II, supplemental questions from Commission staff, #27, pp. 64-65, #29, p. 65, and #30, p. 66.

⁷ See Part III, table III-8; the higher average unit value of sales of high bright papers (***).

⁸ Each of the firms reported "own-pulp" costs and ***. Approximately ***. Email from E. Feldman, counsel to Resolute, to Commission staff, May 16, 2018. Email from Bonnie Byers, counsel to NORPAC, to Commission staff, May 30, 2018. Differences in classification do not affect comparisons of total COGS and profitability.

⁹ The cost of raw material inputs, particularly pulp, is influenced by the cost of softwood lumber; demand for softwood lumber rose from 2016 to 2017 due to the recovery of the housing and repair/remodeling markets in the United States. U.S. prices were influenced by the antidumping duties and countervailing duties imposed on imports of softwood lumber from Canada in December 2017.

NORPAC, Resolute, and Bear Island provided examples of efforts to reduce raw material costs. NORPAC listed its ***.¹⁰ Resolute reported that it had ***.¹¹ Bear Island stated that it ***.¹² Ponderay stated that ***.¹³

Other factory costs, which are composed of variable and fixed facility overhead costs, also are a large component of total COGS. These costs fell from 2015 to 2017 on a dollar basis, on a per-unit basis, and as a share of sales; other factory costs fell more than did sales (***) from 2015 to 2017, partly because of the closures and line shutdowns.¹⁴ *** accounted for most of the changes in other factory costs between 2015 and 2017 and most of the change in ***¹⁵ while ***.

One component of other factory costs is the cost of treating effluent wastewater. NORPAC uses a wastewater treatment facility ***.¹⁶ Bear Island and Ponderay ***. Resolute ***.

NORPAC, Resolute, and Bear Island provided examples of efforts to reduce manufacturing overhead costs. NORPAC listed ***.¹⁷ Resolute ***.¹⁸ Bear Island ***.¹⁹

The last component of COGS, direct labor, fell from 2015 to 2017 on a dollar basis but increased as a share of sales, as a share of total COGS, and on a per-unit basis. NORPAC and Resolute provided examples of efforts to reduce labor costs. NORPAC listed ***.²⁰ Resolute stated some cost-savings opportunities were in ***.²¹ In addition, Bear Island stated that its initiatives included ***.²²

¹⁰ NORPAC's postconference brief, exh. 31. Dollar values were provided for calendar years 2014-16. At the Commission's hearing, a witness for NORPAC testified that the firm had implemented energy conservation measures, redesigned work, and invented numerous new grades. Hearing transcript, p. 88 (Buckingham). Also, hearing transcript, p. 167 (Anneberg) regarding improvements to produce UGW paper other than newsprint without significant capital investment.

¹¹ Resolute's postconference brief, answers to staff question p. 19. ***.

¹² Bear Island's postconference brief, p. 26 and exh. 11. Cost savings were provided on a per-metric ton basis. However, the firm indicated that costs in 2017 ***. Bear Island's postconference brief, p. 27 and exh. 11.

¹³ U.S. producers' questionnaire responses of Ponderay, section IV-19.

¹⁴ Other factory costs include variable costs like fuels and electricity, effluent treatment costs, chemicals, and maintenance as well as fixed costs like depreciation, taxes, and the like. For example, ***. Email from E. Feldman, counsel to Resolute, to Commission staff, May 16, 2018. Email from Bonnie Byers, counsel to NORPAC, to Commission staff, May 30, 2018. Fixed and variable costs were affected by idled machinery and closure. For example, ***.

¹⁵ ***.

¹⁶ See discussion earlier regarding this issue.

¹⁷ NORPAC's postconference brief, exh. 31.

¹⁸ Resolute's postconference brief, answers to staff questions, p. 18.

¹⁹ Bear Island's postconference brief, p. 26 and exh. 11.

²⁰ NORPAC's postconference brief, exh. 31.

²¹ Resolute's postconference brief, answers to staff questions, p. 18.

²² Bear Island's postconference brief, p. 26 and exh. 11.

The COGS to sales ratio decreased slightly from 2015 (***) percent) to 2016 (***) percent), before increasing in 2017 to 105.5 percent. As a consequence of the changes in total COGS and sales described earlier, gross losses fell from \$*** in 2015 to \$*** in 2016, and were slightly lower, at a gross loss of \$45.9 million, in 2017 (table VI-1). The ***.

SG&A expenses and operating income or (loss)

As shown in table VI-1, the industry's SG&A expense ratios (i.e., total SG&A expenses divided by total revenue) were between *** percent (2016) and 5.3 percent (2017). ***.²³

NORPAC and Resolute provided examples of efforts to reduce SG&A expenses. NORPAC listed ***.²⁴ Resolute stated that the firm ***.²⁵

In the preliminary phase of these investigations, the four reporting firms recorded a small operating income of \$*** in 2014 but operating losses of \$*** in 2015 and \$*** in 2016; together, they reported an operating loss of \$*** in 2017.

Other expenses and net income or (loss)

Interest charges, other expenses, and other income are subtracted from or added to operating income. *** reported other expenses: ***.²⁶ ***.²⁷ ***. ***.

The four firms together reported a net loss of \$*** in 2014 that expanded to a loss of \$*** in 2015 (***), before improving to a loss of \$*** (***), and then worsened in 2017 when they recorded a net loss of \$***. Net losses as a ratio to sales improved from a negative *** percent in 2015 to a negative of *** percent in 2016, but then worsened in 2017 at a negative *** percent. Cash flow (net income plus depreciation charges) improved from a negative \$*** in 2015 to a negative \$*** in 2016 before worsening to a negative \$*** in 2017.

Variance analysis

A variance analysis for the operations of U.S. producers of UGW paper is presented in table VI-4.²⁸ The information for this variance analysis is derived from table VI-1. The analysis

²³ U.S. producers' questionnaire response of ***.

²⁴ NORPAC's postconference brief, exh. 31.

²⁵ Resolute's postconference brief, answers to staff questions, p. 18.

²⁶ ***.

²⁷ ***.

²⁸ The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS

illustrates that from 2015 to 2017, the decrease in operating losses was primarily attributable to a unfavorable price variance (unit prices fell) that was offset by a combination of a favorable net/cost variance (i.e., unit costs and expenses decreased) and a favorable volume variance (in this case the lower volume of sales had a beneficial effect on net costs).

Table VI-4
UGW paper: Variance analysis on the operations of U.S. producers, 2015-17

* * * * *

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-5 presents capital expenditures and research and development (“R&D”) expenses by firm.

Table VI-5
UGW paper: Capital expenditures and R&D expenses of U.S. producers, by firm, 2015-17

* * * * *

Responses of the firms regarding the nature or focus of their capital expenditures and R&D spending are given in the tabulation below.

* * * * *

ASSETS AND RETURN ON ASSETS

Table VI-6 presents data on the U.S. producers’ total assets and the ratio of operating income or (loss) to total assets.

Table VI-6
UGW paper: U.S. producers’ total assets and return on assets, 2015-17

* * * * *

NORPAC described the production of UGW paper as capital intensive, indicating that the investment barrier needed to enter the industry is high, and plant and equipment are expensive. NORPAC estimated that a new paper machine installed in an existing paper mill with supporting pulp production would cost in excess of \$***. NORPAC also estimated that a new

and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

greenfield paper mill with mechanical pulp capability would cost about \$***.²⁹ Because of the high capital cost, paper machines are designed to operate continuously and profitability is dependent on high rates of capacity utilization.³⁰ Resolute also provided data, stating that it spent approximately \$100 million to install new machinery at its Calhoun, Tennessee mill.³¹

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of UGW paper to describe any actual or potential negative effects of imports of UGW paper from Canada on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Table VI-7 presents a tally of U.S. producers' responses and table VI-8 provides the narrative responses.

Table VI-7

UGW paper: Actual and anticipated negative effects of imports from Canada on investment and growth and development since January 1, 2015

* * * * *

Table VI-8

UGW paper: Narrative responses by U.S. producers regarding actual and anticipated negative effects of imports from Canada on investment, growth, and development since January 1, 2015

* * * * *

²⁹ NORPAC's postconference brief, p. 17. NORPAC estimated that a new paper machine alone would cost \$***. However a new machine would have to be accompanied by the addition of capacity to make thermomechanical pulp ("TMP"), estimated to cost \$***, as well as new buildings to house the new paper and pulp machines, estimated to cost \$***, respectively. Petitioner's prehearing brief, pp. 18-19 and citing petitioners' postconference brief, answers to staff questions, p. A-8.

³⁰ When a mill runs at lower operating rates, costs increase because operating efficiency is impeded. When a machine is shut down, there are reportedly high costs associated with restarting it. Conference transcript, pp. 97-98 (Annenberg and Buckingham) and petitioners' prehearing brief, pp. 19-21.

³¹ Conference transcript, p. 159 (Blaine). This was reportedly for a ***; the *** benefitted all products produced at the Calhoun facility. Resolute also invested \$***. Resolute's postconference brief, answers to staff questions, p. 7.

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors¹--

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) inventories of the subject merchandise,*

¹ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

- (VI) *the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,*
- (VII) *in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VIII) *the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (IX) *any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).²*

Information on the nature of the subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV and V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

² Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN CANADA

The Commission issued foreign producers' or exporters' questionnaires to seven firms believed to produce and/or export UGW paper from Canada.³ Usable responses to the Commission's questionnaire were received from all seven firms: Resolute FP Canada Inc. ("Resolute"),⁴ Irving Paper Limited ("Irving"),⁵ Tembec,⁶ Catalyst Paper Corporation/Catalyst Pulp and Paper Sales Inc. ("Catalyst"),⁷ Kruger Inc. ("Kruger"),⁸ Alberta Newsprint Company ("Alberta"),⁹ and White Birch Paper Canada Company NSULC ("White Birch").¹⁰ These firms' exports to the United States accounted for the vast majority of U.S. imports of UGW paper from Canada in 2017. According to estimates requested of the responding Canadian producers, the production of UGW paper in Canada reported in questionnaires account for the vast majority of known production of UGW paper in Canada in 2017. Table VII-1 presents information on the UGW paper operations of the responding producers and exporters in Canada.

³ These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

⁴ Resolute Canada reported that UGW paper represented *** percent of its total sales in the most recent fiscal year.

⁵ Irving Paper reported that UGW paper represented *** percent of its total sales in the most recent fiscal year.

⁶ Tembec reported that UGW paper represented *** percent of its total sales in the most recent fiscal year.

⁷ Catalyst reported that UGW paper represented *** percent of its total sales in the most recent fiscal year.

⁸ Kruger reported that UGW paper represented *** percent of its total sales in the most recent fiscal year.

⁹ Alberta reported that UGW paper represented *** percent of its total sales in the most recent fiscal year.

¹⁰ White Birch reported that UGW paper represented *** percent of its total sales in the most recent fiscal year. As discussed in Part I, White Birch was assessed a 0.00 percent dumping margin and a de minimis subsidy rate (0.82 percent) in Commerce's final determinations. Therefore, UGW paper produced by White Birch is not included in the industry data for Canada. White Birch's operations data are presented in Appendix E.

Table VII-1
UGW paper: Summary data for subject producers in Canada, 2017

Firm	Production (metric tons)	Share of reported production (percent)	Exports to the United States (metric tons)	Share of reported exports to the United States (percent)	Total shipments (metric tons)	Share of firm's total shipments exported to the United States (percent)
Alberta	***	***	***	***	***	***
Catalyst	***	***	***	***	***	***
Irving	***	***	***	***	***	***
Kruger	***	***	***	***	***	***
Resolute	***	***	***	***	***	***
Tembec	***	***	***	***	***	***
Total	3,050,080	100.0	1,665,075	100.0	3,075,124	54.1

Source: Compiled from data submitted in response to Commission questionnaires.

Changes in operations

As presented in table VII-2, producers in Canada reported several operational and organizational changes since January 1, 2015. *** out of six firms reported either closures or prolonged shutdowns or curtailments to facilities that were producing UGW paper. *** reported an expansion or restart of a UGW paper-producing machine.

Table VII-2
UGW paper: Subject Canadian producers' reported changes in operations, since January 1, 2015

* * * * *

Operations on UGW Paper

Table VII-3 presents information on the UGW paper operations of the responding producers and exporters in Canada.

Table VII-3
UGW paper: Data on subject producers in Canada, 2015-17

Item	Actual experience			Projections	
	Calendar year				
	2015	2016	2017	2018	2019
	Quantity (metric tons)				
Capacity	3,591,076	3,569,549	3,167,609	3,166,953	3,076,655
Production	3,347,128	3,356,078	3,050,080	3,111,332	3,008,968
End-of-period inventories	181,198	223,782	198,738	192,972	192,302
Shipments:					
Home market shipments:					
Internal consumption/ transfers	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***
Total home market shipments	586,889	545,758	549,979	529,649	531,063
Export shipments to:					
United States	1,842,069	1,848,830	1,665,075	1,568,995	1,397,742
All other markets	959,439	918,906	860,070	1,018,454	1,080,833
Total exports	2,801,508	2,767,736	2,525,145	2,587,449	2,478,575
Total shipments	3,388,397	3,313,494	3,075,124	3,117,098	3,009,638
	Ratios and shares (percent)				
Capacity utilization	93.2	94.0	96.3	98.2	97.8
Inventories/production	5.4	6.7	6.5	6.2	6.4
Inventories/total shipments	5.3	6.8	6.5	6.2	6.4
Share of shipments:					
Home market shipments:					
Internal consumption/ transfers	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***
Total home market shipments	17.3	16.5	17.9	17.0	17.6
Export shipments to:					
United States	54.4	55.8	54.1	50.3	46.4
All other markets	28.3	27.7	28.0	32.7	35.9
Total exports	82.7	83.5	82.1	83.0	82.4
Total shipments	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

From 2015 to 2017, Canadian producers' production capacity decreased by 11.8 percent. The 2015-17 change reflects the decreases in the production capacity of ***, which accounted for *** percent of the total decrease and offset the increases in production capacity reported by ***. Reduced demand forced Resolute to prioritize shutting down its most

inefficient and least profitable UGW paper production facilities.¹¹ Resolute notes that more inefficient and least-profitable mills have been located in Canada.¹² ***.

Kruger's 2016-17 *** can be attributed to the conversion of paper machine number 10 in its TR mill from a UGW paper machine to a linerboard-producing machine in the spring of 2017.¹³ This conversion was a flagship \$250 million project that began in 2013 as part of Kruger's larger goal of diversifying its business away from the production of UGW paper. Kruger made this decision even though paper machine number 10 was its ***.¹⁴ In addition to conversions at its TR mill, Kruger is proceeding with a *** investment to convert both newsprint machines (paper machines number 2 and number 3) at its Brompton mill to produce food service, labelling, and flexible packaging grade paper products.¹⁵ Kruger expects to convert paper machine number 2 to produce out-of-scope paper products by *** and begin the conversion of paper machine number 3 ***.¹⁶ Kruger is also conducting a *** at its Corner Brook mill, ***.¹⁷ ***.¹⁸ Production capacity is projected to stay the same in 2018 and decrease by 2.9 percent from 2018 to 2019. *** projected a lower production capacity in 2018 while *** projected a higher production capacity.

After remaining mostly unchanged from 2015 to 2016, Canadian producers' total production decreased by 9.1 percent from 2016 to 2017. The change in production reflects *** operations. They accounted for *** percent of the total decrease from 2015 to 2017 and offset the increases in production reported by ***. ***.¹⁹ Kruger's production *** can be attributed to the conversion of the TR mill from newsprint production to linerboard production. ***.²⁰ ***.²¹ These aspects of paper production may partially explain ***. Canadian producers' production is projected to increase by 2.0 percent in 2018 and decrease by 3.3 percent from 2018 to 2019. The projected increase in 2018 reflects ***, which is based on ***.²²

Capacity utilization increased from 93.2 percent in 2015 to 94.0 percent in 2016 and to 96.3 percent in 2017. *** reported lower capacity utilization in 2017 than in 2015 while *** reported higher capacity utilization. ***. Capacity utilization is projected to be 98.2 percent in 2018 and 97.8 percent in 2019.

Commercial home market shipments accounted for *** percent, *** percent, and *** percent of total shipments in 2015, 2016, and 2017, respectively. Export shipments accounted for the majority of total shipments (82.7 percent in 2015, 83.5 percent in 2016, and 82.1

¹¹ Conference transcript, p. 120 (Blaine).

¹² Ibid, p. 121 (Blaine).

¹³ Respondent Kruger's prehearing brief, p. 8.

¹⁴ Ibid.

¹⁵ Ibid, p. 10.

¹⁶ Respondent Kruger's prehearing brief, p. 10.

¹⁷ Ibid, pp. 10-11

¹⁸ Ibid, p. 11.

¹⁹ ***, email correspondence with USITC staff, May 14, 2018.

²⁰ ***, email correspondence with USITC staff, May 10, 2018.

²¹ Ibid.

²² ***, email correspondence with USITC staff, May 14, 2018.

percent in 2017). *** reported internal consumption, which accounted for *** percent of total shipments during 2015-17.

During 2015-17, most Canadian exports went to the United States. Exports to the United States accounted for 65.8 percent, 66.8 percent, and 65.9 percent of total exports in 2015, 2016, and 2017, respectively. Export shipments to the United States decreased by 9.6 percent from 2015 to 2017. *** out of six firms reported less exports to the United States in 2017 than in 2015 with *** accounting for the majority of the decrease. The decrease in *** export shipments to the United States is due to the reduction of its production capacity.²³ Export shipments to the United States are projected to decrease by 5.8 percent in 2018 and by 10.9 percent from 2018 to 2019.

Alternative products

*** produced other products on the same equipment and machinery used to make UGW paper. These firms produced supercalendered paper, out-of-scope directory paper, coated groundwood, construction paper, linerboard paper, and manila paper. As shown in table VII-4, UGW paper accounted for *** percent, *** percent, and *** percent of Canadian producers' total production in shared equipment in 2015, 2016, and 2017, respectively.

Table VII-4

UGW paper: Subject Canadian producers' overall capacity and production on the same equipment as subject production, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (metric tons)		
Overall capacity	4,497,864	4,389,346	4,188,928
Production			
UGW paper	3,347,128	3,356,078	3,050,080
Other products	***	***	***
Total production on same machinery	***	***	***
	Ratios and shares (percent)		
Overall capacity utilization	***	***	***
Share of production:			
UGW paper	***	***	***
Other products	***	***	***
Total production on same machinery	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

*** reported that ***.***.***.***.

²³ Conference transcript, p. 121 (Blaine).

Exports

According to GTA, the leading export markets for UGW paper from Canada in 2017 were the United States, India, Brazil, and the United Kingdom. In 2017, the United States was the top export market for UGW paper from Canada, accounting for 69.9 percent, followed by India, accounting for 8.6 percent. Table VII-5 presents data on exports of UGW paper from Canada (not limited to subject producers).

Table VII-5
UGW paper: Exports from Canada by destination market, 2015-17

Destination market	Calendar year		
	2015	2016	2017
	Quantity (metric tons)		
Exports from Canada to the United States	3,513,701	3,191,706	3,003,486
Exports from Canada to other major destination markets.--			
India	395,644	417,078	371,530
Brazil	202,050	122,316	129,915
United Kingdom	132,864	165,238	116,990
Mexico	40,125	52,221	85,872
Colombia	68,404	53,400	54,561
Turkey	36,469	28,520	40,284
China	14,124	6,312	36,218
Taiwan	66,859	43,113	35,831
All other destination markets	476,541	489,323	423,449
Total Canada exports	4,946,781	4,569,227	4,298,136
	Value (1,000 dollars)		
Exports from Canada to the United States	2,257,087	1,835,548	1,724,579
Exports from Canada to other major destination markets.--			
India	201,965	206,742	181,849
Brazil	109,761	60,863	63,022
United Kingdom	77,640	82,281	58,974
Mexico	25,642	33,100	55,130
Colombia	43,979	30,701	29,849
Turkey	18,978	14,784	19,022
China	6,558	3,396	18,881
Taiwan	32,293	21,344	19,731
All other destination markets	258,394	257,531	224,112
Total exports from Canada	3,032,297	2,546,289	2,395,149

Table continued on the next page.

Table VII-5--Continued
UGW paper: Exports from Canada by destination market, 2015-17

Destination market	Calendar year		
	2015	2016	2017
	Unit value (dollars per metric ton)		
Exports from Canada to the United States	642	575	574
Exports from Canada to other major destination markets.—			
India	510	496	489
Brazil	543	498	485
United Kingdom	584	498	504
Mexico	639	634	642
Colombia	643	575	547
Turkey	520	518	472
China	464	538	521
Taiwan	483	495	551
All other destination markets	542	526	529
Total exports from Canada	613	557	557
	Share of quantity (percent)		
Exports from Canada to the United States	71.0	69.9	69.9
Exports from Canada to other major destination markets.--			
India	8.0	9.1	8.6
Brazil	4.1	2.7	3.0
United Kingdom	2.7	3.6	2.7
Mexico	0.8	1.1	2.0
Colombia	1.4	1.2	1.3
Turkey	0.7	0.6	0.9
China	0.3	0.1	0.8
Taiwan	1.4	0.9	0.8
All other destination markets	9.6	10.7	9.9
Total exports from Canada	100.0	100.0	100.0

Note. — These data may be overstated as HTS subheadings 4801.00, 4802.61, 4802.62, 4802.69, and 4805.91 contain products that are outside the scope of these investigations.

Source: Official export statistics under HS subheading 4801.00, 4802.61, 4802.62, 4802.69, and 4805.91 as reported by Statistics Canada in the IHS/GTA database, accessed June 21, 2018.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-6 presents data on U.S. importers' reported inventories of UGW paper. U.S. importers' end-of-period inventories of imports from subject sources in Canada increased by *** percent from 2015 to 2017 with the majority of the increase occurring from 2015 to 2016. *** held the largest, ***, of the inventories of imports from subject sources in Canada during 2015-17 (*** percent in 2015, *** percent in 2016, and *** percent in 2017).

Table VII-6
UGW paper: U.S. importers' end-of-period inventories of imports by source, 2015-17

Item	Calendar year		
	2015	2016	2017
	Inventories (metric tons); Ratios (percent)		
Imports from Canada subject: Inventories	***	***	***
Ratio to U.S. imports	***	***	***
Ratio to U.S. shipments of imports	***	***	***
Ratio to total shipments of imports	***	***	***
Imports from Canada nonsubject: Inventories	***	***	***
Ratio to U.S. imports	***	***	***
Ratio to U.S. shipments of imports	***	***	***
Ratio to total shipments of imports	***	***	***
Imports from all other sources: Inventories	***	***	***
Ratio to U.S. imports	***	***	***
Ratio to U.S. shipments of imports	***	***	***
Ratio to total shipments of imports	***	***	***
Imports from nonsubject sources: Inventories	***	***	***
Ratio to U.S. imports	***	***	***
Ratio to U.S. shipments of imports	***	***	***
Ratio to total shipments of imports	***	***	***
Imports from all import sources: Inventories	39,954	58,900	63,655
Ratio to U.S. imports	***	***	***
Ratio to U.S. shipments of imports	***	***	***
Ratio to total shipments of imports	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of UGW paper from Canada after December 31, 2017. Responding importers reported *** metric tons of arranged imports from subject sources in Canada, with the majority of the orders in January-June 2018. *** of the eleven responding importers reported orders from subject sources in Canada for January-June 2018, while *** importers reported orders for July-September 2018, and *** importer reported orders for October-December 2018. Table VII-7 presents shipments of UGW paper arranged for U.S. importation after December 31, 2017.

Table VII-7
UGW paper: Arranged imports, January 2018 through December 2018

Item	Period				
	Jan-Mar 2018	Apr-Jun 2018	Jul-Sept 2018	Oct-Dec 2018	Total
	Quantity (short tons)				
Arranged U.S. imports from.--					
Canada-subject	***	***	***	***	***
Canada-nonsubject	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	345,756	213,890	***	***	648,154

Source: Compiled from data submitted in response to Commission questionnaires.

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Petitioners are unaware of any current antidumping or countervailing duty orders in third-country markets on UGW paper from Canada.²⁴

²⁴ NORPAC postconference brief, p. A-10.

INFORMATION ON NONSUBJECT COUNTRIES

Asia and Europe, which are the major paper producing and paper consuming regions outside North America, have also experienced structural decline in demand for UGW paper in recent years as people there increasingly accessed information in digital formats and advertisers switched expenditures to digital media. UGW paper producers in these regions have therefore reduced capacity and production to keep supply in line with demand.²⁵ In Europe, home to many UGW paper producers, demand for UGW paper declined 9.0 percent by volume between 2015 and 2017; shipments of UGW paper by European producers fell 6.0 percent by volume between 2015 and 2017.²⁶ According to the Japan Paper Association, Japanese production of newsprint declined 7.0 percent by volume between 2015 and 2017.²⁷ In 2016, Chinese production and demand for newsprint by volume each decreased by 11.0 percent compared to the prior year.²⁸

²⁵ Conference transcript, p. 124 (Lowder).

²⁶ European Association of Graphic Paper Producers, Monthly Statistics of the European Graphic Papers Industry. Most shipments of UGW paper by European producers remain within Europe; in 2017, only 21 percent of these shipments went to non-European countries.

²⁷ Japan Paper Association webpage, <https://www.jpaa.or.jp/en/industry/data02/>, retrieved April 27, 2018. The Japan Paper Association does not provide detailed production data for the other types of UGW paper.

²⁸ RISI. "CPA says China paper and board production up marginally in 2016; consumption stagnant." May 17, 2017 <http://www.risiinfo.com> (accessed May 17, 2017).

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
82 FR 38707, August 15, 2017	<i>Uncoated Groundwood Paper from Canada; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-08-15/pdf/2017-17177.pdf
82 FR 41599, September 1, 2017	<i>Certain Uncoated Groundwood Paper from Canada: Initiation of Less-Than-Fair-Value Investigation</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-09-01/pdf/2017-18726.pdf
82 FR 41603, September 1, 2017	<i>Certain Uncoated Groundwood Paper from Canada: Initiation of Countervailing Duty Investigation</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-09-01/pdf/2017-18727.pdf
82 FR 45609, September 29, 2017	<i>Uncoated Groundwood Paper From Canada; Determinations</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-09-29/pdf/2017-20878.pdf
83 FR 2133 January 16, 2018	<i>Certain Uncoated Groundwood Paper From Canada: Preliminary Affirmative Countervailing Duty Determination, and Alignment of Final Determination With Final Antidumping Duty Determination</i>	https://www.gpo.gov/fdsys/pkg/FR-2018-01-16/pdf/2018-00570.pdf
83 FR 11960 March 19, 2018	<i>Certain Uncoated Groundwood Paper From Canada: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Extension of Provisional Measures</i>	https://www.gpo.gov/fdsys/pkg/FR-2018-03-19/pdf/2018-05486.pdf
83 FR 39412 August 9, 2018	<i>Certain Uncoated Groundwood Paper from Canada: Final Determination of Sales at Less Than Fair Value</i>	https://www.gpo.gov/fdsys/pkg/FR-2018-08-09/pdf/2018-17020.pdf
83 FR 39414 August 9, 2018	<i>Certain Uncoated Groundwood Paper From Canada: Final Affirmative Countervailing Duty Determination</i>	https://www.gpo.gov/fdsys/pkg/FR-2018-08-09/pdf/2018-17017.pdf

APPENDIX B
LIST OF HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Uncoated Groundwood Paper from Canada
Inv. Nos.: 701-TA-584 and 731-TA-1382 (Final)
Date and Time: July 17, 2018 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room (Room 101), 500 E Street, SW., Washington, DC.

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

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

CONGRESSIONAL APPEARANCES (continued):

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 APPEARANCES:

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

The Honorable Ted Sprague, President, Cowlitz Economic Development Council

OPENING REMARKS:

Petitioner (**Bonnie B. Byers**, King & Spalding LLP)

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

In Support of the Imposition of

Antidumping and Countervailing Duty Orders:

King & Spalding LLP

Washington, DC

on behalf of

North Pacific Paper Company

Craig A. 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

**In Support to the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

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)
) – OF COUNSEL
Benjamin J. Bay)

**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) – OF COUNSEL
Carys M. Golesworthy)

**In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

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)
) – OF COUNSEL
Mary Jane Alves)

Baker & Hostetler LLP
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, Vice President, Economic Consulting Services

Elliot J. Feldman)
Michael S. Snarr) – OF COUNSEL
Mark B. Lehnardt)

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

Jeffrey S. Grimson) – OF COUNSEL

**In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

Covington & Burling LLP
Washington, DC
on behalf of

News Media Alliance

Andrew S. Johnson, Publisher of the *Dodge County Pionier*,
Campbellsport 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)
) – OF COUNSEL
James M. Smith)

Covington & Burling LLP
Washington, DC
on behalf of

Kruger Inc.
Corner Brook Pulp and Paper Limited
Kruger Trois-Rivières 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)
) – OF COUNSEL
James M. Smith)

Interested Party in Opposition:

Quad/Graphics, Inc.
Sussex, WI

Patrick Henderson, Director of Government Affairs

REBUTTAL/CLOSING REMARKS:

Petitioner (**Stephen A. Jones**, King & Spalding LLP)

Respondents (**Shara L. Aranoff**, Covington & Burling LLP; and **Elliot J. Feldman**,
Baker & Hostetler LLP)

-END-

APPENDIX C
SUMMARY DATA

Table C-1

UGW paper: Summary data concerning the U.S. market, 2015-17

(Quantity=metric tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per metric ton; Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2015	2016	2017	2015-17	2015-16	2016-17
U.S. consumption quantity:						
Amount.....	3,912,299	3,902,085	3,433,645	(12.2)	(0.3)	(12.0)
Producers' share (fn1).....	43.1	44.1	38.1	(5.0)	0.9	(6.0)
Importers' share (fn1):						
Canada, subject.....	***	***	***	***	***	***
Canada, nonsubject.....	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***
Nonsubject sources:						
All import sources.....	56.9	55.9	61.9	5.0	(0.9)	6.0
U.S. consumption value:						
Amount.....	2,012,819	2,018,493	1,772,214	(12.0)	0.3	(12.2)
Producers' share (fn1).....	44.0	44.7	38.3	(5.7)	0.7	(6.4)
Importers' share (fn1):						
Canada, subject.....	***	***	***	***	***	***
Canada, nonsubject.....	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***
Nonsubject sources:						
All import sources.....	56.0	55.3	61.7	5.7	(0.7)	6.4
U.S. shipments of imports from:						
Canada, subject:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Canada, nonsubject:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
All other sources:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Nonsubject sources:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
All import sources:						
Quantity.....	2,225,777	2,183,047	2,125,998	(4.5)	(1.9)	(2.6)
Value.....	1,127,659	1,116,827	1,093,731	(3.0)	(1.0)	(2.1)
Unit value.....	\$507	\$512	\$514	1.5	1.0	0.6
Ending inventory quantity.....	39,954	58,900	63,655	59.3	47.4	8.1
U.S. producers:						
Average capacity quantity.....	2,289,253	2,181,282	1,822,193	(20.4)	(4.7)	(16.5)
Production quantity.....	2,097,775	2,064,524	1,602,424	(23.6)	(1.6)	(22.4)
Capacity utilization (fn1).....	91.6	94.6	87.9	(3.7)	3.0	(6.7)
U.S. shipments:						
Quantity.....	1,686,522	1,719,038	1,307,647	(22.5)	1.9	(23.9)
Value.....	885,160	901,666	678,483	(23.3)	1.9	(24.8)
Unit value.....	\$525	\$525	\$519	(1.1)	(0.1)	(1.1)
Export shipments:						
Quantity.....	***	***	340,180	***	***	***
Value.....	***	***	153,647	***	***	***
Unit value.....	***	***	\$452	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Inventories/total shipments (fn1):						
Production workers.....	1,738	1,694	1,465	(15.7)	(2.5)	(13.5)
Hours worked (1,000s).....	3,781	3,713	2,876	(23.9)	(1.8)	(22.5)
Wages paid (\$1,000).....	145,418	144,097	117,273	(19.4)	(0.9)	(18.6)
Hourly wages (dollars per hour).....	\$38.46	\$38.81	\$40.78	6.0	0.9	5.1
Productivity (metric tons per 1,000 hours).....	554.8	556.0	557.2	0.4	0.2	0.2
Unit labor costs.....	\$69.32	\$69.80	\$73.18	5.6	0.7	4.9

Table continued on next page.

Table C-1--Continued

UGW paper: Summary data concerning the U.S. market, 2015-17

(Quantity=metric tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per metric ton; Period changes=percent--exceptions noted)

U.S. producers. -- continued	Reported data			Period changes		
	2015	2016	2017	2015-17	2015-16	2016-17
Net sales:						
Quantity.....	***	***	1,647,823	***	***	***
Value.....	***	***	832,130	***	***	***
Unit value.....	***	***	\$505	***	***	***
Cost of goods sold (COGS).....	***	***	878,015	***	***	***
Gross profit or (loss).....	***	***	(45,885)	***	***	***
SG&A expenses.....	***	***	44,316	***	***	***
Operating income or (loss).....	***	***	(90,201)	***	***	***
Net income or (loss).....	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***
Unit COGS.....	***	***	\$533	***	***	***
Unit SG&A expenses.....	***	***	\$27	***	***	***
Unit operating income or (loss).....	***	***	(\$55)	***	***	***
Unit net income or (loss).....	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	105.5	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	(10.8)	***	***	***
Net income or (loss)/sales (fn1).....	***	***	***	***	***	***

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX D

**U.S. INDUSTRY, U.S. IMPORTS, APPARENT U.S CONSUMPTION, AND FINANCIAL
DATA BY PRODUCT TYPE AND GEOGRAPHIC REGION**

U.S. PRODUCERS

Table D-1 lists the U.S. producers of UGW paper and their share of reported production based on region and product type in 2017.

Table D-1
UGW paper: U.S. producers' share of reported production by region and product type, 2017

Firm	Share of newsprint production (percent)		
	Sold in West	Sold in East	Sold in all regions
Bear Island	***	***	***
NORPAC	***	***	***
Ponderay	***	***	***
Resolute	***	***	***
Total	100.0	100.0	100.0
Firm	Share of other UGW paper production (percent)		
	Sold in West	Sold in East	Sold in all regions
Bear Island	***	***	***
NORPAC	***	***	***
Ponderay	***	***	***
Resolute	***	***	***
Total	100.0	100.0	100.0
Firm	Share of all UGW paper production (percent)		
	Sold in West	Sold in East	Sold in all regions
Bear Island	***	***	***
NORPAC	***	***	***
Ponderay	***	***	***
Resolute	***	***	***
Total	100.0	100.0	100.0

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Production Capacity

Table D-2 presents data on U.S. producers' production, capacity, and capacity utilization based on product type and region. From 2015 to 2017, U.S. producers' capacity to produce newsprint and UGW paper other than newsprint decreased by *** percent and *** percent, respectively.

Table D-2
UGW paper: U.S. producers' capacity production, and capacity utilization, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Capacity (metric tons)			Change (percent)		
Capacity.--						
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	2,289,253	2,181,279	1,822,192	(20.4)	(4.7)	(16.5)
	Production (metric tons)			Change (percent)		
Production.--						
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	2,097,775	2,064,523	1,602,423	(23.6)	(1.6)	(22.4)
	Capacity utilization (percent)			Change (percentage points)		
Capacity utilization.--						
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Average	91.6	94.6	87.9	(3.7)	3.0	(6.7)
	Share of production (percent)			Change (percentage points)		
Share of production total.--						
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers' capacity to produce newsprint was *** percent, *** percent, and *** percent higher than their capacity to produce UGW paper other than newsprint in 2015, 2016, and 2017. During 2015-17, *** used *** percent to *** percent of its total production capacity

for producing newsprint. ***, conversely, used *** percent to *** percent of its total production capacity for producing newsprint. *** firms reported *** production capacity for newsprint in 2017 than in 2015.

U.S. producers' production capacity for all UGW paper sold to the West and to the East decreased by *** percent and *** percent, respectively, between 2015 and 2017. Most of *** production capacity was used for producing UGW paper that was sold in the West. NORPAC used *** percent to *** percent of its total production capacity to produce UGW paper that went to the West, with most of that capacity used for newsprint. Conversely, Resolute used *** of its production capacity for producing UGW paper that was sold in the East, with the majority of that capacity used to produce newsprint.

*** while ***. Resolute ***. Resolute notes that ***. Conversely, NORPAC ***. NORPAC ***. According to NORPAC, ***. ***. NORPAC ***.

Production

From 2015 to 2017, U.S. producers' production of newsprint and UGW paper other than newsprint decreased by *** percent and *** percent, respectively. Production of newsprint sold to the East decreased at a higher rate than the production of newsprint sold to the West during 2015-17. Production of UGW paper other than newsprint sold to the West *** while production of UGW paper other than newsprint sold to the East decreased. ***. Production of UGW paper sold to the West accounted for *** percent, *** percent, and *** percent of *** total production and *** percent, *** percent, and *** percent of Ponderay's total production in 2015, 2016, and 2017, respectively. *** accounted for *** of the production of newsprint that was sold to the West between 2015 and 2017. Conversely, *** and *** production of UGW paper was newsprint sold to the East during 2015-17. These firms produced *** percent of newsprint sold to the East throughout 2015-17. Overall, newsprint accounted for *** of the production of UGW paper during 2015-17. Most of the U.S. producers' production was UGW paper sold in the East.

U.S. PRODUCERS' U.S. SHIPMENTS¹

U.S. shipments of newsprint by region

Table D-3 presents data on U.S. producers' U.S. shipments by product type and region. After increasing by *** percent from 2015 to 2016, U.S. producers' U.S. shipments of newsprint to the West decreased by *** percent from 2016 to 2017, ending *** percent higher in 2017 than in 2015. *** accounted for *** the increase in U.S. shipments of newsprint to the West and ***. *** accounted for *** U.S. shipments of newsprint to the West during 2015-17. Between 2015 and 2017, U.S. shipments of newsprint to the West accounted for *** percent to *** percent of NORPAC's total U.S. shipments of UGW paper, *** percent to *** percent of

¹ Data and analysis of U.S. producers' U.S. shipments of newsprint by weight and all other UGW paper are presented in Part III.

Ponderay's total U.S. shipments of UGW paper, and *** percent of Resolute's total U.S. shipments of UGW paper. *** reported more U.S. shipments of newsprint to the West while *** reported fewer shipments. *** U.S. shipments of newsprint to the West.

Table D-3
UGW paper: U.S. producers' U.S. shipments, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
U.S. shipments: Quantity.--	***	***	***	***	***	***
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	1,686,524	1,719,039	1,307,648	(22.5)	1.9	(23.9)
	Value (1,000 dollars)			Change (percent)		
U.S. shipments: Value.--	***	***	***	***	***	***
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	885,160	901,667	678,483	(23.3)	1.9	(24.8)
	Average unit value (dollars per metric ton)			Change (percent)		
U.S. shipments: Unit value.--	***	***	***	***	***	***
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	525	525	519	(1.1)	(0.1)	(1.1)
	Share of quantity of US shipments total (percent)			Change (percentage points)		
Share of U.S. shipments total.--	***	***	***	***	***	***
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. shipments of newsprint to the East, conversely, decreased by *** percent from 2015 to 2017. *** accounted for *** the decrease in U.S. shipments of newsprint to the East and ***. *** also reported fewer U.S. shipments of newsprint sold to the East in 2017 than in 2015. *** accounted for *** percent of U.S. shipments to the East in 2015 and 2016, and nearly *** percent in 2017. During 2015-17, U.S. shipments of newsprint to the East accounted for *** percent to *** percent of Resolute's total U.S. shipments of UGW paper, *** of Bear Island's total U.S. shipments of UGW paper, *** percent to *** percent NORPAC's total U.S. shipments of UGW paper, and *** percent to *** percent of Ponderay's total U.S. shipments of UGW paper.

U.S. shipments of other UGW paper by region

After increasing by *** percent from 2015 to 2016, U.S. shipments of UGW paper other than newsprint to the West decreased by *** percent from 2016 to 2017, ending *** percent higher in 2017 than in 2015. This irregular increase reflects the change in *** U.S. shipments, which accounted for *** of all U.S. shipments of UGW paper other than newsprint to the West during 2015-17 and fluctuated year to year. *** was the only other firm to report U.S. shipments of UGW paper other than newsprint to the West. Such shipments accounted for *** percent to *** percent of NORPAC's total U.S. shipments of UGW paper during 2015-17 and *** percent of Resolute's total U.S. shipments of UGW paper during 2015 and 2016 and *** of Resolute's total U.S. shipments of UGW paper in 2017.

From 2015 to 2017, U.S. shipments of UGW paper other than newsprint to the East decreased by *** percent, with the majority of the decrease occurring from 2016 to 2017. *** were the only firms to report U.S. shipments of UGW paper other than newsprint to the East. *** accounted for the majority of U.S. shipments of UGW paper other than newsprint in 2015 and 2016 while *** accounted for the majority of such U.S. shipments in 2017. *** firms reported fewer U.S. shipments of UGW paper other than newsprint to the East in 2017 than in 2015. Between 2015 and 2017, U.S. shipments of UGW paper other than newsprint accounted for *** percent to *** percent of NORPAC's total U.S. shipments of UGW paper and *** percent to *** percent of Resolute's total U.S. shipments of UGW paper.

U.S. shipments of all UGW paper by region

Overall, U.S. producers' U.S. shipments of all UGW paper to the West increased irregularly by *** percent while U.S. producers' U.S. shipments of UGW paper to the East decreased by *** percent between 2015 and 2017. U.S. shipments of UGW paper to the East were *** the U.S. shipments of UGW paper to the West during 2015-2017. Between 2015 and 2017, *** accounted for *** percent of U.S. shipments of UGW paper to the West while *** accounted for over *** percent of U.S. shipments of UGW paper to the East.

Value of U.S. shipments of UGW paper by product and region

After increasing by *** percent from 2015 to 2016, the value of U.S. producers' U.S. shipments of newsprint sold to the West decreased by *** percent from 2016 to 2017, ending *** percent higher in 2017 than in 2015. Conversely, the value of U.S. producers' U.S. shipments of newsprint sold to the East decreased by *** percent from 2015 to 2017. From 2015 to 2017, the value of U.S. producers' U.S. shipments of UGW paper other than newsprint to the West increased irregularly by *** percent while their U.S. shipments of UGW paper other than newsprint sold to the East decreased by *** percent during the same period.

Average unit value of U.S. shipments of UGW paper by product and region

The average unit value of U.S. producers' U.S. shipments of newsprint to the West increased from \$*** per metric ton in 2015 to \$*** per metric ton in 2017. The unit values of the U.S. shipments of newsprint to the West by NORPAC, Ponderay, and Resolute were \$*** per metric ton, \$*** per metric ton, and \$*** per metric ton, respectively, in 2017. The average unit value of U.S. producers' U.S. shipments of newsprint to the East increased from \$*** per metric ton in 2015 to \$*** per metric ton in 2017. The unit values of the U.S. shipments of newsprint to the East by Bear Island, NORPAC, Ponderay, and Resolute were \$*** per metric ton, \$*** per metric ton, \$*** per metric ton, and \$*** per metric ton, respectively, in 2017.

From 2015 to 2017, the average unit value of U.S. producers' U.S. shipments of UGW paper other than newsprint to the West decreased from \$*** per metric ton to \$*** per metric ton. The unit values of NORPAC's and Resolute's U.S. shipments of UGW paper other than newsprint to the West were \$*** per metric ton and \$*** per metric ton, respectively, in 2017. The average unit value of U.S. producers' U.S. shipments of UGW paper other than newsprint to the East decreased from \$*** per metric ton in 2015 to \$*** per metric ton in 2017. The unit values of NORPAC's and Resolute's U.S. shipments of UGW paper other than newsprint to the East were \$*** per metric ton and \$*** per metric ton, respectively, in 2017. Overall, the average unit value of U.S. producers' U.S. shipments of UGW paper to the East were higher than the average unit value of U.S. producers' U.S. shipments of UGW paper to the West throughout 2015-17. The average unit value of U.S. producers' U.S. shipments of newsprint was lower than the average unit value of their U.S. shipments of UGW paper other than newsprint throughout 2015-17.

U.S. PRODUCERS' EXPORT SHIPMENTS

Table D-4 presents U.S. producers' export shipments by product type and region. Export shipments of newsprint to the West and to the East decreased by *** percent and *** percent, respectively from 2015 to 2017. *** exported newsprint through ports located in the West while *** exported newsprint through ports located in the East. From 2015 to 2017, export shipments of UGW paper other than newsprint through ports located in the West and to the East decreased by *** percent and *** percent, respectively. *** exported UGW paper other than newsprint through ports located in the West while *** exported UGW paper other than newsprint through ports located in the East. Overall, most export shipments were newsprint

and were distributed through ports located in the West. The average unit value of export shipments through ports located in the West was higher than the average unit value of export shipments through ports located in East the throughout 2015-17.

Table D-4
UGW paper: U.S. producers' export shipments, 2015-17

* * * * *

U.S. PRODUCERS' TOTAL SHIPMENTS

Table D-5 presents total U.S. shipments of UGW paper by product type and geographical region. Total U.S. shipments of newsprint and UGW paper other than newsprint decreased by *** percent and *** percent, respectively, from 2015 to 2017. Newsprint accounted for the largest share of total U.S. shipments throughout 2015-17 (*** percent in 2015, *** percent in 2016, and *** percent in 2017). Total U.S. shipments of all UGW paper to the West increased by *** percent from 2015 to 2016 and then decreased by *** percent from 2016 to 2017, ending *** percent lower in 2017 than in 2015. Total U.S. shipments of UGW paper to the East decreased by *** percent between 2015 and 2017.

U.S. shipments of UGW paper to the East accounted for the largest, but decreasing, share of total U.S. shipments during 2015-17 (*** percent in 2015, *** percent in 2016, and *** percent in 2017). The Western market's share of total U.S. shipments increased from *** percent in 2015 to *** percent in 2017. Overall, the average unit value of U.S. shipments of all UGW paper to the East was higher than that of such shipments to the West during 2015-17.

Table D-5
UGW paper: U.S. producers' total shipments, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
Total shipments / net sales: Quantity.--						
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	***	***	1,647,828	***	***	***
	Value (1,000 dollars)			Change (percent)		
Total shipments / net sales: Value.--						
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	***	***	832,130	***	***	***
	Average unit value (dollars per metric ton)			Change (percent)		
Total shipments / net sales: Unit value.--						
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	***	***	505	***	***	***
	Share of quantity of total shipments / net sales total (percent)			Change (percentage points)		
Share of total shipments / net sales total.--						
Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	***	***	***	***	***	***
Subtotal, Other UGW paper	***	***	***	***	***	***
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' CHANNELS OF DISTRIBUTION

Table D-6 presents U.S. producers' channels of distribution by product type and region.

Table D-6

UGW paper: U.S. producers' channels of distribution by region and product type, 2015-17

* * * * *

During 2015 to 2017, the largest shares (***) percent) of U.S. producers' U.S. shipments of newsprint were distributed to publishers or newspapers while the largest share (***) percent to (***) percent) of U.S. shipments of UGW paper other than newsprint were distributed to national distributors. Overall, the largest shares of U.S. shipments of all UGW paper were distributed to publishers or newspapers.

U.S. PRODUCERS' INVENTORIES

Table D-7 presents U.S. producers' end-of-period inventories by product type and geographic region, and the ratio of their inventories to production, U.S. shipments, and total shipments. From 2015 to 2017, end-of-period inventories for newsprint sold to the West and to the East decreased by *** percent and *** percent, respectively. *** reported inventories of newsprint sold to the West, with *** firms reporting lower inventories in 2017 than in 2015. *** reported end-of-period inventories of newsprint sold to the East in 2015, 2016, and 2017. *** reported end-of-period inventories of newsprint sold to the East in 2015 and 2017 and *** reported end-of-period inventories of newsprint sold to the East in 2015 and 2016. The ratio of inventories to U.S. production of newsprint sold to the West and to U.S. shipments of such newsprint decreased by *** percentage points and *** percentage points, respectively, from 2015 to 2017. The ratio of inventories to U.S. production of newsprint sold to the East and to U.S. shipments of such newsprint decreased by *** percentage points and *** percentage points, respectively, during 2015-17.

Table D-7

UGW paper: U.S. producers' inventories, 2015-17

* * * * *

From 2015 to 2017, U.S. producers' end-of-period inventories of UGW paper other than newsprint sold to the West increased by *** percent while their end-of-period inventories of UGW paper other than newsprint sold to the East decreased by *** percent. *** was the only firm to have inventories of UGW paper other than newsprint sold to West while *** reported inventories of UGW paper other than newsprint sold to the East. The ratio of *** end-of-period inventories to its U.S. production of UGW paper other than newsprint sold to the West and to its U.S. shipments of such UGW paper increased by *** percentage points and *** percentage points, respectively, between 2015 and 2017. Conversely, the ratio of *** end-of-period inventories to U.S. production of UGW paper other than newsprint sold to the East and to U.S.

shipments of such newsprint decreased by *** percentage points and *** percentage points, respectively.

U.S. IMPORTS FROM SUBJECT SOURCES

U.S. imports of newsprint by region

Table D-8 presents data for U.S. imports of UGW paper from subject sources by product type and region. After decreasing by *** percent from 2015 to 2016, U.S. imports of newsprint from subject sources sold to the West increased by *** percent from 2016 to 2017, ending *** percent higher in 2017 than in 2015. Between 2015 and 2017, five firms reported imports of newsprint from subject sources sold to the West, with *** accounting for *** percent, *** percent, and *** percent of such imports, by quantity, in 2015, 2016, and 2017, respectively.

Table D-8
UGW paper: U.S. importers' U.S. imports from Canada subject sources, 2015-17

* * * * *

The increase in *** U.S. imports of newsprint from subject sources sold to the West from 2015 to 2017 offset the decrease in *** U.S. imports over the same period. Among the five firms that reported U.S. imports of newsprint from subject sources sold to the West in each year during 2015-17, only *** reported fewer U.S. imports in 2017 than in 2015. However, three of those firms, ***, accounted for *** percent of all U.S. imports of newsprint from subject sources sold to the West in 2017. *** reported U.S. imports of newsprint from subject sources sold to the West only in 2016 and 2017. During 2015-17, U.S. imports of newsprint from subject sources sold in the West accounted for *** percent and *** percent of Catalyst's total U.S. imports and *** percent to *** percent of Alberta's total U.S. imports.

Between 2015 and 2017, U.S. imports of newsprint from subject sources sold in the East decreased by *** percent; the majority of the decrease occurred from 2016 to 2017. The change from 2016 to 2017 is mostly driven by the decreases in *** U.S. imports. These firms accounted for *** percent, *** percent and *** percent of all U.S. imports of newsprint from subject sources sold in the East in 2015, 2016, and 2017, respectively. *** accounted for the next largest share of U.S. imports of newsprint from subject sources sold in the East. *** also reported U.S. imports of newsprint from subject sources sold to the East with each firm reporting fewer imports in 2017 than in 2015. *** reported U.S. imports of newsprint from subject sources sold to the East in 2016 and 2017. During 2015-17, U.S. imports of newsprint from subject sources sold to the East accounted for between *** percent and *** percent of Kruger's total U.S. imports, *** percent and *** percent of Resolute's total U.S. imports, and *** percent and *** percent of Alberta's total U.S. imports.

U.S. imports of other UGW paper by region

After increasing by *** percent from 2015 to 2016, U.S. imports of UGW paper other than newsprint from subject sources sold to the West decreased by *** percent, ending *** percent higher in 2017 than in 2015. The increase from 2015 to 2016 was largely driven by ***

U.S. imports, which increased by ***. The decrease from 2016 to 2017 can be attributed to *** U.S. imports, which accounted for *** of the total decrease. *** accounted for *** percent and *** percent of the total U.S. imports of UGW paper other than newsprint from subject sources sold to the West in 2016 and 2017, respectively. *** also reported imports of UGW paper other than newsprint from subject sources sold to the West. However, these firms accounted for *** percent of all U.S. imports of UGW paper other than newsprint from subject sources sold to the West throughout 2015-17.

From 2015 to 2017, U.S. imports of UGW paper other than newsprint from subject sources sold to the East increased by *** percent. Five importers, ***, reported U.S. imports of UGW paper other than newsprint from subject sources sold to the East during 2015-17 and *** reported such imports in 2016 and 2017. *** of the six firms that reported imports of UGW paper other than newsprint from subject sources sold to the East throughout 2015-17 reported more of those imports in 2017 than in 2015. *** accounted for the largest share of all imports of UGW paper other than newsprint sold to the East throughout 2015-17, followed by **. U.S. imports of UGW paper other than newsprint from subject sources sold to the East accounted for *** percent to *** percent of Resolute's total U.S. imports and *** percent to *** percent of Catalyst's total U.S. imports during 2015-17.

U.S. imports of all newsprint

Overall, U.S. imports of newsprint from subject sources decreased by *** percent from 2015 to 2017. Six firms, ***, reported imports of newsprint from subject sources during 2015-17, with *** of those firms reporting fewer imports in 2017 than in 2015. *** reported imports of newsprint from subject sources in 2016 and 2017. *** accounted for the majority of the imports of newsprint from subject sources during 2015-17 and *** accounted for the next largest share of U.S. imports of newsprint from subject sources. From 2015 to 2017, imports of newsprint from subject sources accounted for *** percent to *** percent of Catalyst's total U.S. imports, *** percent to *** percent of Tembec's total U.S. imports, *** percent to *** percent of Kruger's total U.S. imports, *** percent to *** percent of Alberta's total U.S. imports, and *** percent to *** percent of Resolute's total U.S. imports. Imports of newsprint from subject sources accounted for *** percent and *** percent of Irving's total U.S. imports in 2016 and 2017, respectively.

U.S. imports of all other UGW paper

U.S. imports of UGW paper other than newsprint from subject sources increased by *** percent from 2015 to 2017. Five firms, *** reported imports of UGW paper other than newsprint from subject sources, with *** the only firm to report fewer imports in 2017 than in 2015. *** reported imports of UGW paper other than newsprint in 2016 and 2017. *** accounted for the majority of imports of UGW paper other than newsprint from subject sources. However, the increase during 2015-17 was *** among the firms. Between 2015 and 2017, imports of UGW paper other than newsprint accounted for *** percent to *** percent of Catalyst's total U.S. imports, *** percent to *** percent of Tembec's total U.S. imports, ***

percent to *** percent of Kruger's total U.S. imports, *** percent to *** percent of Alberta's total U.S. imports, and *** to *** percent of Resolute's total U.S. imports.

U.S. imports of all UGW paper by region

U.S. imports of all UGW paper from subject sources sold to the West increased by *** percent from 2015 to 2016 and then decreased by *** percent from 2016 to 2017, ending *** percent higher in 2017 than in 2015. Although five firms reported imports of all UGW paper from subject sources sold to the West throughout 2015-17, *** accounted for *** of such imports of UGW paper in 2015 and over *** percent in 2016 and 2017. *** reported more imports of UGW paper from subject sources sold to the West in 2017 than in 2015 while *** reported fewer such imports. *** reported imports of UGW paper sold to the West throughout 2015-17 and *** reported such imports in 2016 and 2017. U.S. imports of UGW paper from subject sources sold to the West accounted for *** percent to *** percent of Catalyst's total U.S. imports, *** percent to *** percent of Alberta's imports of all UGW paper, and *** percent of Kruger and Resolute's total U.S. imports. *** did not report any imports of UGW paper from subject sources sold to the West.

U.S. imports of all UGW paper from subject sources sold to the East increased *** percent from 2015 to 2016 and then decreased by *** percent from 2016 to 2017, ending *** percent lower in 2017 than in 2015. The 2015-17 change reflects *** U.S. imports, which accounted for the majority of the decrease during 2015-17. *** accounted for *** percent, *** percent, and *** percent of total imports of UGW paper sold to the East in 2015, 2016, and 2017, respectively. *** also reported imports of UGW paper from subject sources sold to the East. *** firms reported fewer imports of UGW paper from subject sources sold to the East in 2017 than in 2015. *** reported such imports of UGW paper in 2016 and 2017. Imports of UGW paper from subject sources sold to the East accounted for *** of Kruger and Resolute's total U.S. imports, *** of Tembec's total U.S. imports, *** percent to *** percent of Catalyst's total U.S. imports, and *** percent to *** percent of Alberta's total U.S. imports.

Value of U.S. imports of UGW paper by product and region

After decreasing by *** percent from 2015 to 2016, the value of U.S. imports of newsprint from subject sources sold to the West increased by *** percent, ending *** percent higher in 2017 than in 2015. From 2015 to 2017, *** reported an increase in the value of its imports of newsprint from subject sources sold to the West while *** reported a decrease in the value of its imports of such newsprint. On the other hand, the value of U.S. imports of newsprint sold to the East decreased by *** percent between 2015 and 2017. *** of the firms that imported newsprint from subject sources sold to the East reported lower values in 2017 than in 2015.

The value U.S. imports of UGW paper other than newsprint from subject sources sold to the West increased by *** percent from 2015 to 2016 and then decreased by *** percent from 2016 to 2017, ending *** percent lower in 2017 than in 2015. The value of *** U.S. imports of UGW paper other than newsprint from subject sources sold to the West decreased while the value of *** U.S. imports of such UGW paper increased during 2015-17. Conversely, the value

of U.S. imports of UGW paper other than newsprint from subject sources sold to the East increased by *** percent between 2015 and 2017. Among the six firms that imported UGW paper other than newsprint sold to the East, only *** reported a lower value in 2017 than in 2015. The value of *** imports of UGW paper other than newsprint from subject sources sold to the East increased from 2016 to 2017.

Average unit value of U.S. imports of UGW paper by product and region

The average unit value of U.S. imports of newsprint from subject sources sold to the West increased from \$*** per metric ton in 2015 to \$*** per metric ton in 2016 and then decreased to \$*** per metric ton in 2017. During 2015-17, the average unit value of *** imports of newsprint from subject sources sold to the West ranged from \$*** per metric ton to \$*** per metric ton and the average unit value of *** imports ranged from \$*** per metric ton to \$*** per metric ton.

The average unit value of U.S. imports of newsprint from subject sources sold to the East increased from \$*** per metric ton in 2015 to \$*** per metric ton in 2017. During 2015-17, the unit values of U.S. imports of newsprint by *** from subject sources sold to the East were lower than the overall average unit value while the unit values of *** U.S. imports were higher. The unit value of *** U.S. imports of newsprint from subject sources sold to the East was higher than that of its imports of newsprint from subject sources sold to the West in 2015, 2016, and 2017. Conversely, the unit value for *** U.S. imports of newsprint from subject sources sold in the East was lower than the unit value of its imports of newsprint from subject sources sold in the West throughout 2015-17.

The average unit value of U.S. imports of UGW paper other than newsprint from subject sources sold to the West decreased from \$*** per metric ton in 2015 to \$*** per metric ton in 2016 and then increased to \$*** per metric ton in 2017. The year-to-year fluctuation in the average unit value primarily reflects *** imports, as these firms accounted for *** of the imports of UGW paper other than newsprint from subject sources sold to the West during 2015-17.

The average unit value of UGW paper other than newsprint from subject sources sold to the East decreased from \$*** per metric ton in 2015 to \$*** per metric ton in 2017. During 2015-17, the unit values of *** U.S. imports of UGW paper other than newsprint from subject sources sold to the East were *** per metric ton while the unit values of *** U.S. imports of such UGW paper were *** per metric ton. The unit value of *** U.S. imports of UGW paper other than newsprint from subject sources sold to the East were *** per metric ton during 2015-17. Overall, the average unit value of U.S. imports of all UGW paper from subject sources sold to the West was higher than the average unit value of U.S. imports of all UGW paper from subject sources sold to the East in 2015 and 2016, but was lower in 2017. The average unit value of U.S. imports of newsprint from subject sources was lower than the average unit value of U.S. imports of UGW paper other than newsprint from subject sources in throughout 2015-17.

U.S. IMPORTS FROM NONSUBJECT SOURCES

Table D-9 presents U.S. importers' U.S. imports from nonsubject sources by product type and geographic region. *** the imports of newsprint and other UGW paper from nonsubject sources were sold to the East. U.S. imports of newsprint from nonsubject sources sold to the East decreased by *** percent from 2015 to 2016 and then increased by *** percent from 2016 to 2017, ending *** percent higher in 2017 than in 2015. U.S. imports of UGW paper other than newsprint from nonsubject sources sold to the East increased by *** percent from 2015 to 2017.

U.S. imports of newsprint from nonsubject sources were *** of the U.S. imports of newsprint from subject sources during 2015-17. *** accounted for *** the imports of newsprint and UGW paper from nonsubject sources. U.S. imports of UGW paper other than newsprint from nonsubject sources were *** the U.S. imports of UGW paper other than newsprint from subject sources in 2015, 2016, and 2017.

Value of U.S. imports by product and region

As the quantity of U.S. imports of newsprint from nonsubject sources sold to the East fluctuated from year-to-year, so too did their value, which decreased by *** percent from 2015 to 2016 and then increased by *** percent, ending *** percent higher in 2017 than in 2015. U.S. imports of UGW paper other than newsprint from nonsubject sources sold to the East increased by *** percent from 2015 to 2017. Overall, the value of U.S. imports of all UGW paper from nonsubject sources ended *** percent higher in 2017 than in 2015.

Table D-9
UGW paper: U.S. importers' U.S. imports from Canada nonsubject sources, 2015-17

* * * * *

Average unit value of U.S. imports by product and region

The average unit value of U.S. imports of newsprint from nonsubject sources sold to the East increased from \$*** per metric ton in 2015 to \$*** per metric ton in 2016, but decreased to \$*** per metric ton in 2017. The average unit value of U.S. imports of newsprint from nonsubject sources sold to the East was lower than the average unit value of U.S. imports of newsprint from subject sources sold to the East in 2015 and 2017, but was higher in 2016. The average unit value of U.S. imports of UGW paper other than newsprint sold to the East decreased in each year from \$*** per metric ton in 2015 to \$*** per metric ton in 2016, and \$*** per metric ton in 2017. The average unit value of U.S. imports of UGW paper other than newsprint from nonsubject sources sold to the East was higher than that of U.S. imports of UGW paper other than newsprint from subject sources sold to East in 2015, but was lower in 2016 and 2017.

TOTAL U.S. IMPORTS

Table D-10 presents data for U.S. imports of UGW paper from all import sources by product type and region. U.S. imports of newsprint from all import sources decreased by *** percent from 2015 to 2017 while U.S. imports of UGW paper other than newsprint from all import sources increased by *** percent. Newsprint accounted for the largest, but a decreasing share, of total U.S. imports during 2015-17 (75.1 percent in 2015, 71.0 percent in 2016, and 69.1 percent in 2017). *** percent of the total U.S. imports of UGW paper during 2015-17 went to the East.

The unit value of imports of newsprint was lower than the unit value of imports of UGW paper other than newsprint throughout 2015-17. The unit value of imports of UGW paper sold to the West was higher than the unit value of imports of UGW paper sold to the East in 2015 and 2016, but was lower in 2017.

Table D-10
UGW paper: U.S. importers' U.S. imports from all import sources, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
U.S. imports Quantity: All import sources.-- Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	1,677,459	1,567,772	1,478,295	(11.9)	(6.5)	(5.7)
Subtotal, Other UGW paper	555,045	640,399	662,065	19.3	15.4	3.4
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total. All import sources	2,232,504	2,208,171	2,140,360	(4.1)	(1.1)	(3.1)
	Value (1,000 dollars)			Change (percent)		
U.S. imports: Value: All import sources.-- Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	787,125	751,058	715,814	(9.1)	(4.6)	(4.7)
Subtotal, Other UGW paper	342,863	373,149	381,969	11.4	8.8	2.4
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total. All import sources	1,129,988	1,124,207	1,097,783	(2.9)	(0.5)	(2.4)
	Average unit value (dollars per metric ton)			Change (percent)		
U.S. imports: Unit value: All import sources.-- Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	469	479	484	3.2	2.1	1.1
Subtotal, Other UGW paper	618	583	577	(6.6)	(5.7)	(1.0)
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total. All import sources	506	509	513	1.3	0.6	0.7
	Share of quantity of US imports total (percent)			Change (percentage points)		
Share of U.S. imports total: All import sources.-- Newsprint sold in West	***	***	***	***	***	***
Newsprint sold in East	***	***	***	***	***	***
Other UGW sold in West	***	***	***	***	***	***
Other UGW sold in East	***	***	***	***	***	***
Subtotal, Newsprint	75.1	71.0	69.1	(6.1)	(4.1)	(1.9)
Subtotal, Other UGW paper	24.9	29.0	30.9	6.1	4.1	1.9
Subtotal, West	***	***	***	***	***	***
Subtotal, East	***	***	***	***	***	***
Total. All import sources	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.^{2 3} By quantity, imports of newsprint from subject sources in Canada accounted for *** percent of total imports of newsprint for which Commerce made a final affirmative determination of dumping and *** percent of total imports of newsprint for which Commerce made a final affirmative determination of countervailable subsidization from August 2016 to July 2017.⁴ Imports of UGW paper other than newsprint from subject sources in Canada accounted for *** percent of total imports of UGW paper other than newsprint for which Commerce made a final affirmative determination of dumping and *** percent of total imports of UGW paper other than newsprint for which Commerce made a final affirmative determination of countervailable subsidization from August 2016 to July 2017. Table D-11 presents subject sources share of total U.S. imports, by quantity, product, and geographical region during the most recent 12-month period (August 2016 to July 2017).

² Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

³ Please see part IV for a detailed definition of the negligibility statute.

⁴ For the antidumping investigation, Catalyst is the only subject source. For the countervailing duty investigation, subject sources include all firms except White Birch.

Table D-11

UGW paper: U.S. imports in the twelve-month period preceding the filing of the petition, by product type, region, investigation, and source

Item	AD investigation		CVD investigation	
	Quantity (metric tons)	Share of quantity (percent)	Quantity (metric tons)	Share of quantity (percent)
Newsprint: West				
U.S. imports of <u>newsprint</u> from <u>West</u> from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	***	100.0	***	100.0
Newsprint: East				
U.S. imports of <u>newsprint</u> from <u>East</u> from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	***	100.0	***	100.0
Other UGW: West				
U.S. imports of <u>newsprint</u> from <u>West</u> from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	***	100.0	***	100.0
Other UGW: East				
U.S. imports of <u>newsprint</u> from <u>East</u> from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	***	100.0	***	100.0
Newsprint				
U.S. imports of <u>newsprint</u> from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	***	100.0	***	100.0
Other UGW				
U.S. imports of <u>other UGW</u> from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	***	100.0	***	100.0
West				
U.S. imports in <u>West</u> from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	***	100.0	***	100.0
East				
U.S. imports in <u>East</u> from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	***	100.0	***	100.0
All product types and all regions				
U.S. imports from.-- Subject sources	***	***	***	***
Nonsubject sources	***	***	***	***
All import sources	2,114,731	100.0	2,114,731	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

APPARENT U.S. CONSUMPTION AND MARKET SHARE⁵

Apparent U.S consumption and market shares of newsprint sold in the West

After increasing by 22.1 percent from 2015 to 2016, apparent U.S. consumption of newsprint in the West decreased by 16.0 percent, ending 2.5 percent higher in 2017 than in 2015. U.S. producers' share of this market, by quantity, increased from *** percent in 2015 to *** percent in 2016 and then decreased to *** percent in 2017. The market share of U.S. imports from subject sources in Canada exhibited the opposite trend, decreasing from *** percent in 2015 to *** percent in 2016 and then increasing to *** percent in 2017. U.S. imports from nonsubject sources *** in the Western market for newsprint in 2015 and 2016, and accounted for *** percent of the market in 2017. Table D-12 presents data on apparent U.S. consumption and market shares of newsprint sold in the Western market.

⁵ While all U.S. importers provided data in their responses to the supplemental data collection issued by the Commission, one U.S. importer, ***, submitted data of its U.S. shipments of imports from Canada in its supplemental U.S. importers' questionnaire response that did not perfectly reconcile with the corresponding data its original questionnaire submission. The difference between the two submissions is that *** did not report its transfers to related firms in its supplemental questionnaire response. *** accounted for between *** and *** percent of total U.S. imports from all Canadian suppliers. As a result, the data presented for *** in tables D-12 through D-19 are slightly understated compared to overall apparent consumption reported in part IV.

Table D-12

UGW paper: Apparent consumption and market shares: Newsprint sold in West, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
Newsprint sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	383,013	467,730	392,745	2.5	22.1	(16.0)
	Value (1,000 dollars)			Change (percent)		
Newsprint sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	174,357	221,984	187,157	7.3	27.3	(15.7)
	Share of quantity (percent)			Change (percent)		
Newsprint sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---
	Share of value (percent)			Change (percent)		
Newsprint sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

Apparent U.S consumption and market shares of newsprint sold in the East

Table D-13 presents data on apparent U.S. consumption and market shares of newsprint sold in the Eastern market. Apparent U.S. consumption of newsprint in the Eastern market, conversely, decreased by 19.1 percent from 2015 to 2017. Apparent U.S. consumption of newsprint in the Eastern market was more than six times greater than the apparent U.S. consumption of it in the Western market in 2015 and more than four times greater in 2016 and 2017. Throughout 2015-17, U.S. imports from subject sources in Canada held the largest share of the Eastern market for newsprint, by quantity, but that share decreased from *** percent in 2015 to *** percent in 2017. U.S. producers' share of the market decreased from *** percent in 2015 to *** percent in 2017. As the market shares of U.S. producers and U.S. imports from subject sources were decreasing, the market share of U.S. imports from nonsubject sources increased irregularly from *** percent in 2015 to *** percent in 2017.

Table D-13

UGW paper: Apparent consumption and market shares: Newsprint sold in East, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
Newsprint sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	2,313,532	2,146,504	1,872,699	(19.1)	(7.2)	(12.8)
	Value (1,000 dollars)			Change (percent)		
Newsprint sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	1,070,624	1,017,651	899,880	(15.9)	(4.9)	(11.6)
	Share of quantity (percent)			Change (percent)		
Newsprint sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---
	Share of value (percent)			Change (percent)		
Newsprint sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---

Note.—Shares and ratios shown as “0.0” represent values greater than zero, but less than “0.05” percent.

Source: Compiled from data submitted in response to Commission questionnaires.

Apparent U.S consumption and market shares of other UGW paper sold in the West

Table D-14 presents data on apparent U.S. consumption and market shares of UGW paper other than newsprint in the Western market. Fluctuating year-to-year, apparent U.S. consumption of UGW paper other than newsprint in the Western market increased by 34.2 percent from 2015 to 2016 and then decreased by 15.4 percent from 2016 to 2017, ending 13.6 percent higher in 2017 than in 2016. Between 2015 and 2017, U.S. producers' share of this market increased from *** percent to *** percent, with most of the increase occurring from 2015 to 2016. As U.S. producers' market share increased, the market share of U.S. imports from subject sources in Canada decreased from *** percent in 2015 to *** percent in 2017. U.S. imports from nonsubject sources accounted for *** percent of the total market during 2015-17.

Table D-14

UGW paper: Apparent consumption and market shares: Other UGW paper sold in the West, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
Other UGW sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	130,206	174,715	147,860	13.6	34.2	(15.4)
	Value (1,000 dollars)			Change (percent)		
Other UGW sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	80,878	99,727	82,317	1.8	23.3	(17.5)
	Share of quantity (percent)			Change (percent)		
Other UGW sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---
	Share of value (percent)			Change (percent)		
Other UGW sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---

Note.—Shares and ratios shown as “0.0” represent values greater than zero, but less than “0.05” percent.

Source: Compiled from data submitted in response to Commission questionnaires.

Apparent U.S consumption and market shares of other UGW paper sold in the East

Table D-15 presents data on apparent U.S. consumption and market shares of UGW paper other than newsprint in the Eastern market. After increasing by 2.3 percent from 2015 to 2016, apparent U.S. consumption of UGW paper other than newsprint in the Eastern market decreased by 8.3 percent from 2016 to 2017, ending 6.2 percent lower in 2017 than in 2015. Apparent U.S. consumption of UGW paper other than newsprint in the Eastern region was more than eight times greater than the apparent U.S. consumption of UGW paper other than newsprint in the Western market in 2015 and more than six times greater in 2016 and 2017. In 2015, U.S. producers had the largest market share in 2015 and 2016 with *** percent and *** percent, respectively, but did not have the largest market share in 2017, as the market share of U.S. imports from subject sources in Canada increased from *** percent in 2016 to *** percent in 2017. The market share of U.S. imports from nonsubject sources increased from *** percent in 2015 to *** percent in 2017.

Table D-15

UGW paper: Apparent consumption and market shares: Other UGW paper sold in the East, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
Other UGW sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	1,079,665	1,104,123	1,013,030	(6.2)	2.3	(8.3)
	Value (1,000 dollars)			Change (percent)		
Other UGW sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	683,910	674,461	598,772	(12.4)	(1.4)	(11.2)
	Share of quantity (percent)			Change (percent)		
Other UGW sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---
	Share of value (percent)			Change (percent)		
Other UGW sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

Apparent U.S consumption and market shares of newsprint sold in all regions

Table D-16 presents data on apparent U.S. consumption and market shares of newsprint in all markets. From 2015 to 2017, apparent U.S. consumption of newsprint decreased by 16.0 percent. U.S. producers' U.S. shipments and U.S. importers' U.S. shipments from subject sources were lower in 2017 than in 2015 while U.S. importers' U.S. shipments from nonsubject sources were higher. U.S. producers' share of commercial shipments of newsprint decreased from *** percent in 2015 to *** percent in 2017. Subject imports' share of commercial shipments of newsprint decreased from *** percent in 2015 to *** percent in 2017. As U.S. producers' and subject imports' share of commercial shipments of newsprint declined, the share of imports from nonsubject sources in Canada increased from *** percent in 2015 to *** percent in 2017.

Table D-16

UGW paper: Apparent consumption and market shares: Newsprint sold in all regions, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
Newsprint sold in all regions.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	2,696,545	2,614,234	2,265,444	(16.0)	(3.1)	(13.3)
	Value (1,000 dollars)			Change (percent)		
Newsprint sold in all regions.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	1,244,981	1,239,635	1,087,037	(12.7)	(0.4)	(12.3)
	Share of quantity (percent)			Change (percent)		
Newsprint sold in all regions.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---
	Share of value (percent)			Change (percent)		
Newsprint sold in all regions.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---

Note.—Share and ratios shown as “0.0” represent values greater than zero but less than “0.05” percent.

Source: Compiled from data submitted in response to Commission questionnaires.

Apparent U.S consumption and market shares of other UGW paper sold in all regions

Table D-17 presents data on apparent U.S. consumption and market shares of UGW paper other than newsprint in all markets. From 2015 to 2017, apparent U.S. consumption of UGW paper other than newsprint in all markets decreased by 4.0 percent. In 2017, the apparent U.S. consumption of UGW paper other than newsprint was approximately half the apparent U.S. consumption of newsprint. U.S. producers' commercial U.S. shipments of UGW paper other than newsprint were lower in 2017 than in 2015, while U.S. importers' commercial U.S. shipments of UGW paper other than newsprint from subject sources and nonsubject sources in Canada were higher. U.S. producers' share of other UGW paper shipments decreased from *** percent in 2015 to *** percent in 2017. As U.S. producers' share of commercial shipments of UGW paper other than newsprint declined, the share of imports from subject sources in Canada increased from *** percent in 2015 to *** percent in 2017. The market share of imports from nonsubject sources increased from *** percent in 2015 to *** percent in 2017.

Table D-17

UGW paper: Apparent consumption and market shares: Other UGW paper sold in all regions, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
Other UGW paper sold in all regions.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	1,209,871	1,278,838	1,160,890	(4.0)	5.7	(9.2)
	Value (1,000 dollars)			Change (percent)		
Other UGW paper sold in all regions.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	764,788	774,188	681,089	(10.9)	1.2	(12.0)
	Share of quantity (percent)			Change (percent)		
Other UGW paper sold in all regions.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---
	Share of value (percent)			Change (percent)		
Other UGW paper sold in all regions.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.-- Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

Apparent U.S consumption and market shares of all UGW paper sold in the West

Table D-18 presents data on apparent U.S. consumption and market shares of all UGW paper in the Western market. After increasing by 25.2 percent from 2015 to 2016, apparent U.S. consumption of all UGW paper in the Western market decreased by 15.9 percent in 2017, ending 5.3 percent higher in 2017 than in 2015. Throughout 2015-17, U.S. producers had the largest market share, which increased irregularly from *** percent in 2015 to *** percent in 2017. The market share of U.S. imports from subject sources in Canada in the Western market also fluctuated year-to-year. It decreased from *** percent in 2015 to *** percent in 2016 and then increased to *** percent in 2017. U.S. imports from nonsubject sources accounted for *** percent of the market share in the Western market for UGW paper during 2015-17.

Table D-18

UGW paper: Apparent consumption and market shares: All UGW paper products sold in the West, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
All UGW paper sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	513,219	642,445	540,605	5.3	25.2	(15.9)
	Value (1,000 dollars)			Change (percent)		
All UGW paper sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	255,235	321,711	269,474	5.6	26.0	(16.2)
	Share of quantity (percent)			Change (percent)		
All UGW paper sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---
	Share of value (percent)			Change (percent)		
All UGW paper sold in West.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---

Note.—Shares and ratios shown as “0.0” represent values greater than zero, but less than “0.05” percent.

Source: Compiled from data submitted in response to Commission questionnaires.

Apparent U.S consumption and market shares of all UGW paper sold in the East

Table D-19 presents data on apparent U.S. consumption and market shares of all UGW paper in the Eastern market. Apparent U.S. consumption of UGW paper in the Eastern market decreased by 15.0 percent from 2015 to 2017. Despite this decrease, apparent U.S. consumption of UGW paper in the Eastern market remained more than five times greater than the apparent U.S. consumption of UGW paper in the Western market in 2017. During 2015-17, U.S. imports from subject sources in Canada held the largest market share of UGW paper in the East (**% percent in 2015, **% percent in 2016, and **% percent in 2017). The market share of U.S. imports from nonsubject sources in the East increased from **% percent in 2015 to **% percent in 2017. As the market shares of U.S. imports from subject sources in Canada and nonsubject sources increased, U.S. producers' market share in the East decreased from **% percent in 2015 to **% percent in 2016, and to **% percent in 2017.

Table D-19

UGW paper: Apparent consumption and market shares: All UGW paper products sold in the East, 2015-17

Item	Calendar year			Comparison years		
	2015	2016	2017	2015-17	2015-16	2016-17
	Quantity (metric tons)			Change (percent)		
All UGW paper sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	3,393,197	3,250,627	2,885,729	(15.0)	(4.2)	(11.2)
	Value (1,000 dollars)			Change (percent)		
All UGW paper sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	1,754,534	1,692,112	1,498,652	(14.6)	(3.6)	(11.4)
	Share of quantity (percent)			Change (percent)		
All UGW paper sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---
	Share of value (percent)			Change (percent)		
All UGW paper sold in East.-- U.S. producers' U.S. shipments	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--						
Canada, subject	***	***	***	***	***	***
Canada, nonsubject	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
Apparent consumption	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL EXPERIENCE OF U.S. PRODUCERS

This section discusses financial data provided by U.S. producers Bear Island, NORPAC, Ponderay, and Resolute in response to the Commission's supplemental questionnaire. Data on UGW paper was disaggregated to present separately profit-loss data for all grades of newsprint ("newsprint") and all other UGW paper products ("other UGW paper") as well as to present separately sales of newsprint and all other UGW paper by U.S. region.

Data were reported on a calendar year basis. Total net sales are composed of U.S. commercial shipments and exports; no firm reported data for internal consumption or transfers to related firms. Total net sales for both newsprint and other UGW paper reconcile on an aggregated basis and on a regional basis with the data presented in part III and with the data presented earlier in this appendix with small differences due to rounding. Total sales, cost, capital expenditures, and asset data presented here reconcile with the aggregate data for those items that are presented in part VI.

U.S. producers' operations on newsprint by region

Tables D-20a and D-21a present the income-and-loss data for newsprint operations in the West and East, respectively, and table D-22a presents total newsprint operations in all regions. Tables D-20b, D-21b, and D-22b present the changes in average unit value ("AUV") between periods for the tables that each follows.

Table D-20a

UGW paper: Results of operations of U.S. producers on newsprint in the West, 2015-17

* * * * *

Table D-20b

UGW paper: Changes in the AUVs of newsprint in the West, between calendar years 2015-17

* * * * *

Three U.S. firms reported the data in tables D-20a/b. ***.

Table D-21a

UGW paper: Results of operations of U.S. producers on newsprint in the East, 2015-17

* * * * *

Table D-21b

UGW paper: Changes in the AUVs of newsprint in the East, between calendar years 2015-17

* * * * *

Four U.S. firms reported the data in tables D-21a/b. ***.

Table D-22a

UGW paper: Results of operations of U.S. producers on newsprint in all regions, 2015-17

* * * * *

Table D-22b

UGW paper: Changes in the AUVs of newsprint in all regions, between calendar years 2015-17

* * * * *

U.S. producers' operations on other UGW paper by region

Tables D-23a and D-24a present the income-and-loss data for operations on other UGW paper in the West and East, respectively, and table D-25a presents total other UGW paper operations in all regions. Tables D-23b, D-24b, and D-25b present the changes in average unit value ("AUV") between periods for the tables that each follows.

Table D-23a

UGW paper: Results of operations of U.S. producers on other UGW paper in the West, 2015-17

* * * * *

Table D-23b

UGW paper: Changes in the AUVs of other UGW paper in the West, between calendar years 2015-17

* * * * *

Table D-24a

UGW paper: Results of operations of U.S. producers on other UGW paper in the East, 2015-17

* * * * *

UGW paper: Changes in the AUVs of other UGW paper in the East, between calendar years 2015-17

* * * * *

Table D-25a

UGW paper: Results of operations of U.S. producers on other UGW paper in all regions, 2015-17

* * * * *

Table D-25b

UGW paper: Changes in the AUVs of other UGW paper in all regions, between calendar years 2015-17

* * * * *

U.S. producers' operations on all UGW paper products by region

Tables D-26a and D-27a present the income-and-loss data for all UGW paper operations (combining newsprint and other UGW paper) in the West and East, respectively. Tables D-26b and D-27b present the changes in average unit value ("AUV") between periods for the tables that each follows.

Table D-26a

UGW paper: Results of operations of U.S. producers on all UGW paper products in the West, 2015-17

* * * * *

Table D-26b

UGW paper: Changes in the AUVs of all UGW paper in the West, between calendar years 2015-17

* * * * *

Table D-26a

UGW paper: Results of operations of U.S. producers on all UGW paper products in the East, 2015-17

* * * * *

Table D-26b

UGW paper: Changes in the AUVs of all UGW paper products in the East, between calendar years 2015-17

* * * * *

All four U.S. firms reported the data in tables D-26a/b. ***.

APPENDIX E

CANADIAN PRODUCER WHITE BIRCH PRICE DATA

One importer (White Birch) reported price data for the nonsubject Canadian producer (White Birch) for products 1-7. Price data reported by this firm accounted for *** percent of U.S. commercial shipments from White Birch. These price items and accompanying data are comparable to those presented in tables V-4 to V-10. Price and quantity data for White Birch are shown in tables E-1 to E-7 and in figures E-1 to E-7 (with domestic and subject sources).

In comparing White Birch pricing data with U.S. producer pricing data, prices for product imported from White Birch were lower than prices for U.S.-produced product in 47 instances and higher in 15 instances. In comparing White Birch pricing data with subject Canadian pricing data, prices for product imported from White Birch were lower than prices for product imported from subject Canadian producers in 37 instances and higher in 37 instances. A summary of price differentials is presented in table E-8.

Table E-1

UGW paper: Weighted-average delivered prices and quantities of imported product 1, (Northeast region) by quarters, by quarters, 2015-17

* * * * *

Table E-2

UGW paper: Weighted-average delivered prices and quantities of imported product 2,¹ (Central region) by quarters, by quarters, 2015-17

Period	United States		White Birch	
	Price (per kilogram)	Quantity (kilograms)	Price (per kilogram)	Quantity (kilograms)
2015:				
Jan.-Mar.	0.58	6,530,029	***	***
Apr.-June	0.55	6,360,332	***	***
July-Sept.	0.52	5,834,641	***	***
Oct.-Dec.	***	***	***	***
2016:				
Jan.-Mar.	***	***	***	***
Apr.-June	***	***	***	***
July-Sept.	0.55	10,544,070	***	***
Oct.-Dec.	***	***	***	***
2017:				
Jan.-Mar.	0.55	8,750,516	***	***
Apr.-June	0.54	6,995,828	***	***
July-Sept.	0.54	5,062,511	***	***
Oct.-Dec.	***	***	***	***

¹ Product 2: Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls. Sold in the Central U.S. (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, and WI).

Source: Compiled from data submitted in response to Commission questionnaires.

Table E-3

UGW paper: Weighted-average delivered prices and quantities of imported product 3, (South region) by quarters, by quarters, 2015-17

* * * * *

Table E-4

UGW paper: Weighted-average delivered prices and quantities of imported product 4, (West region) by quarters, by quarters, 2015-17

* * * * *

Table E-5

UGW paper: Weighted-average delivered prices and quantities of imported product 5, by quarters, by quarters, 2015-17

* * * * *

Table E-6

UGW paper: Weighted-average delivered prices and quantities of imported product 6, by quarters, by quarters, 2015-17

* * * * *

Table E-7

UGW paper: Weighted-average delivered prices and quantities of imported product 7, by quarters, by quarters, 2015-17

* * * * *

Figure E-1

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 1, (Northeast region) by quarters, 2015-17

* * * * *

Figure E-2

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 2, (Central region) by quarters, 2015-17

* * * * *

Figure E-3

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 3, (South region) by quarters, 2015-17

* * * * *

Figure E-4
UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 4, (West region) by quarters, 2015-17

* * * * *

Figure E-5
UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 5, by quarters, 2015-17

* * * * *

Figure E-6
UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 6, by quarters, 2015-17

* * * * *

Figure E-7
UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 7, by quarters, 2015-17

* * * * *

Table E-8
UGW paper: Summary of underselling/(overselling), by source, 2015-17

Comparison	Total number of comparisons	White Birch lower than the comparison source		White Birch higher than the comparison source	
		Number of quarters	Quantity (Metric tons)	Number of quarters	Quantity (Metric tons)
Nonsubject vs United States: White Birch vs. United States	62	***	***	***	***
Nonsubject producers vs subject producers: White Birch vs. Subject Canadian	74	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX F

DATA ON CANADIAN PRODUCER WHITE BIRCH

Table F-1

UGW paper: Data on Canadian producer White Birch, 2015-17 and projection calendar years 2018 and 2019

* * * * *

Table F-2

UGW paper: Overall capacity and production on the same equipment as in-scope production by Canadian producer White Birch, 2015-17

* * * * *