

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
COATED PAPER SUITABLE FOR HIGH-QUALITY PRINT ) 701-TA-470-471 AND  
GRAPHICS USING SHEET-FED PRESSES FROM CHINA ) 731-TA-1169-1170  
AND INDONESIA ) (REVIEW)

Pages: 1 - 221  
Place: Washington, D.C.  
Date: Thursday, October 27, 2016



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THE UNITED STATES

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IN THE MATTER OF: ) Investigation Nos.:  
COATED PAPER SUITABLE FOR HIGH-QUALITY ) 701-TA-470-471 AND  
PRINT GRAPHICS USING SHEET-FED PRESSES ) 731-TA-1169-1170  
FROM CHINA AND INDONESIA ) (REVIEW)

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Thursday, October 27, 2016

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Irving A. Williamson (presiding)

5 Vice Chairman David S. Johanson

6 Commissioner Dean A. Pinkert

7 Commissioner Meredith M. Broadbent

8 Commissioner F. Scott Kieff

9 Commissioner Rhonda K. Schmidtlein

10

11

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13 Bill Bishop, Supervisory Hearings and Information

14 Officer

15 Sharon Bellamy, Records Management Specialist

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19 Andrew Dushkes, Investigator

20 Vincent Honnold, International Trade Analyst

21 Amelia Preece, Economist

22 Charles Yost, Accountant/Auditor

23 Courtney McNamara, Attorney

24 Douglas Corkran, Supervisory Investigator

25

1 Embassy Witness:

2 The Republic of Indonesia

3 Washington, DC

4 Pradnyawati, Director of Trade Defense, Ministry of Trade

5 Opening Remarks:

6 In Support of Continuation of Orders (Terence P. Stewart,

7 Stewart and Stewart)

8 In Opposition of Continuation of Orders (Frank Morgan, Trade

9 Law Defense)

10

11 In Support of the Continuation of the Antidumping and

12 Countervailing Duty Orders:

13 Stewart and Stewart

14 Washington, DC

15 on behalf of

16 and

17 King & Spalding LLP

18 Washington, DC

19 on behalf of

20 Verso Corporation ("Verso")

21 S.D. Warren Company d/b/a Sappi North America ("Sappi")

22 Appleton Coated LLC ("Appleton")

23 United Steel, Paper and Forestry, Rubber, Manufacturing,

24 Energy, Allied Industrial and Service Workers International,

25 AFL-CIO, CLC ("USW")

1 Michael Weinhold, Senior Vice President, Sales,  
2 Marketing, and Product Development and Member of the Office  
3 of Chief Executive, Verso Corporation

4 Paul Clancy, Vice President of Marketing and Business  
5 Development, Verso Corporation

6 Frank Kerr, Account Executive, Verso Corporation

7 Mark Gardner, President and Chief Executive Officer,  
8 Sappi North America

9 Francis E. Hannigan, Vice President for Coated Paper  
10 and Packaging, Sappi North America

11 John R. Jankowski, Manager, Corporate Development,  
12 Sappi North America

13 Doug Osterberg, President and Chief Executive Officer,  
14 Appleton Coated

15 Michael Baker, Vice President, Publishing Sales,  
16 Customer Service & Pricing, Appleton Coated

17 Jon Geenen, International Vice President, USW

18 Greg Harvey, President of USW Local 676

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

21 Terence P. Stewart, Elizabeth J. Drake, Philip A.  
22 Butler, Stephen A. Jones and Gilbert B. Kaplan - Of Counsel

23

24

25

1 In Opposition to the Continuation of the Antidumping and  
2 Countervailing Duty Orders:

3 Trade Law Defense

4 Washington, DC

5 on behalf of

6 PT. Pindo Deli Pulp and Paper Mills

7 PT. Pabrik Kertas Tjiwi Kimia Tbk

8 PT Indah Kiat Pulp & Paper Tbk

9 ("Indonesian Industry")

10 Arvind Gupta, Director Commercial, PT. Pabrik Kertas  
11 Tjiwi Kimia Tbk

12 Frank Morgan - Of Counsel

13

14 Rebuttal/Closing Remarks:

15 In Support of Continuation of Orders (Stephen A. Jones, King  
16 & Spalding LLP)

17 In Opposition of Continuation of Orders (Frank Morgan,  
18 Trade Law Defense)

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

2 9:31 a.m.

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

4 CHAIRMAN WILLIAMSON: Good morning. On behalf of  
5 the U.S. International Trade Commission I welcome you to  
6 this hearing on investigations No. 701TA-470 through 471 and  
7 731TA-1169 through 1170 Review involving coated papers  
8 suitable for high quality print graphics using sheet-fed  
9 presses from China and Indonesia.

10 The purpose of these investigations is to  
11 determine whether revocation of the countervailing duty  
12 order and antidumping duty orders on coated paper suitable  
13 for high-quality print graphics using sheet-fed presses from  
14 China and Indonesia would be likely to lead to continuation  
15 or recurrence of material injury within a reasonable  
16 foreseeable time. Scheduled setting for the presentation of  
17 this Hearing, Notice of Investigation and Transcript order  
18 forms are available at the Public Distribution Table.

19 All prepared testimony should be given to the  
20 Secretary. Please do not place testimony directly on the  
21 public distribution table. All witnesses must be sworn in  
22 by the secretary before presenting testimony. I understand  
23 that parties are aware of the time allocations. Any  
24 questions regarding the time allocations should be directed  
25 to the Secretary. Speakers are reminded not to refer in

1       their remarks or answers to questions with business  
2       proprietary information.

3               Please speak clearly into the microphone and  
4       state your name for the record and the benefit of the court  
5       reporter. If you will be submitting documents that contain  
6       information which is classified as business confidential,  
7       you are requested to apply with Commission Rule 201.6.

8               Mr. Secretary, any preliminary matters?

9               MR. BISHOP: Yes, Mr. Chairman. With your lead  
10       we would like to add John Jankowski Manager of Corporate  
11       Development with Sappi North America to page two of the  
12       witness list. I would also like to add that all witnesses  
13       for today's hearing have been sworn in.

14              CHAIRMAN WILLIAMSON: Very well. Let us begin  
15       with our Embassy Witness.

16              MR. BISHOP: Our Embassy Witness is Ms.  
17       Pradnyawati, Director of Trade Defense with the Ministry of  
18       Trade with the Embassy of Indonesia.

19              CHAIRMAN WILLIAMSON: Welcome.

20              Welcome Ms. Pradnyawati, you may begin when  
21       you're ready.

22              STATEMENT OF MS. PRADNYAWATI

23              MS. PRADNYAWATI: Chairman Williamson, Vice  
24       Chairman Johanson and Members of the Commission, good  
25       morning. My name is Pradnyawati and I am the Director of

1 Trade Defense of Ministry of Trade of the Republic of  
2 Indonesia. Thank you for the opportunity to speak to you  
3 today in support of our industry.

4 As you might guess, Indonesia cares deeply about  
5 this case which is why I traveled over ten thousand miles  
6 from Jakarta to be here. In fact, the government of  
7 Indonesia recently imposed safeguard duties on imports of  
8 coated paper which demonstrates the importance of this  
9 industry to my country. Even though I traveled a long way,  
10 my remarks will be brief because I know that Tjiwi Kimia and  
11 Pindu Deli have prepared an extensive presentation that goes  
12 into all of the facts and legal arguments supporting their  
13 cases.

14 You may know that Indonesia is the world's third  
15 largest democracy, tenth largest economy and has the world's  
16 largest Muslim population and you should know that Indonesia  
17 is on the same side as the United States in the war against  
18 terrorism. You probably do not know that the terrorist  
19 attack in Jakarta earlier this year took place at the  
20 Starbuck's just a block from Tjiwi Kimia Headquarters.

21 I understand from Tjiwi Kimia and Pindu Deli that  
22 at their peak their exports from Indonesia to the United  
23 States were approximately 50 million U.S. dollars only. I  
24 also understand that Tjiwi Kimia and Pindu Deli believes  
25 that their exports would not significantly exceed such level

1       if the entire dumping and countervailing duty orders are  
2       revoked. While 50 million U.S. dollars may not seem like a  
3       lot for a United States business to earn, that amount of  
4       money goes a long way in Indonesia.

5               Now allow me to touch upon the trend which I see  
6       as a paradox of Sunset Reviews. Traditionally the United  
7       States has revoked only a small number of outstanding  
8       antidumping and countervailing duty orders and has done so  
9       only after they have been in effect for a long period of  
10      time. Sometimes the orders and the ensuing duty remain in  
11      place all the way up to twenty years merely based on the  
12      prediction that the revocation of the antidumping or  
13      countervailing duty order would be likely to lead to  
14      continuation or recurrence of material injury to the U.S.  
15      Industry.

16             I just want to touch your heart and remind us all  
17      that the purpose of antidumping and countervailing order is  
18      to provide relief from imported goods that are unfriendly  
19      competing in once domestic market. However, an order and  
20      the ensuing duty should not remain in place for any longer  
21      than necessary. It is profoundly unjust to keep an order in  
22      effect whether by design or by default when it is no longer  
23      needed as it unfairly punishes the competitive supplier in  
24      exporting country.

25             Finally, I understand that you have many facts to

1 consider. I certainly believe that five years of imposing  
2 antidumping and countervailing duties is more than enough  
3 time for an industry in a developed country like the United  
4 States to adjust and become more competitive. I hope that  
5 you keep in the back of your mind that this is an important  
6 case to a developing country like Indonesia a trusted  
7 trading partner in a business shown to allow antidumping and  
8 countervailing duties against Indonesia to Sunset would  
9 benefit both our countries. Thank you.

10 CHAIRMAN WILLIAMSON: Does anyone have any --  
11 yes, Commissioner Broadbent?

12 COMMISSIONER BROADBENT: Thank you very much for  
13 coming here to speak with us. Could you give me a little  
14 background on the WTO litigation that Indonesia has filed  
15 against the U.S. on this product?

16 MS. PRADNYAWATI: Yes. Yes, actually Indonesia  
17 has challenged the U.S. in the WTO and now we are at the  
18 initial stage of the proceedings. We have exchanged our  
19 first written submissions and then in the first week of  
20 December we are going to have our first subsequent review in  
21 Geneva. Thank you.

22 COMMISSIONER BROADBENT: What are the issues that  
23 you are challenging?

24 MS. PRADNYAWATI: Some of the issues, some  
25 articles of the WTO. We consider that the U.S. is not

1 consistent with the WTO Agreement.

2 COMMISSIONER BROADBENT: Okay. A little more  
3 detail on that?

4 MS. PRADNYAWATI: No more details on that please,  
5 because the case is still ongoing.

6 COMMISSIONER BROADBENT: Understood. Okay.  
7 Could you also describe to us the safeguard that Indonesia  
8 has put in place on this product? Where are those exports  
9 coming from and how large are they?

10 MS. PRADNYAWATI: Okay, on that particular  
11 question I have to consult to the investigating authority  
12 because I don't want to make a mistake and the investigation  
13 authority is really independent and it is not under my  
14 review.

15 COMMISSIONER BROADBENT: Okay, so you couldn't  
16 tell us if those imports are coming from China or Indonesia?

17 MS. PRADNYAWATI: I couldn't. Sorry, ma'am.

18 COMMISSIONER BROADBENT: That's okay. Thank you  
19 very much. We really appreciate your presence here today.  
20 Thank you.

21 MS. PRADNYAWATI: Thank you.

22 COMMISSIONER KEIFF: Thank you, and just perhaps  
23 to follow up if I may, we recognize both that you have come  
24 a very long way and that you are here as most counsel and  
25 witnesses are here only with the resources that you have

1 with you. We view that mix of features as totally  
2 appropriate. That means that we have for each other the  
3 benefit of a conversation plus the opportunity for follow up  
4 in writing.

5 So we are delighted that you have come, it is  
6 very helpful and we very much understand your answers to  
7 Commissioner Broadbent's questions. We just also, I just  
8 also want to invite you after you leave to the extent you  
9 are able to please submit in writing to us as much  
10 information about the two legal proceedings that  
11 Commissioner Broadbent asked you to discuss, the WTO  
12 proceeding and the Safeguard proceeding as you and your  
13 colleagues in your government feel is appropriate for you.

14 It is my belief as a decision-maker in the U.S.  
15 Government that I can make better decisions when I  
16 understand at least the logic of arguments and the facts  
17 that are being disputed in legal proceedings that are not  
18 U.S. Based proceedings. I will follow U.S. Law and apply  
19 U.S. Law to my decision-making but I will benefit in my  
20 thinking from analysis and facts that are occurring in other  
21 proceedings.

22 So we are sometimes asked to consider or take  
23 into account proceedings such as WTO proceedings. We don't  
24 of course, we are of course a U.S. Body, applying U.S. Law  
25 but logic is the same in the U.S. as it is around the world



1       so we welcome logic --

2               MS. PRADNYAWATI:   Okay.

3               COMMISSIONER KIEFF:   And argument.

4               MS. PRADNYAWATI:   Sure.   I will certainly do so,  
5       sir.

6               COMMISSIONER KIEFF:   Thank you very much.

7               MS. PRADNYAWATI:   You are welcome.

8               CHAIRMAN WILLIAMSON:   Any other questions?   Good.

9       Well we want to really thank you very much for coming such a  
10      long way for your presentation.   It is always very useful to  
11      us to hear from other governments that are involved in  
12      proceedings.   So we want to thank you very much for coming.

13              MS. PRADNYAWATI:   Thank you, Mr. Chairman.

14              CHAIRMAN WILLIAMSON:   Okay, thank you.

15              MR. BISHOP:   Mr. Chairman, we will now proceed  
16      with opening remarks.   Open remarks on behalf of those in  
17      support of continuation of the orders will be given by  
18      Terence P. Stewart, Stewart and Stewart.

19              CHAIRMAN WILLIAMSON:   Welcome Mr. Stewart.   You  
20      may begin when you are ready.

21                       STATEMENT OF TERENCE P. STEWART

22              MR. STEWART:   Thank you, Mr. Chairman.   Just a quick  
23      response to Commissioner Broadbent's, exhibit 39 of our  
24      prehearing brief has the Safeguard decision in it and it  
25      identifies where the main sources of imports were.

1                   Chairman Williamson, Commissioners and Commission  
2           Staff, good morning. The Domestic Industry and its workers  
3           producing certain coated paper have benefitted from the  
4           imposition of antidumping and countervailing duties on  
5           imports from China and Indonesia but the industry remains  
6           vulnerable and revocation of the orders would likely result  
7           in the recurrence of injury to the Domestic Industry in the  
8           reasonably foreseeable future.

9                   We ask the Commission to exercise its discretion  
10          to cumulate imports from both countries for this Sunset  
11          Review as imports from each country will have much more than  
12          a discernible adverse impact on the Domestic Industry if the  
13          orders were revoked. We will compete with each other and  
14          the domestic-like product in the U.S. Market and we'll do so  
15          under similar conditions of competition after revocation.  
16          Both China and Indonesia are large global producers and both  
17          have a high export orientation. Both have significant  
18          excess capacity.

19                   Major producers in China and the primary  
20          producers in Indonesia are both part of Asia Pulp and Paper  
21          or APP and hence have the ability to shift who ships where  
22          should orders on one country be revoked or when orders on  
23          the other country are maintained. Producers in both  
24          countries have demonstrated a continued interest in the U.S.  
25          Market through the establishment of a joint selling

1 organization for all APP products through importation of  
2 sheeter rolls in the U.S. and establishment of converter  
3 networks and have since the issuance of the orders  
4 drastically expanded volume to our neighbors Canada and  
5 Mexico at prices far below prices in the United States.

6 Stated differently, APP has used price to drive  
7 market access in Canada and Mexico just as it did in the  
8 United States prior to the orders and would do so again if  
9 the orders were revoked. Because of the neutralization by  
10 the orders of unfair trade practices by Chinese and  
11 Indonesian producers, prices in the United States market are  
12 significantly higher than in other major markets and hence  
13 the U.S. both because of its size and its pricing profile is  
14 a very attractive market to producers in both countries  
15 should orders be revoked.

16 As the Staff Report reviews, the U.S. Market like  
17 much of the world remains in a secular decline with a  
18 reduction in demand during the Period of Review which  
19 decline is predicted to continue over the coming years.  
20 Consolidation at both the printer and the merchant levels  
21 has expanded purchasing power for the large players while  
22 competition for the non-Subject Imports has increased, such  
23 competition is at prices significantly higher than the  
24 distressed prices from China and Indonesia during the  
25 original investigation and that we see in neighboring

1 countries.

2           The Domestic Industry has continued to struggle  
3 in this environment with a number of plant and machine  
4 closures to address declining demand, labor concessions at a  
5 number of companies, several bankruptcies and profit levels,  
6 which while improved from the original investigation are not  
7 higher than at the beginning of the investigation period.  
8 Capacity utilization remains unsustainably low for a capital  
9 intensive industry at under 80 percent.

10           As reviewed in the prehearing Staff Report,  
11 product from China and Indonesia remain highly substitutable  
12 with Domestic Product and price remains a very important  
13 factor in purchasing decisions. Most sales are on a spot or  
14 short term contract basis and purchasers generally contact  
15 multiple sellers before ordering. Only a small minority of  
16 purchasers insist on some form of environmental  
17 certification and Chinese and Indonesian Producers have one  
18 or more environmental certifications that apply to their  
19 products.

20           The lack of a Florida Southeast Connection  
21 Certification for APP did not deter purchasers from them in  
22 2009 and won't today if the orders are revoked. While the  
23 Indonesian Producers have presented a series of arguments  
24 for why the Commission should make a negative determination  
25 with regard to Indonesia, as we will review in our

1 presentation the arguments still won't hold up in fact.  
2 Thus, we ask the Commission to exercise its discretion to  
3 cumulate imports from both China and Indonesia and to  
4 determine that revocation of the orders would likely lead to  
5 the continuation or recurrence of material injury within a  
6 reasonably foreseeable time. Thank you.

7 CHAIRMAN WILLIAMSON: Thank you.

8 MR. BISHOP: Opening remarks on behalf of those  
9 in opposition to continuation of the orders will be given by  
10 Frank Morgan, Trade Law Defense.

11 CHAIRMAN WILLIAMSON: Welcome, Mr. Morgan. You  
12 may begin when you're ready.

13 STATEMENT OF FRANK MORGAN

14 MR. MORGAN: Thank you, Mr. Chairman. Good  
15 morning, members of the Commission and Staff. I'd like to  
16 thank all of you for your hard work. I know there was a lot  
17 of data that was collected, gathered, analyzed and put into  
18 the Staff Report and I know a great deal of effort went into  
19 that. As you know from our brief there are only three  
20 producers of coated paper in Indonesia, Tjiwi Kimia, Pindu  
21 Deli and Indah Kiat. They submitted a questionnaire  
22 response in this review on August 23, 2016, which was the  
23 original due date so you have 100 percent coverage of the  
24 Indonesian industry.

25 I stand before you today on behalf of the

1 Indonesian Industry asking for the revocation of the AD and  
2 CVD orders against Indonesia and Indonesia alone. Why?  
3 Because there is no way 50 million dollars or so per year in  
4 Subject Imports from Indonesia are likely to have a  
5 discernible adverse impact on the Domestic Industry. The  
6 U.S. Market is worth approximately two billion dollars. As  
7 we said in our brief Subject Imports from Indonesia won't  
8 even move the needle.

9 Now I'm not suggesting that we will immediately  
10 or even in the reasonably foreseeable future be able to  
11 export 50 million dollars of coated paper every year to the  
12 U.S. Market. Notwithstanding that reality though, why  
13 should we both defending the case if we're only talking  
14 about 50 million dollars? Well, I don't know about all of  
15 you, but the potential to make 50 million dollars in sales  
16 is well worth the cost associated with the defense.

17 But recall we're not really just talking about 50  
18 million dollars in sales. The Indonesian Industry has not  
19 exported to the United States since the orders were imposed.  
20 So what we're really talking about is the inability to  
21 export to the United States for another five years and that  
22 means a quarter million dollars is at stake. So yes, the  
23 stakes are sufficiently high for us to defend the case  
24 expecting that we would export at our historical level of  
25 Subject Imports.

1           My friends on the other side claim the Indonesian  
2   Industry will shift sales with its affiliated mills in China  
3   so they can increase sales to the U.S. We have pointed to a  
4   number of factors that have changed since the original  
5   investigation that make this impossible. Those in support  
6   of continuation also claim that the Indonesian Industry's  
7   capacity is above the levels reported on our questionnaire.  
8   We will explain this afternoon why those claims are  
9   demonstrably incorrect.

10           The reality is that the Indonesian Industry has  
11   little excess capacity and if you look at the record from  
12   the POI, there is no correlation between excess capacity and  
13   export levels to the U.S. anyway, so it's a false premise.  
14   We respectfully submit that the record evidence compels the  
15   conclusion that there is no likelihood of discernible  
16   adverse impact of the subject orders against Indonesia are  
17   revoked. But even if the Commission were to disagree, the  
18   record evidence equally compels the conclusion that Subject  
19   Imports from Indonesia should be considered on their own  
20   and that Subject Imports from Indonesia are not likely to  
21   cause material injury to continue or recur.

22           In addition to the low likely volumes of Subject  
23   Imports, likely prices will not have adverse effects. As we  
24   discussed in our brief, the POI record showed Subject  
25   Imports from Indonesia underselling or overselling the

1 domestic-like product by now margins with one aberrational  
2 instance of underselling at relatively low volume of sales.  
3 This record cannot be viewed as pernicious and widespread  
4 evidence of underselling of the kind that cause or threaten  
5 material injury. Nor can it support a finding of likely  
6 adverse price effects upon revocation in this review.

7 The limited likely volume and lack of adverse  
8 price effects means Subject Imports from Indonesia are not  
9 likely to have an adverse impact upon revocation, even if  
10 the Domestic Industry is vulnerable which we respectfully  
11 submit it is not. The Domestic Industry operated profitably  
12 throughout the entire POR and reported an improved operating  
13 income of 7.3 percent in interim 2016 compared to 7 percent  
14 in interim 2015.

15 Indeed, all of the Domestic Industry's major  
16 performance indicators improved in the interim period  
17 comparison. Thank you for your time. We look forward to  
18 speaking with you again this afternoon.

19 CHAIRMAN WILLIAMSON: Thank you, Mr. Morgan.

20 MR. BISHOP: Would the panel in support of the  
21 continuation of the Orders please come forward and be  
22 seated.

23 CHAIRMAN WILLIAMSON: I want to welcome to the  
24 panel to this proceeding.

25 Mr. Stewart, you may begin when you're ready.



1                   MR. STEWART: Thank you, Mr. Chairman. We are  
2 going to start right in with the testimony from the  
3 witnesses. Mr. Weinhold will start.

4                   STATEMENT OF MICHAEL WEINHOLD

5                   MR. WEINHOLD: Thank you.

6                   Good morning. My name is Mike Weinhold. I am  
7 the Senior Vice President, Sales, Marketing and Product  
8 Development and member of the Office of Chief Executive of  
9 Verso Corporation. I have been at Verso since 2006. I have  
10 30 years of experience in the paper industry.

11                  Verso is the largest producer of coated paper in  
12 North America, with 4,800 employees spread over 10 locations  
13 in the United States. We produce certain coated paper at  
14 our mills in Maine, Michigan, Maryland, and Wisconsin.

15                  In 2015, Verso acquired New Page Holdings,  
16 Incorporated, one of the original petitioners in this case.  
17 Before the Orders went into effect in 2010, the U.S. market  
18 was subjected to an onslaught of imports from China and  
19 Indonesia at prices that undersold domestic producers by  
20 large margins.

21                  These imports had a devastating impact on our  
22 company. As you are well aware, paper manufacturing is  
23 highly capital intensive, which means we have to run our  
24 mills at high utilization levels to cover our fixed costs.

25                  Moreover, paper machines are designed to run

1       efficiently only if they run flat-out and cannot be easily  
2       shut on and off. As subject imports took more and more  
3       market share, we were forced to shutter paper machines in  
4       Rumford, Maine, and Luke, Maryland, as well as a sheeting  
5       facility in Chillicothe, Ohio. We also had to permanently  
6       close an entire paper mill in Kimberly, Wisconsin.

7               I believe that some of the ITC staff saw where  
8       this once vibrant mill stood on your visit to Appleton  
9       Coated at the end of August--a sober reminder of what  
10      happens when unfair trade goes unchecked.

11             The closure of these facilities resulted in the  
12      loss of hundreds of good-paying jobs and many additional  
13      jobs that are supported by paper manufacturing facilities  
14      throughout this country.

15             Since the Orders went into effect, we have seen  
16      the market stabilize and pricing levels improve as subject  
17      imports essentially disappeared. In January of this year,  
18      we voluntarily filed for Chapter 11 Bankruptcy Relief due to  
19      the unfavorable debt structure of our company. We emerged  
20      from bankruptcy in July, better positioned to compete and  
21      grow our business profitably.

22             Headwinds remain, however, which makes us  
23      vulnerable to any increase in imports of certain coated  
24      paper if the Orders were revoked. As you know, there is a  
25      long-term secular decline in demand for printing and writing

1 papers. We have attempted to manage this decline by seeking  
2 to achieve a balance between supply and demand in the U.S.  
3 market.

4           Unfortunately, this has resulted in our company  
5 making very difficult decisions that directly impact our  
6 employees. In December of last year, we idled our paper  
7 machine in Wickliffe, Kentucky, that produced, among other  
8 things, certain coated paper. We then closed that mill  
9 permanently in the first quarter of this year.

10           Even with this closure, the market remains  
11 over-supplied and this situation would only be worse if the  
12 Orders were revoked. While we do have some level of  
13 flexibility to produce other products on our paper machines,  
14 demand for those products face an even more significant  
15 decline and are also less profitable than the sales of  
16 certain coated paper.

17           We also have significant unused sheeting capacity  
18 at our sheeting facilities. I remain extremely concerned  
19 about the ability of China and Indonesia to flood our market  
20 if the Orders are revoked.

21           Asia Pulp and Paper in particular has  
22 demonstrated a clear interest and commitment to the United  
23 States market by importing sheeter rolls into the U.S. One  
24 such converter that sells rolls from APP is ConAmerican  
25 Converting. This company, which has operations in

1 California and Illinois, offers an array of coated sheeted  
2 product on its website. I believe that APP is using  
3 ConAmerica to reestablish its presence in the U.S. sheet-fed  
4 paper market.

5 For example, an individual named Dennis Richards  
6 worked for ConAmerica Converting from 2008 to 2012,  
7 according to his Linked-In Profile. He then went to work  
8 for APP in Global Paper Solutions, one of APP's importing  
9 arms. Among his jobs was to set up and qualify toll  
10 converters in the United States.

11 After that, he helped ConAmerca Converting to set  
12 up the new converting operations in Ontario, California.  
13 Then he returned to work for APP and Paper Max, another APP  
14 sales arm, overseeing U.S. converting operations.

15 This year, Mr. Richards began consulting for  
16 another company called Hawk Converting in Louisbourg,  
17 Tennessee, which advertises APP product on their website. I  
18 believe APP's efforts to reestablish its presence in the  
19 U.S. sheet-fed market by exporting sheeter rolls to U.S.  
20 converters is significant for two reasons.

21 First, it shows that the company, with mills in  
22 both China and Indonesia, continues to be interested in  
23 participating in the U.S. market for coated sheets.

24 Second, it shows that they are already  
25 establishing, reestablishing, or maintaining their

1 relationship in the marketplace to rapidly reenter the sheet  
2 market if the Orders are revoked.

3 While the volume of APP sheeter rolls currently  
4 entering the U.S. is unknown, repeal of the Orders would  
5 lead to a rapid buildup of such paper in sheet form. It is  
6 much cheaper for APP to use its own sheeters to sheet its  
7 rolls, and it is more efficient and cost-effective to ship  
8 in sheet product form versus roll form.

9 If the Orders are revoked, I expect Chinese and  
10 Indonesian producers will rapidly ship sheeted product to  
11 the U.S. in volumes that far exceed the volumes of sheeter  
12 rolls they are currently using to access our market.

13 The Indonesian industry claims one reason it  
14 would not increase exports if the Orders are revoked is  
15 because the width of one of its machines at Pindo Deli is  
16 not well suited for producing certain sheet sizes used in  
17 the U.S.

18 As a preliminary matter, Indonesia seems to  
19 vastly over-estimate how much of the market the two sheet  
20 sizes it cited account for. Furthermore, based on market  
21 intelligence, we believe the machines at Pindo Deli are in  
22 fact only a few inches different in width than some of our  
23 own machines and therefore any waste from sheeting that  
24 product would be easily minimized, just as it is on our  
25 machines.

1           The Indonesians also appear to exaggerate how  
2     hard it is to change shade. Changing shade on a machine is  
3     a routine matter that takes minutes and does not disrupt the  
4     product process in any way.

5           In light of existing and likely market  
6     conditions, the massive excess capacity in China and  
7     Indonesia, and the history of subject producers' aggressive  
8     pricing to achieve market share, I strongly urge you to vote  
9     to maintain the Orders on both China and Indonesia.

10           Thank you.

11                           STATEMENT OF MARK GARDNER

12           MR. GARDNER: Good morning. My name is Mark  
13     Gardner and I am the President and CEO of Sappi North  
14     America. I started at Sappi in 1981, and I have worked in  
15     the coated paper part of our industry for more than 30  
16     years, including on the production side as a mill manager.

17           Sappi produces certain coated paper at two mills  
18     in the United States, one in Skowhegan, Maine, and one in  
19     Kolkay, Minnesota. I testified before the Commission in  
20     2010 in support of imposing the Orders on certain coated  
21     paper from China and Indonesia, and I appreciate the  
22     opportunity to appear before you again today to urge the  
23     Commission to keep these important Orders in place.

24           Before the Orders were imposed in 2010, imports  
25     from China and Indonesia were wrecking havoc on the domestic

1       coated paper industry. At that time, rising subject imports  
2       were able to increase their market share in a rapidly  
3       declining market through aggressive price undercutting.

4               Domestic producers were forced to cut their own  
5       prices to try to maintain production volumes and capacity  
6       utilization rates on our highly capital intensive equipment.

7               Once those prices reached unsustainable levels, a  
8       number of domestic producers were forced to shut paper  
9       machines and/or entire mills.

10              In fact, in 2009 Sappi had to make the very  
11       difficult decision to close down our mill in Muskegon,  
12       Michigan. As former managing director of that mill, it was  
13       especially painful to watch many of my friends and  
14       colleagues lose their jobs as a result.

15              The mill that we had recently invested over \$100  
16       million in, which employed 550 workers in 2005, was lost for  
17       good.

18              Fortunately, the Orders were imposed and the  
19       changes in the market were dramatic. Even at the  
20       preliminary stage, we saw a rapid change in subject  
21       producers' behavior, and we were able to recover some of our  
22       pricing and see volumes improve immediately.

23              Chinese and Indonesia producers simply could not  
24       compete once their dumping and subsidies were offset by the  
25       Orders. Despite the relief the Orders provided, our market

1 remains very challenging.

2 A long-term cycle of decline in demand for  
3 certain coated paper continues. In Sappi's experience, the  
4 market for certain coated paper is even more price sensitive  
5 today than it was in the original investigation.

6 Your prehearing staff report shows price is the  
7 most frequently cited of the top three deciding factors by  
8 purchasers, and 16 out of 17 purchasers reported that price  
9 is a very important factor in their purchasing decisions.

10 Merchants and printers are under enormous  
11 pressure to deliver cost-effective product, as declining  
12 demand has made end-users increasingly price sensitive and  
13 the grade-three economy sheets have become a much larger  
14 portion of the market than they were six years ago.

15 Domestic sheets and import sheets are nearly  
16 indistinguishable, and the same is very true for the Chinese  
17 and Indonesian sheets. As your staff report shows, more  
18 than 77 percent of the responding producers, importers, and  
19 purchasers report that certain coated paper from China and  
20 Indonesia is always, or frequently, interchangeable with the  
21 U.S. product.

22 To address these challenges, we have had to  
23 reduce our head count in 2014 to align with the falling  
24 demand. We have had to expand into new packaging products  
25 where demand trends are better, but it does take time,



1       engineering, changes to machines, and technical know-how to  
2       enter these new markets.

3               If the Orders are revoked and imports come  
4       flooding back into our market, we will run out of time to  
5       develop new alternative products.

6               Your staff report shows that the domestic  
7       industry is already operating at a less than 80 percent  
8       capacity. This is a dangerously low operating rate that  
9       makes our industry highly vulnerable to injury if the Orders  
10      are revoked.

11              Moreover, even if the Orders are only revoked on  
12      Indonesia, the damage to our industry will be swift. Recent  
13      data shows that Indonesia has more than 150,000 tons of  
14      excess coated free capacity, enough to take away 16 percent  
15      of our industry's domestic shipments without diverting  
16      product from other markets.

17              The U.S. market, with prices that are  
18      significantly higher than the rest of the world, will be an  
19      extremely attractive market for them today, just as it was  
20      six years ago.

21              Indeed, if China is kept out of our market but  
22      Indonesia is not, the U.S. will be an even more attractive  
23      market for them than it was before.

24              Within 12 months of revocation, our industry will  
25      be facing the same rising volumes of extremely low-priced

1 imports as we experienced during the original investigation.

2 For all these reasons, we ask the Commission to  
3 maintain the Orders on Certain Coated Paper from both China  
4 and Indonesia.

5 Thank you.

6 STATEMENT OF DOUG OSTERBERG

7 MR. OSTERBERG: Good morning. My name is Doug  
8 Osterberg and I am the President and CEO of Appleton Coated.  
9 I have been with Appleton Coated for 37 years, and had jobs  
10 in technical and manufacturing positions within the company,  
11 most recently as Director of R&D and Technical Services.

12 I became President and CEO in 2013. Appleton  
13 Coated produces coated, uncoated, specialty, and technical  
14 papers used in high-end commercial printing, textbook  
15 publishing, label papers, and a variety of custom and  
16 specialty applications.

17 A substantial portion of our production is  
18 certain coated paper. Our mill, which includes three paper  
19 machines and two sheeters, is located in Combinox,  
20 Wisconsin. We employ about 620 workers, including  
21 approximately 430 employees represented by USW Local 2-144.

22 In December 2014, the company was purchased by  
23 Vertis Holdings, a company formed by members of our own  
24 management team. The company's former owners, Aquinas, SA,  
25 had been trying to find a purchaser for several years, but

1       due to poor market conditions no one stepped forward until I  
2       and several of my colleagues in management decided to buy  
3       and run the mill ourselves.

4               In order to keep the mill going, we were forced  
5       to write down the value of our assets and to seek labor  
6       concessions from our workers.

7               Over the last several years, we have produced  
8       some uncoated printing paper to fill capacity, but demand is  
9       declining for these products as well. Moreover, pricing on  
10      these other products is also low and generally results in  
11      even lower margins than on our coated business.

12              We are also developing other products to respond  
13      to the declining demand for coated paper, but this process  
14      will take some time to complete.

15              We are well below full capacity on our sheeters,  
16      and this capacity will be at risk if the Orders are revoked.  
17      We are also vulnerable to renewed injury because we are  
18      still in catch-up mode with respect to our capital  
19      expenditures.

20              Paper production requires significant ongoing  
21      capital investment, and we have recently only been able to  
22      make the minimum investments necessary to maintain our  
23      equipment. If low-priced imports from Indonesia and China  
24      come back into this market, we can expect our margins to  
25      degrade and we will not be able to invest in new equipment

1 and new products and continue our recovery.

2 If the Orders are revoked, subject imports will  
3 rapidly reenter the U.S. market. APP's claim that it's  
4 Indonesian mills will not reenter the U.S. market because of  
5 differences in shade and sheet sizes are baseless.

6 Appleton produces a wide range of shades on the  
7 same paper machine. It only takes a few minutes to less  
8 than an hour to change from one shade to the next. The U.S.  
9 market also demands a wide variety of sheet sizes beyond the  
10 two stock sizes mentioned by APP in its brief, and there is  
11 no reason APP could not efficiently serve these sizes from  
12 all of its coated paper machines.

13 I believe that an increase in imports from these  
14 countries may cause Appleton Coated to run out of time to  
15 repurpose our assets as demand declines in existing markets.

16 For these reasons, I urge you to keep the Orders  
17 in place. Thank you.

18 STATEMENT OF JON GEENEN

19 MR. GEENEN: Good morning. My name is Jon Geenen  
20 and I am an International Vice President of United Steel  
21 Workers Union. I oversee collective bargaining and policy  
22 for our members that work in the paper industry.

23 The USW is the largest industrial union in North  
24 America, with more than 850,000 members. And the paper  
25 industry employs more of our members than any other

1 industry. Our Union represents workers at nine of the  
2 companies that produce certain coated paper in the United  
3 States, accounting for the vast majority of domestic  
4 production.

5 I have been in the paper industry for more than  
6 30 years. I started on the shop floor in a mill in my home  
7 town in Wisconsin, and worked my way up through the Union.  
8 My wife worked at Appleton Papers for 25 years, and two of  
9 my daughters worked there to earn money for college.

10 My brother was one of the many workers that lost  
11 their jobs when the Kimberley New Paper Plant closed in 2008  
12 due to rising imports of dumped and subsidized paper from  
13 China and Indonesia.

14 More of our members lost their livelihoods when  
15 Sappi had to shutter its Muskegon, Michigan, Mill, and New  
16 Page had to shut down machines in Luke, Maryland, and  
17 Rumford, Maine.

18 The Orders offered a vital lifeline to our  
19 members and their families. Unfairly traded imports receded  
20 from the market, prices stabilized, and many workers were  
21 able to focus on making paper rather than looking for a new  
22 job and scrambling to make ends meet.

23 But our industry remains highly vulnerable. In a  
24 market where demand is on a long-term downward trend, and  
25 with global overcapacity, the domestic industry has been

1       forced to make painful adjustments to try to bring the  
2       market into balance.

3               In 2012, Mohawk and Smart closed their plants in  
4       Hamilton, Ohio. In 2014, Cascade shut its plant in  
5       Connecticut. In 2015, Catalyst idled its mill in Rumford,  
6       Maine, and today is running on a scaled-back schedule.

7               Finally, in 2016, Verso shuttered its mill in  
8       Wickliffe, Kentucky, eliminating more than 300 jobs and  
9       devastating the tiny town with a population of less than 700  
10      people.

11              Our Local presidents at these mills are forced to  
12      take on the role of grief counselor and social workers for  
13      their members. Grown men and women that worked at these  
14      mills for decades feel stranded.

15              Other jobs in typical small, rural towns where  
16      the mills are located like bus drivers, door greeters, and  
17      grocery baggers offer only a fraction of the wages the mill  
18      paid and few, if any, benefits.

19              These are the kind of jobs they will be working  
20      the rest of their lives because they can no longer afford to  
21      retire. The shock, the despair, and the long-lasting damage  
22      that these types of closures cause is almost impossible to  
23      convey to people who have not lived in a small town their  
24      whole life, worked hard at a job they loved their whole  
25      life, taken pride in the skill and ingenuity it takes to

1        manufacture the products we use every day, and lost that  
2        livelihood forever through no fault of their own.

3                The community as a whole also suffers as the  
4        mill's suppliers, small businesses, and local governments  
5        lose one of the pillars of their economies. Even our  
6        members who have not lost their jobs have made large  
7        sacrifices to help this industry survive the structural  
8        changes it faces.

9                We made wage and benefit concessions at a number  
10       of coated paper companies over the last six years, and  
11       collaborated to improve efficiency and work flow.

12               If the Orders are revoked, all the pain that our  
13       members have endured will have been in vain. Too many of  
14       our members have already paid the price for Chinese and  
15       Indonesian producers' unfair trade practices. Without the  
16       Order, subject producers will once again pour huge volumes  
17       of coated paper into our market, and use rock-bottom prices  
18       to seize market share.

19               Our industry simply cannot withstand such an  
20       onslaught. Even with all the adjustments that we have made,  
21       we are still operating at only 80 percent of our capacity.  
22       If the Orders are revoked, it is inevitable that more of our  
23       paper machines and mills will close far faster than they  
24       would have otherwise to meet demand.

25               More jobs will be lost. More lives will be

1 devastated. And more communities will suffer. Our members  
2 need your vote to keep these Orders in place.

3 Thank you.

4 STATEMENT OF PAUL CLANCY

5 MR. CLANCY: Good morning. My name is Paul  
6 Clancy and I'm Vice President of Marketing and Business  
7 Development at Verso Corporation.

8 I have worked for Verso and its predecessor  
9 companies for 30 years, and I have 35 years of experience in  
10 the U.S. paper industry.

11 When the Orders went into effect on coated paper  
12 from China and Indonesia, we saw a significant improvement  
13 in the market. As Mike Weinhold noted, Verso and its  
14 predecessor company New Page, saw better pricing and margins  
15 on sheeted coated paper, and we were able to regain business  
16 at certain key accounts that had previously been purchasing  
17 from Chinese and Indonesian suppliers.

18 The consolidation that we have seen among  
19 merchants and printers over the past five years will make it  
20 even easier for subject imports to enter our markets if the  
21 Orders are revoked.

22 Against the backdrop of declining demand,  
23 consolidation has caused additional downward pressure on  
24 prices, and has made positioning for volume even more  
25 intense. Even if only one or two large merchants sign on



1 with Indonesian or Chinese suppliers, there will be an even  
2 more devastating impact on our market share than we  
3 experienced five years ago, as we now have fewer and fewer  
4 customers to whom we can sell that displace product.

5 It is also important to note that several of the  
6 large U.S. merchants currently source nonsubject paper from  
7 APP. These relationships will pave the way for APP to get  
8 back into the U.S. market with subject paper.

9 For example, one of the largest merchant  
10 suppliers of coated paper in the United States has an  
11 exclusive supplier relationship with APP to provide a  
12 private-label paperboard product. This competes with a  
13 product that we make called "Productalith Points."

14 Because APP is already selling to our key  
15 customers, it would be very easy for APP to expand their  
16 offerings at these merchants to include subject merchandise.  
17 If the Orders go away, imports from China and Indonesia will  
18 rapidly enter the U.S. market, given the significant excess  
19 production in these countries.

20 Capacity, which had skyrocketed before the duties  
21 were imposed in 2010, has only continued to grow through  
22 2015. In China, capacity to produce coated free sheet paper  
23 grew by 33 percent from 2006 to 2010. And then, by another  
24 23 percent between 2010 and 2015.

25 Moreover, capacity utilization rates are below 80

1     percent in both countries, according to industry  
2     publications, which means that producers there could ramp up  
3     even more production than the levels they are producing  
4     today.

5             APP is by far the largest global producer, and it  
6     can and will easily switch supply from one country to  
7     another if the Orders are revoked on Indonesia, but not  
8     China. Revocation will be an open invitation for APP to  
9     redirect its Indonesian mills' significant capacity to the  
10    higher priced U.S. market.

11            Indonesia has 11 paper machines that make coated  
12    paper, and others that make coated packaging paperboard.  
13    Without the Orders in place, our market will once again  
14    become a dumping ground for Indonesian paper.

15            The merchants and printers who accepted the paper  
16    in the original investigation will be more than happy to  
17    repeat those trends if the Orders are revoked.

18            Thank you, and I am happy to answer your  
19    questions.

20            STATEMENT OF FRANCIS E. HANNIGAN

21            MR. HANNIGAN: Good morning. My name is Francis  
22    Hannigan and I am the Vice President for coated paper and  
23    packaging for Sappi North America. I have been with the  
24    company for 28 years. I am currently responsible for  
25    leading our coated and packaging business units, which

1 includes certain coated paper.

2 Based on my experience in the U.S. coated paper  
3 market, I am convinced that high volumes of Chinese and  
4 Indonesian certain coated paper would rapidly reenter the  
5 U.S. market at damaging low prices if the orders are  
6 removed. There are several reasons for this.

7 First, Chinese and Indonesian producers have  
8 massive capacity, have significant excess capacity, and are  
9 export oriented. APP, for example, is one of the largest  
10 paper companies in the entire world.

11 Second, as they have the past, they will  
12 incentivize the U.S. paper merchants, through price, to  
13 inventory large quantities of their product to compensate  
14 for the long transit times from Asia, given the Chinese and  
15 Indonesian producers a broad distribution and sales network  
16 in a relative short period of time. This import inventory  
17 will occupy a large amount of the merchant's warehouses,  
18 forcing domestic producers the high cost of serving a  
19 market that relies on fast service of small quantities.

20 Third, APP has already set up its own  
21 quasi-merchant in the form of CHARTA Global. CHARTA Global,  
22 which is the exclusive source for APP's Indonesian product,  
23 announced just four months ago that it was merging with  
24 Paper Max and Global Paper Solutions, the import arms for  
25 APP's Chinese mills. The result will be a single,

1 coordinated access point for all of APP's Chinese and  
2 Indonesian paper in the United States.

3 As CHARTA Global stated when the merger was  
4 announced, it will be a unique operator and premium and  
5 powerful ally with unprecedented capabilities in the U.S.  
6 market. A month after that announcement, CHARTA Global  
7 announced new product offerings across the U.S., including  
8 coated products. Their website lists a new coated label  
9 product with the phrase "coming soon."

10 In the original investigation, the fact that APP  
11 was setting up its own import and distribution arms in the  
12 U.S., Eagle Ridge, was an important factor in the  
13 Commission's affirmative threat determination. Eagle Ridge  
14 ceased operations shortly after APP retreated from the  
15 market after the orders were imposed. CHARTA Global is the  
16 new Eagle Ridge. It poses the exact same threat Eagle Ridge  
17 did and is now posed to help APP flood back into the market  
18 if the orders are revoked.

19 Fourth, Chinese and Indonesian producers have  
20 vividly demonstrated their continued interest in the North  
21 American market through their behavior in Canada and Mexico  
22 after the orders were imposed in the U.S. And Mexico, for  
23 example, imports for China and Indonesia jumped over six  
24 times from 2010 to 2015 at the expense of U.S. producers;  
25 thus, if one wants to understand the certain challenges from

1 China and Indonesia that we will face if the orders are  
2 revoked we only need to look at the experience of our  
3 neighbors to the north and south.

4 I understand that the Respondents are urging the  
5 Commission to discount these facts and instead find that  
6 their lack of an FSC certification would block them from  
7 reentering the U.S. market. Nothing could be further from  
8 the truth. Their lack of certification did not prevent them  
9 from increasing exports to our markets before the orders  
10 were imposed. An FSC certification is not a prerequisite to  
11 participate in the U.S. market and your pre-hearing staff  
12 report shows that over three-quarters of purchasers report  
13 that FSC certification is only somewhat important or not  
14 important to their purchasing decisions and 88 percent of  
15 purchasers report that they or their customers only  
16 sometimes or never make purchasing decisions solely based on  
17 an FSC or similar certification.

18 Only a small minority of end users requires an  
19 FSC certification. Some Chinese producers have FSC  
20 certifications and APP already has another major  
21 certification in PEFC. China and Indonesia will price their  
22 product well below other sources like Korea and Europe.  
23 That was true in the original investigation and remains true  
24 today in markets where they compete.

25 For all of these reasons, we hope you will vote

1 to keep these orders in place. Thank you.

2 STATEMENT OF MICHAEL BAKER

3 MR. BAKER: Good morning. My name is Mike Baker  
4 and I'm Vice President for Publishing Papers and Pricing at  
5 Appleton Coated. I've been with Appleton Coated for 29  
6 years. I've had responsibility for pricing for our coated  
7 free-sheet segment since 1996.

8 Before the orders went into effect in 2010,  
9 coated sheet prices were declining rapidly. Since then,  
10 we've seen coated sheet prices in the United States  
11 stabilize and there's been an overall reduction in import  
12 market share. We believe had the duties not gone into place  
13 Appleton Coated would've had to curtail a significant amount  
14 of capacity.

15 If the orders were revoked, we would expect to  
16 experience a loss of sales volume and would suffer notable  
17 price erosion as competitors fight to maintain market share.  
18 This would impact our volumes and margins impacting our  
19 ability to invest in capital expenditures and R&D. One  
20 development in our industry that makes us more vulnerable  
21 now to imports from China and Indonesia is the significant  
22 consolidation we've seen within our merchant and printer  
23 customers.

24 For example, since 2010, Quad Graphics and R.R.  
25 Donnelly, two large national printers, acquired many other

1       small, local and regional printing companies. In addition,  
2       the two largest distributors in the U.S., Xpedx and  
3       Unisource, merged to Veritiv in 2014. Such consolidation  
4       have given these customers even greater leverage to demand  
5       the lowest prices.

6               Moreover, we have seen our distributor customers  
7       devote a greater share of their warehouse space to imports,  
8       which has forced domestic producers to be increasingly  
9       responsible for their own warehousing.

10              Finally, if imports of subject product from  
11       China and Indonesia resume, we will begin to see  
12       deterioration in pricing in our market position within six  
13       months. Although, we sell some of our products pursuant to  
14       contracts, pricing in these agreements can be renegotiated.  
15       If a customer asks us to lower our prices due to the  
16       presence of lower-priced product in the market, we have to  
17       entertain such request or risk losing business.

18              For Appleton Coated and our industry, it is  
19       critical that the orders be maintained. Thank you.

20              STATEMENT OF FRANK KERR

21              MR. KERR: Good morning. My name is Frank Kerr  
22       and I'm an accountant executive for Verso Corporation. I am  
23       based in Verso's office in Ontario, Canada, where I oversee  
24       our sales in Canada. All tonnages are imports from our U.S.  
25       mills. When the orders on certain coated paper from China

1 and Indonesia were imposed in late 2010, producers in those  
2 countries rapidly increased their exports of certain coated  
3 papers to the neighboring Canadian market.

4 In mid-2011, just months after the orders were  
5 imposed, an APP representative stated the company was  
6 committed to doubling its presence in Canada, was adding  
7 sales people, and was expanding geographically intending to  
8 have a full and complete footprint across Canada by the end  
9 of the year.

10 Canadian import statistics show these plans were  
11 successful. Overall, from 2010 to 2015, Canadian imports  
12 from China and Indonesia increased by 76 percent, from  
13 38,000 metric tons to 67,000 metric tons. APP has also  
14 targeted the Canadian market with direct distribution  
15 through its own sales offices and warehouses, much as it  
16 planned to do in the U.S. with Eagle Ridge before the orders  
17 were imposed.

18 APP is now the largest supplier of certain  
19 coated papers in the Canadian market by a wide margin. U.S.  
20 mills have been the primary losers in the Canadian market.  
21 Annual U.S. exports to Canada fell by 33,000 metric tons or  
22 42 percent from 2010 to 2015. We face direct competition  
23 with Chinese and Indonesia product across many of our  
24 accounts in Canada. This includes many of the same large  
25 merchants that also operate in the U.S. These customers



1 tell me that the prices APP quotes are far below market  
2 prices. In fact, most cases, the APP price to the final end  
3 user is significantly below our own price to the merchant  
4 and this is before the merchant's own markup.

5 Verso has lost significant sales volumes in  
6 Canada due to this aggressive competition from China and  
7 Indonesia based on our inability to meet their low prices.  
8 We have been forced to make sales at a loss just to maintain  
9 some of the volume that remains.

10 If the orders are revoked, subject foreign  
11 producers are well positioned to swiftly reenter the U.S.  
12 market with massive volumes at cutthroat prices. With their  
13 existing infrastructure and relationships in Canada, I  
14 estimate significant volumes of their product could be in  
15 the U.S. market very rapidly if the orders are revoked. The  
16 only way to prevent the U.S. market from suffering the same  
17 damage we have seen in Canada is to keep the orders in  
18 place. Thank you.

19 STATEMENT OF GREG HARVEY

20 MR. HARVEY: Good morning. My name is Greg  
21 Harvey and I'm the President of USW Local 676, which  
22 represents 525 workers at Verso's mill in Luke, Maryland.

23 The Luke Mill has been in existence since 1888,  
24 more than 125 years. I am a third generation papermaker.  
25 My grandfather and my father both worked at the Luke Mill.

1 I've worked there for 33 years and been president of the  
2 Local for seven years. My son is now the fourth generation  
3 of our family to work at the mill.

4 Some of the Commission staff who have been to  
5 visit the Luke Mill can appreciate that it is the economic  
6 engine for the small rural communities that surround it. In  
7 addition to the hundred of direct jobs the mill supports,  
8 everyone from wood suppliers to local coffee shops and  
9 schools depend on the mill for their survival.

10 When Chinese and Indonesian imports of coated  
11 paper were flooding the market at unsustainably low prices,  
12 we had to shut one of the paper machines down at Luke. The  
13 orders that were imposed in 2010 have been vital to our  
14 mill's continued survival. Even with the orders in place,  
15 our mill has endured two bankruptcies. The first was in  
16 2011 through 2012 when the mill was owned by New Page and  
17 the second was earlier this year after the mill was acquired  
18 by Verso.

19 While the bankruptcies helped stabilize the  
20 company's financials, they came at a significant cost.  
21 During the first bankruptcy, we had to negotiate new  
22 contracts to help the company emerge in a stronger position.  
23 We made significant concessions on retiree benefits. None  
24 of the mill's new employees are entitled to the defined  
25 benefit pensions our retirees depend upon. Instead, they

1       only get a defined contribution plan.

2               We also forewent any wage increases and agreed  
3       to efficiency improvement to strengthen the mill's  
4       performance, but even this was not enough. In 2016, New  
5       Page's new owner filed for bankruptcy again. Our current  
6       contract is up on December 1 and I've just returned from a  
7       difficult bargaining session to try to minimize the  
8       concession our members will have to make to keep the  
9       company viable.

10              While one might assume a company emerging from  
11       bankruptcy is in a healthy position, the company still have  
12       many direct creditors they need to satisfy, all of whom  
13       demand even higher interest rates and tighter repayment  
14       covenant to secure their investment. This means the company  
15       must not only demand concessions from workers, but that it  
16       is also severely constrained in its ability to make needed  
17       capital investments.

18              Our mill is already running at sheeters below  
19       capacity and short of manpower we need to run the mill full  
20       out. There is a short window for us to improve our  
21       performance and prove to our remaining investors and  
22       creditors that the company is a sound, long-term investment.  
23       Our union is always recommending improvements to increase  
24       productivity and efficiency, even if it means fewer jobs for  
25       our members.

1                   If the orders are revoked and low-priced coated  
2     paper imports surge back into our market, the window we have  
3     to succeed will close shut. The Luke Mill needs a level  
4     playing field to survive. Without continued relief from  
5     unfair trade, my son may be the last of our family to work  
6     there, together with hundreds of our friends and colleagues  
7     whose families depend on that mill.

8                   Your vote to maintain the orders will make all  
9     the difference to the Luke Mill and our industry as a whole.  
10    Thank you.

11                                 STATEMENT OF ELIZABETH J. DRAKE

12                   MS. DRAKE: Good morning, Mr. Chairman, Vice  
13     Chairman, members of the Commission, Elizabeth Drake with  
14     Stewart & Stewart. We'd like to go through a short  
15     PowerPoint presentation just to review some of the facts  
16     that our witnesses have testified to under the Commission's  
17     legal framework in a sunset review. We'll quickly look at  
18     domestic-like product in industry, then move onto to  
19     accumulation, conditions of competition, and then likely  
20     volume price affects and impact.

21                   With regard to the domestic-like product,  
22     neither Petitioners nor APP Indonesia has contested the  
23     domestic-like product found in the original investigation.  
24     And based on the record today, we do not believe that any  
25     domestic producers should be excluded from the domestic

1 industry.

2 Moving on to accumulation, first, imports from  
3 China will have much more than a discernable adverse impact  
4 if the orders are revoked. Since 2010, the Chinese industry  
5 has added more than two million tons in new capacity, seen  
6 its excess capacity alone increase to over 1.2 million tons  
7 and increased exports to the world by more than 23 percent.

8 The U.S. remains a highly attractive market for  
9 China. APP has aggressively targeted our neighboring  
10 markets in Canada and Mexico, as our witnesses testified, to  
11 become the dominant supplier in those markets. It's also  
12 already shipping sheeter rolls to China to be converted and  
13 automated ship manifest data show that each of the major APP  
14 import arms was imported coated rolls in the first eight  
15 months of 2016. We can submit that post-hearing, if you  
16 would like. And APP, as you heard, has also consolidated  
17 all of its import arms into one coordinated point under  
18 CHARTA Global.

19 Our market will be highly attractive for China  
20 if the orders are revoked. Our prices are up to 34 percent  
21 higher than China's home market in an export average unit  
22 values. This is 2015 data adjusted for CIF charges based on  
23 imports of other kinds of paper from China, lower both than  
24 non-subject CIF values and lower than domestic shipment  
25 values in your pre-hearing report.

1                   Moving on to Indonesia, Indonesia would also  
2                   individually have much more than a discernible adverse  
3                   impact if the orders are revoked. There've been no closures  
4                   of coated paper machines in Indonesia since 2010. The 2015  
5                   safeguard investigation records showed that installed  
6                   capacity did not decline, but was flat from 2010 through  
7                   2013 and there's some indications that capacity, in fact,  
8                   increased, including RISI data and APP's annual reports for  
9                   its mills in Indonesia.

10                  Even if there's been no increase in capacity,  
11                  there has been a large increase in excess capacity in  
12                  Indonesia. The RISI data show that Indonesian excess  
13                  capacity in 2015 was at 154,000 tons. That's more than two  
14                  and a half times higher than their peak prior exports to the  
15                  U.S. in 2009 and this doesn't even include the actual  
16                  580,000 tons of production in 2015 that RISI data show the  
17                  Indonesia producers could also shift to the U.S. market. As  
18                  our witnesses testified, this excess capacity alone is  
19                  enough to eliminate 16 percent of domestic industries'  
20                  shipments.

21                  The U.S. market will be a very attractive market  
22                  for this excess Indonesian capacity and product that's  
23                  currently going to other markets. APP's mills in Indonesia  
24                  are highly export oriented and exports to the Americas are  
25                  important to each of the mills. This is data from the mills

1 annual reports, 2015 for two of them and 2010 for Pindo Deli  
2 which is the most recent available.

3 Another indication that the U.S. remains a  
4 highly attractive market is how Indonesia has behaved with  
5 respect to other paper products, non-subject paper products.  
6 Total U.S. imports from Indonesia under Chapter 48 increased  
7 59 percent from 2010 to 2014, peaking at nearly 440,000 tons  
8 in 2014 before the domestic uncoated industry filed  
9 petitions on uncoated paper from Indonesia and other  
10 countries in January of 2015. This shows continued interest  
11 in the U.S. market.

12 Other indications of continued interest are the  
13 shipments of sheeter rolls by APP to U.S. converters. And  
14 again, AMS data that shows that CHARTA Global has been  
15 importing coated rolls, not only from China, but also from  
16 Indonesia since 2015 and that Pindo Deli has been the  
17 largest Indonesian exporter of coated rolls over the entire  
18 POI in each year, accounting for 76 to 96 percent of exports  
19 of coated rolls to the U.S. market. And again, we have the  
20 consolidate import arm for both China and Indonesia under  
21 CHARTA Global.

22 Another indication that Indonesia will have a  
23 discernible adverse impact is the highly attractive prices  
24 in the U.S. market. Indonesia claims its just focused on  
25 its Asian markets, so if we just look at their prices in

1 non-Asian markets in 2016 and add CIF charges based on  
2 actual imports of other paper products from Indonesia,  
3 you'll see that U.S. prices are up to 28 percent higher than  
4 the Indonesia price, lower both to non-subject to CFI values  
5 and then domestic shipment AUVs. So both countries,  
6 individually, will clearly have a discernible adverse impact  
7 if the orders are revoked on either one.

8           Moving on to the reasonable overlap in  
9 competition, coated paper from China and Indonesia remain  
10 highly fungible. You have 92 percent of firms reporting  
11 that they are always or frequently interchangeable and 82  
12 percent of firms reporting that any differences, other than  
13 price, are only sometimes or never significant. And of  
14 course, though, they're not in the market presently. The  
15 geographic overlap simultaneous presence and common  
16 channels of distribution the Commission saw in the original  
17 investigation would be like to recur.

18           Finally, moving on to whether or not they would  
19 compete under the same conditions of competition if the  
20 orders are revoked, we think the answer is certainly, yes,  
21 based on the record before you. Both China and Indonesia  
22 show significant excess capacity, both show an increase in  
23 excess capacity since 2010, both are export oriented, both  
24 demonstrated the same trends during the POI in terms of both  
25 volume and pricing, both exited the market as soon as their



1       unfair trade practices were disciplined, both are  
2       affiliated through APP, completely in Indonesia and a large  
3       portion of the production in China, and both are now  
4       represented by CHARTA Global.

5               Contrary to the Respondent's arguments, nothing  
6       will prevent Indonesia from competing under the same  
7       conditions of competition as China if the orders are  
8       revoked. All of its three mills represented today can and  
9       do produce subject product. With regard to shade, as our  
10      witnesses testified, change in shade takes a matter of  
11      minutes. They produce the shades demanded in the U.S.  
12      before and could do so again easily.

13             With respect to sheet sizes, you heard there's a  
14      wide range of sizes produced in the U.S. market and that the  
15      Asian mills would be capable of producing these sizes on all  
16      of its machines. The FSC certification will also not be a  
17      difference between Indonesia and China if the orders are  
18      revoked, not a significant difference. Now the 88 percent  
19      of purchasers who only report they only sometimes or never  
20      make decisions based on such certifications and you have  
21      more than 76 percent reporting such certifications are only  
22      someone or not important, and of course, you have other  
23      Chinese producers that are FSC certified.

24             And APP itself is working to serve even that  
25      small, small, tiny portion of the market that demands an FSC

1 certification or similar certification. In 2014, the  
2 company pledged to halt all deforestation and as a result a  
3 number of large U.S. customers resumed purchasing from APP  
4 for non-subject product, including staples for uncoated  
5 paper. APP is currently in the process of reassociating  
6 with FCS and they already have the PEFC certification, which  
7 is advertised as being comparable.

8 As in the original investigation, affiliation  
9 will allow APP to switch source in between China and  
10 Indonesia, as the Commission noted. Though China and  
11 Indonesia have displayed different export trends during the  
12 period of review, we believe this is a result of APP's  
13 strategy to let its Chinese mills offload as much of their  
14 excess capacity, even in markets that Indonesian mills may  
15 otherwise like to serve.

16 And if the orders are revoked on Indonesia, but  
17 not China, it will make the U.S. an even more attractive  
18 market for APP and Indonesia, leaving it to not only target  
19 the U.S. with its excess capacity, but to shift product from  
20 other markets where it currently has to compete with China,  
21 but would not if the orders are revoked only on Indonesia  
22 here in the U.S. market.

23 And I'll turn it over to Ms. Byers.

24 STATEMENT OF BONNIE B. BYERS

25 MS. BYERS: Thank you, Elizabeth, Bonnie Byers

1 with King and Spalding on behalf of the Petitioners. I want  
2 to do a quick recap on the conditions of competition under  
3 accumulated assessment, starting with supply and demand.

4 As you've heard this morning, demand has  
5 continued its long-term secular decline. We've seen subject  
6 imports that have largely left the market since the orders  
7 went into place. We've also seen mill closures and machine  
8 closures over the period of review in an attempt to bring  
9 the market into balance with the declining demand situation.

10 And while non-subject imports have risen  
11 modestly, we tend to see that they are at higher prices than  
12 we see for subject imports. Regarding substitutability,  
13 more than 75 percent of the firms reported that domestic and  
14 subject CCP are frequently or always interchangeable, 90 to  
15 100 percent of purchasers reported that domestic and subject  
16 product usually or always meet the minimum quality standards  
17 and most purchasers report that domestic and subject  
18 products are comparable across most of the factors.

19 Most firms also report that differences, other  
20 than price, are never or only rarely very significant.  
21 Price is very important for this product. Most sales are  
22 made through distribution and they are negotiated on a  
23 transaction-by-transaction basis. Large merchants and  
24 printer, as you've heard from our witnesses this morning,  
25 have undergone a great level of consolidation since 2010.

1       This has vastly increased their leverage of pricing. And  
2       prices is the most frequently cited top three purchasing  
3       factor, in fact, 94 percent of purchasers report that price  
4       is a very important purchasing factor.

5               MS. BYERS: Moving on to the likely volume  
6       effects. In the original investigation, subject imports  
7       increased by 15,000 short tons in a declining market,  
8       reaching about 18.3% market share in 2009. While the orders  
9       have offset the unfair trade that was found, we've seen that  
10      subject imports have essentially exited the market.  
11      However, if the orders are revoked, the volume of cumulated  
12      subject imports is likely to be very significant.

13             Turning to the likely volume, this chart  
14      indicates that, if you look at the bar on the left-hand  
15      side, China and Indonesia have brought on new capacity since  
16      2010 in the amount of about 1.6 million tons. Chinese and  
17      Indonesian global exports are about 1.5 million tons, and  
18      this gives you the third bar which represents China and  
19      Indonesian excess capacity of about 1.3 million tons.

20             You can see total demand in the U.S. market is  
21      about 2 million tons. If Chinese and Indonesian exports are  
22      free to come back into this market, you can see it could  
23      easily swamp the level of demand currently in the U.S.  
24      market.

25             In addition, the U.S. will be a very attractive

1 market if the orders are revoked. As you've heard, both  
2 China and Indonesia are highly export-oriented. China is  
3 currently subject to dumping and countervailing duty orders  
4 in Europe and an AD order in Argentina. While U.S. demand  
5 is declining, it is projected to be declining more slowly  
6 over the next several years than demand in both Europe and  
7 Japan to key markets.

8 And the fact China's own demand is also  
9 projected to decline and there are news reports that demand  
10 is also declining in Indonesia. Prices in the U.S. market,  
11 as you've heard, are significantly higher than in any of the  
12 other major markets.

13 Looking at the prices that will lead to  
14 increased volume of imports, on the left-hand side, you have  
15 U.S. domestic shipments and average unit value of about  
16 \$1,046. The next bar over represents the RISI average U.S.  
17 price reported in their trade publications. That would be a  
18 combination of both domestic pricing and import pricing.

19 And then to the right you have Chinese exports  
20 and Indonesian export prices. This is reflective of the  
21 data that is in the staff report for all Chinese and  
22 Indonesian exports. We've added a little bit for CIF --  
23 that would give you a Chinese price of that \$916 and an  
24 Indonesian price of about \$917. You can see that's very  
25 well below the prevailing price of \$1,046 that was present

1 in 2015.

2 Subject producers' exports to Canada and Mexico,  
3 as you've heard, also provide a very valuable preview, I  
4 believe, for the volumes that are likely to enter the U.S.  
5 market in the case of revocation. APP announced its intent  
6 to double its presence in the Canadian market just as soon  
7 as the duties went into effect here in 2010. APP has in  
8 Canada its own warehouse network and sales force, and sells  
9 directly to end users in that market.

10 In addition, APP also has relationships with  
11 major merchants in Canada who also have operations in the  
12 United States. So those relationships have already been  
13 developed. U.S. producers have lost export sales as you've  
14 heard this morning in both of those markets due to  
15 competition with APP. So head-to-head there are no  
16 differences in the product quality.

17 As a result, Canada's combined imports from the  
18 two countries rose by 76% in 2010 to 2015, and we saw a  
19 six-fold increase in imports into Mexico. Another factor as  
20 you've heard this morning is that the presence of Charta  
21 Global, just four months ago, Charta Global announced that  
22 it was taking over all import operations in the United  
23 States for both the Chinese, APP Chinese affiliates and  
24 their Indonesia mills. And here's a quote from Charta  
25 Global at the time that it announced that development.

1                    "You found that the presence of an APP exporter  
2                    arm, Eagle Ridge, was a significant factor in supporting an  
3                    affirmative threat determination in the original  
4                    investigation. Charta Global," as Mr. Hannigan said, "is  
5                    the new Eagle Ridge." And we're very concerned that that's  
6                    going to lead to a very large increase in imports.

7                    APP, as you've heard, is already shipping  
8                    sheeter rolls to U.S. converters to serve the U.S. sheet-fed  
9                    market. And all indications are that the market is  
10                   accepting the APP sheeter rolls for sheet-fed applications.  
11                   Sheeter roll imports are restrained somewhat by the higher  
12                   costs of shipping paper. It simply costs more to ship  
13                   rolls--there's a lot of dead space--than it does to ship in  
14                   sheets that are nice and square and you can fill up an  
15                   entire container.

16                   Moreover, if you're going to ship sheeter rolls  
17                   to the U.S., you also have to pay for conversion costs in  
18                   the U.S. which can be very expensive. However, if the  
19                   orders are revoked, these additional costs will completely  
20                   disappear and we would expect to see a very large volume of  
21                   imported sheets into this U.S. market.

22                   Let's move on now to the likely price effects.  
23                   In the original investigation, subject imports on a  
24                   cumulated basis undersold domestic like product, and about  
25                   83% of the comparisons at margins as high as 25.2%; today,

1       subject import unit values plus CIF charges are well below  
2       U.S. prices including non-subject import prices, as we'll  
3       see in a minute.

4               In addition to that, market intelligence  
5       indicates that APP is offering certain coated paper in  
6       Canada, be it from China or Indonesia, at even lower prices  
7       than we see reflected in their export data, as low as \$750  
8       to \$770 for short ton delivered to end users. And we can  
9       provide more information on this in our post-hearing brief.

10              While the Commission found some evidence of  
11       price depression by imports in the original investigation,  
12       it also found that the black liquor tax credit contributed  
13       somewhat to lower prices. That tax credit is now gone, and  
14       it's not coming back.

15              APP has also used price undercutting to drive  
16       down prices and gain share in Canada and Mexico, and we  
17       would expect to see the same here if the orders are revoked.  
18       Again, related to the likely price effects, we have a  
19       prevailing price in the U.S. in 2015 of about \$1,046. The  
20       average price reported by RISI was \$995. By contrast, now  
21       in subject imports were \$952, so lower than U.S. prices, but  
22       significantly higher than the \$909 price of the subject  
23       imports.

24              Now let's move on to the likely impact. As  
25       you've heard today, though the orders have had important



1       benefits for the domestic industry. This is an industry  
2       that remains extremely vulnerable. Demand is expected to  
3       continue its gradual decline, and this will necessitate  
4       decreases in capacity going forward. The market remains  
5       extremely price-sensitive, and because merchants and  
6       printers have consolidated significantly over the past five  
7       years, that makes us even more vulnerable to price pressures  
8       from imports.

9               The industry is highly capital intensive and  
10       forcing machines and mills to close when operating rates  
11       become too low, and they are close to those unsustainably  
12       low levels at this time. Despite closures since 2010, the  
13       industry's capacity utilization rate is just around 80% in  
14       2015. And that was lower than it was in the lower  
15       investigation.

16              And while operating margins initially improved  
17       after the orders were imposed, in 2015 the industry's  
18       operating margin was around 7.9%. This is similar to the  
19       operating margin that existed at the beginning of the period  
20       of investigation in the original investigation.

21              We've seen the largest producer go through two  
22       bankruptcies since 2010. As our union representatives have  
23       reported today, workers have had to make a number of  
24       concessions to keep the domestic mills viable.

25              And finally, the industry has been unable to

1       make the needed capital expenditures that keep them in good  
2       operating order. If the orders are revoked, subject  
3       producers will once again use price and aggressive  
4       underselling to gain market share. Domestic producers again  
5       will be forced to either lower prices to make sales or cede  
6       volume.

7               In the original investigation, you found that it  
8       only took about three months for domestic prices to fall in  
9       response to increases in underselling. And as prices fall,  
10      the industry's performance will deteriorate.

11             Here we can see the likely impact on operating  
12      margins, as a result of renewed imports from China and  
13      Indonesia. Here you see even a relatively modest decline in  
14      prices looks likely to have a very significant impact on the  
15      industry's operating income. In 2015, the total revenue for  
16      a ton of certain coated paper was \$1,038, \$82 of that was  
17      operating margin.

18             By contrast, you have a CIF delivered price for  
19      subject imports, based on their current exports to all other  
20      countries, of about \$909. That \$129 difference will more  
21      than swamp the operating margin of the industry. Thank you  
22      very much.

23             MR. STEWART: That concludes our presentation,  
24      Mr. Chairman.

25             CHAIRMAN WILLIAMSON: Thank you. Again, I want

1 to express appreciation to the panel for coming. This  
2 morning, we will begin our questioning with Commissioner  
3 Kieff.

4 COMMISSIONER KIEFF: Yes, thank you very much.  
5 I greatly appreciate everybody coming and preparing and  
6 presenting and following up. So let me just quickly dive  
7 right into a follow-up to the question I asked the Embassy  
8 witness, and just invite for the post-hearing, a submission  
9 that directly addresses the WTO proceeding and explains why  
10 it doesn't matter, or how it matters to our analysis.

11 It may not matter at all, regardless of how it  
12 plays out. It might matter as a -- by providing some  
13 insight into the logic of trade dispute analysis that is  
14 germane to U.S. law, but not in a way that is germane to the  
15 outcome in this proceeding, or it might in fact be germane  
16 to the outcome in this proceeding. However you can tee that  
17 up, that would just be helpful.

18 MR. STEWART: We'd be pleased to do so.

19 COMMISSIONER KIEFF: Great. And then similarly,  
20 there's been a lot of testimony this morning about the  
21 similarity between the Indonesian product and the domestic  
22 product. In the post-hearing, if you could just put  
23 together in one convenient spot, a brief discussion  
24 supported by citations to documentary evidence to the extent  
25 possible, rather than testimonial evidence, information

1       about two things, the physical or technological features and  
2       secondly, their practical business impact.

3               So, here's what I have in mind: size, grain and  
4       shade. Putting it in a different context, we often hear in  
5       these types of disputes that a domestic producer makes ice  
6       cream, but the foreign party is explaining in depth the  
7       difference between chocolate and vanilla. Okay, that's  
8       fine. But number one, what if it turns out not to cost very  
9       much to switch your machinery from chocolate to vanilla?

10              What if it turns out domestic consumers like  
11       eating both? I love both chocolate and vanilla ice cream.  
12       Even if my eating habits on any given week might include  
13       more of one than the other, I might be delighted to eat  
14       both. So if you could just provide in one very convenient  
15       spot, citations to those technological details. For  
16       example, what does it actually take to switch a machine by  
17       two inches of size? Is it a matter of sliding a bar over?  
18       Is it a matter of trimming off some extra bulk?

19              And then as a business matter, how much does it  
20       cost? That would be really helpful and then similarly for  
21       the other panel, if you could provide that same information  
22       with detailed citations so that we can then evaluate how  
23       much overlap, how similar these conditions of competition  
24       really are. Thank you.

25              MR. STEWART: Since many of us like both vanilla

1 and chocolate ice cream, we will do our best.

2 COMMISSIONER KIEFF: That's great. Those are my  
3 questions. Thank you all very much.

4 CHAIRMAN WILLIAMSON: Thank you. Commissioner  
5 Schmidtlein?

6 COMMISSIONER SCHMIDTLEIN: Okay, thank you. I'd  
7 like to thank the industry witnesses for being here today.  
8 We very much appreciate it. I'm going to start with a  
9 question, I think that's best directed to the industry  
10 witnesses, and that has to do with the FSC certification.

11 And I wonder if you could just talk a little bit  
12 more about whether in your experience, and I guess you can  
13 answer from your own personal -- from your individual  
14 companies, do each of you have the FSC certification? And  
15 do most, or all U.S. producers in your experience have that  
16 certification? Mr. Weinhold?

17 MR. WEINHOLD: Mike Weinhold, Verso Corporation.  
18 At Verso, we have FSC certification, as well as PEFC and SFI  
19 certification. I will not speak for the entire industry,  
20 but I believe most of our competitive set in the U.S. has a  
21 similar schematic, at least in one or two of those  
22 certifications.

23 COMMISSIONER SCHMIDTLEIN: Other? Mr. Gardner?

24 MR. GARDNER: Mark Gardner, Sappi North America.  
25 We also have SFI, PEFC and FSC certification and we readily

1 maintain and sell all three certifications.

2 COMMISSIONER SCHMIDTLEIN: Okay.

3 MR. OSTERBERG: Doug Osterberg with Appleton  
4 Coated. Likewise, we also have available, all three of  
5 these certifications.

6 COMMISSIONER SCHMIDTLEIN: And are the other two  
7 that you mentioned, as significant as the FSC?

8 MR. OSTERBERG: I'll continue. In our  
9 experience, FSC has been more dominant in the U.S. market,  
10 but it is a request by customers and end users at a very  
11 rate, single digits at most.

12 COMMISSIONER SCHMIDTLEIN: For any of the three?

13 MR. OSTERBERG: For any of the three, including  
14 for FSC.

15 COMMISSIONER SCHMIDTLEIN: And I guess -- and  
16 that's your experience as well?

17 MR. GARDNER: That is our experience as well.  
18 The PEFC and SFI are readily accepted. FSC is occasionally  
19 asked for by very few customers.

20 MR. WEINHOLD: I would concur.

21 COMMISSIONER SCHMIDTLEIN: You would concur with  
22 that as well? I guess you're producing from forests here in  
23 the United States, so is it because of our rules, is it not  
24 hard to obtain here in the United States?

25 MR. WEINHOLD: Well, FSC certification requires

1 a different process to be certified than SFI, similar in  
2 some cases as different, as is PEFC. We also have private  
3 land ownership master logger programs. So to answer your  
4 first question, as it relates to Verso, we do not source all  
5 of our wood from the United States.

6 COMMISSIONER SCHMIDTLEIN: Okay.

7 MR. WEINHOLD: We also get some of our pulp  
8 supplied from Canada. We have similar schematics, but we  
9 source all of our wood from sustainably managed forests.  
10 And that's why we believe in the different schematics as  
11 being interchangeable and all being valid from our  
12 viewpoint, and that's actually how we position it with our  
13 customers.

14 So we don't tend to favor one certification  
15 schematic over another, but we do want to ensure our  
16 customers and ourselves as good stewards of the environment  
17 that we source our product and our wood species from  
18 sustainably managed forests.

19 So we find all three perfectly acceptable and we  
20 find that our customer base also finds all three perfectly  
21 acceptable. On a rare occasion, they may have a lean  
22 towards one or the other. But from our viewpoint, we just  
23 want to ensure that the forests that we get our products  
24 from are sustainably managed.

25 COMMISSIONER SCHMIDTLEIN: So do customers -- I

1 know that in the staff report it talks about the purchaser  
2 questionnaires and I believe Mr. Hannigan specifically  
3 testified this isn't a pre-requisite -- but do customers  
4 have a preference for this? Even if it's not a hard  
5 requirement?

6 MR. WEINHOLD: A preference for one versus the  
7 other?

8 COMMISSIONER SCHMIDTLEIN: Well, for any of the  
9 three versus no environmental certification?

10 MR. WEINHOLD: They certainly have an interest  
11 in how you source your product and from sustainably managed  
12 forests or not, as they have an interest in all  
13 environmental aspects. But as it indicated in the  
14 purchasing decisions, it is not brought up often, if at all,  
15 versus price and other factors.

16 So I believe, as our company tries to be  
17 environmentally good stewards, so will our customers. So  
18 I'm sure it enters into the equation in topics, but from a  
19 pure buying decision standpoint, it is well down the list.

20 COMMISSIONER SCHMIDTLEIN: And is there a price  
21 premium in your experience? If you're selling to a customer  
22 who's demanding that, do they pay a higher price for that?

23 MR. GARDNER: In our experience, no.

24 COMMISSIONER SCHMIDTLEIN: No?

25 MR. WEINHOLD: I would concur.



1                   COMMISSIONER SCHMIDTLEIN: So do you all  
2 maintain it just to be able to serve that small number of  
3 customers that demand it then?

4                   MR. WEINHOLD: Well, actually -- and I don't  
5 want to take you far back in time, but I guess I will --  
6 years ago, most of the paper companies owned the forest  
7 lands. It's been a phenomenon, really, that started around  
8 2000, 2006 timeframe. Paper companies started to monetize  
9 the forestland, so they were on the book for a very low  
10 value. Reets were becoming popular, so they sold huge  
11 tracts of forestland, turned them into Reets and had  
12 long-term leases to get supply of product from the  
13 forestlands.

14                   But paper companies have always maintained and  
15 managed forests sustainably in the United States, because  
16 that is how we make our product. If we do not sustainably  
17 manage your forests, you will not have the resources to  
18 produce paper. That's why we have more trees today in the  
19 United States than we did 100 years ago. Because they're  
20 sustainably managed.

21                   So whether we own the forestland today or not,  
22 we want to ensure that the products that we use to make our  
23 paper are from sustainably managed forests. So we're  
24 willing to spend the effort, the time and the resources,  
25 which are both people and money, to make sure we maintain

1       these certifications. And so it's simply our comfort in  
2       ensuring that we continue to have a readily available,  
3       sustainably managed resource to continue our business  
4       operations.

5               COMMISSIONER SCHMIDTLEIN: Would you like to add  
6       something, Mr. Gardner?

7               MR. GARDNER: I would be just echoing what Mr.  
8       Weinhold said. Same points as the way we operate ours. The  
9       other additional thing to keep in mind, too, is that the  
10      United States and the local states that we operate in have  
11      also very strong and very well managed sustainability  
12      forestry laws in place.

13              COMMISSIONER SCHMIDTLEIN: Okay. Do any of you  
14      see this becoming more important in the future, given the  
15      concerns with the environment?

16              MR. WEINHOLD: I think it--I don't necessarily  
17      know if it will become more important or less important. We  
18      do have a history in this industry of watching environmental  
19      topics kind of cycle. You know, in years past, in bleaching  
20      and how you bleached your pulp was a hot topic. Recycling  
21      is always an issue. Forestry and sustainably managed forest  
22      I think will always be an issue. All of those kind of  
23      really come together to ensure from a natural resource  
24      standpoint that they're being used properly, responsibly,  
25      and sustainably.

1                   So I think it is a cost, and a welcome cost of  
2                   doing business that I'm not sure it will be equal or less  
3                   important going forward. It will be with us, and we  
4                   certainly welcome it.

5                   COMMISSIONER SCHMIDTLEIN: Mr. Stewart, I don't  
6                   know if you can speak for the rest of the industry that's  
7                   not here today in terms of do you know, do they have these  
8                   certifications, all three of them?

9                   MR. STEWART: Just thinking of who most of the  
10                  major companies are, I would assume that most of them do. I  
11                  haven't personally looked at that.

12                 And one of the interesting issues on the FSC is  
13                 that historically APP had it, then they lost it. There were  
14                 some penalties in consumer goods that happened from  
15                 companies like Staples. And APP changed their approach a  
16                 few years back and have been--even where on products that  
17                 they were never penalized in this product for not having  
18                 FSC, but even where they were penalized, the actions that  
19                 they started to take in 2014 were deemed to be solid and  
20                 down the right path, as was reviewed in the presentation.

21                 And so most of those, most of those prohibitions  
22                 have been lifted. That doesn't mean that there aren't a few  
23                 customers who will say I will only buy product if it's FSC  
24                 certified. But the quantity that's involved in that as far  
25                 as our clients are aware is minuscule. It's not that for

1       those customers it isn't important for them, but it's not a  
2       driving issue. And no major producer who wanted to have  
3       access to the U.S. market would lose that access.

4               The bulk of the market, an increasingly large  
5       part of the market, is the economy grade, which is called  
6       Grade 3. And in that, what our clients have told us in  
7       preparation was that you almost never hear people talking  
8       about does this have the certification or not. It's all  
9       about price at that level.

10              COMMISSIONER SCHMIDTLEIN: But Indonesia is  
11       taking steps to get this back.

12              MR. STEWART: Absolutely.

13              COMMISSIONER SCHMIDTLEIN: So why? Why would they  
14       for other products, I guess, not? Not this particular one?

15              MR. STEWART: You have received--there are a  
16       number of articles I think that we put into our prehearing  
17       brief, and if not I will put in our posthearing, where you  
18       are deemed not to be in compliance, where you're not a good  
19       steward of the land. Whether or not you face commercial  
20       fallout, and you can face some as they did back in  
21       2010-2011, the reality is that you will face a lot of NGO  
22       pressure. And it's not something that most companies want  
23       to do.

24              So you will see that a lot of the actions they've  
25       decided to take were following fairly severe confrontations

1 with Green Peace and other groups.

2 COMMISSIONER SCHMIDTLEIN: So do you think that  
3 U.S. purchasers sort of take it for granted now? That all  
4 U.S. producers, it seems, have it? You know, in other words  
5 if a U.S. producer failed to meet the requirements for that,  
6 would that be a big problem for them here in the U.S. in its  
7 product?

8 MR. WEINHOLD: If they failed to meet  
9 certification?

10 COMMISSIONER SCHMIDTLEIN: Yes, if they lost their  
11 FSC or one of these other environmental--even though the  
12 majority of purchasers aren't demanding it, do you think  
13 that in reality it would become a problem because people  
14 have just sort of now taken it for granted and assumed that  
15 all U.S. producers are sustainably managing their forests?

16 MR. WEINHOLD: I think your first statement I  
17 think is probably likely that, you know, it's assumed or  
18 taken for granted because we all have at least two or three  
19 certifications. I would challenge that we would not be at  
20 any disadvantage if we lost one certification or another.

21 COMMISSIONER SCHMIDTLEIN: If you had one but not  
22 the other?

23 MR. WEINHOLD: Yes, I would challenge that we  
24 would--

25 MR. STEWART: Commissioner, we also included in

1       our prehearing brief a sworn statement from, I forget if it  
2       was a printer or a distributor, that at least for some of  
3       the people in those categories they are not renewing FSC  
4       because of the lack of commercial interest that they see in  
5       it.

6                So I'm sure it's important to some, but you have  
7       people commercially who are moving away from it simply  
8       because there's not the demand that is arising on a  
9       day-to-day basis.

10               COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank  
11       you very much.

12               CHAIRMAN WILLIAMSON: Thank you. I too want to  
13       express my appreciation to the panelists. I also want to  
14       thank you especially for putting all the testimony in this  
15       book. It makes it very helpful as we're listening to the  
16       testimony. So I know it takes time and effort to do that,  
17       but I really do appreciate it.

18               Just to wrap up the questions Commissioner  
19       Schmidtlein was posing, I guess it's fair to say this  
20       certification of following environmentally sound practices,  
21       sustainable practices, doesn't give you a commercial  
22       advantage. But you get in trouble if somebody reports that  
23       you're not doing that? It's a risk you don't dare run of  
24       not--

25               MR. WEINHOLD: Well I think there's certainly

1     plenty of evidence and historical places we can point to  
2     that if you get crossed up from an environmental standpoint,  
3     or EMGOs on your backside, that's not going to be favorable  
4     as you attempt to sell your products in the market. So,  
5     yes.

6             But again, we kind of view certification as being  
7     a way of life for all of us from a paper manufacturing  
8     standpoint, since we've been in this business.

9             If I could, Mr. Chairman, you have to remember  
10    that for Indonesia there was the option for a long period of  
11    time of deforesting land, as there was more land to do. At  
12    some point that ends, and so they have adopted sustainable  
13    forestry practices, or are attempting to do so. And  
14    obviously that's a positive for their country, and it's a  
15    positive for the planet.

16            But the economic consequences earlier were that  
17    it was cheaper to just keep slashing and burning, if you  
18    will, than it was to do the other.

19            In the U.S. that hasn't been the case for a long,  
20    long time. In other countries, obviously the situation  
21    changes.

22            CHAIRMAN WILLIAMSON: Okay. Thank you.

23            I was just wondering, for the two Union  
24    representatives, this has been such a hot debate about  
25    foreign competition versus technological change. So I was

1       wondering, has there been much technological change in the  
2       factories? And how have your workers adapted to that in  
3       recent years?

4               MR. GEENEN: So I'll go first, and see if Greg has  
5       anything to add to that. Jon Geenen, and I'm the Vice  
6       President of Steelworkers that oversees the pulp and paper  
7       industry.

8               So the industry has undergone a lot of  
9       technological changes, and paper machines today are largely  
10      run from a control room. And that wasn't the case 30 years  
11      ago when operations were out on the floor. In fact, there's  
12      paper mills that are now experimenting with off-site machine  
13      control rooms.

14              And the upshot of that is that it takes a lot  
15      more training and skill and talent to become a paper worker  
16      than it might have 30 years ago, and the skill set has  
17      changed from roughly having, you know, good basic mechanical  
18      knowledge to now having to have a pretty good understanding  
19      of how computers work, how to read charts and data, and  
20      that's required a lot more training than workers have had in  
21      the past.

22              CHAIRMAN WILLIAMSON: And does the Union, or do  
23      the companies provide that training?

24              MR. GEENEN: So it's a collaborative process. We  
25      spend a lot of time talking with our companies about



1 implementing the right kind of training programs, especially  
2 as you can imagine now with mature work forces and the entry  
3 of Millenials into paper mills. So we're spending a lot of  
4 time on that exact issue, and companies are spending  
5 millions of dollars just developing modules that will be  
6 effective in helping workers to transition from the old  
7 paper industry you think of to the new advanced  
8 manufacturing companies that now are producing paper.

9 CHAIRMAN WILLIAMSON: Okay. So this has got to  
10 have enough profit in order to do this.

11 Mr. Harvey, did you want to add anything on that?

12 MR. HARVEY: Just what we've seen locally where I  
13 work. I mean when you get into the technology, of course  
14 like Jon said, the operation of the equipment just changed.  
15 But they've also delved into the automation of transporting  
16 paper, stuff that we used to do manually, which ends up with  
17 job consolidations, reductions in manpower to keep us  
18 competitive.

19 So, yes, in my opinion it has had an effect on  
20 us.

21 CHAIRMAN WILLIAMSON: Okay. I remember visiting  
22 a mill a number of years ago and was very impressed about  
23 having a mill that was on both sides, in two states at the  
24 same time, but it really made an impression on me. Thank  
25 you.

1                   How would you characterize the role that U.S.;  
2           converters play in helping to meet U.S. demand? Do U.S.  
3           converters of coated paper tend to rely more on purchases of  
4           domestically sheeted roll, or imported sheeted roll?

5                   MR. STEWART: Well let me just give you an  
6           overview from what's in the staff report and what we have  
7           learned over the years. And that is, for the major paper  
8           producers, the companies who are here, they tend to do the  
9           vast majority of their own sheeting.

10                   If they go outside, they use outside sheeters,  
11           converters basically for special items, or items that don't  
12           meet the characteristics of the sheeting equipment that they  
13           have set up, or how they have it set up, et cetera.

14                   In the packaging area, it's my understanding that  
15           you have a larger percentage of sheeter rolls that will go  
16           to outside converters and be converted. And so they may  
17           have a more significant role there.

18                   None of these companies, with the exception of  
19           Sappi's, is kind of getting into the business, a toe in the  
20           water type of thing, are actively involved in that. And I  
21           think that the data that you have is that there are a few  
22           converters who do some significant volume, and they seem to  
23           do more domestic than import, but they do do some import and  
24           we're obviously having some converters who are being asked  
25           to convert imported sheeter rolls.

1                   So it has been a growing trend with the Orders in  
2     place.

3                   CHAIRMAN WILLIAMSON: A growing trend to have  
4     what?

5                   MR. STEWART: For imported sheeter rolls to come  
6     in and be converted from China and Indonesia.

7                   CHAIRMAN WILLIAMSON: Is that because the sheeter  
8     rolls is not covered by this case?

9                   MR. STEWART: That's correct.

10                  CHAIRMAN WILLIAMSON: Remembering the history of  
11     this case.

12                  MR. STEWART: The history of the case is we wanted  
13     to include sheeter rolls and Commerce asked us to take it  
14     out because they thought Customs would have a problem in  
15     terms of how they enforced it. But it is not included, and  
16     so, yes, it is fair game for imports to come in that way.

17                  CHAIRMAN WILLIAMSON: Okay. I was wondering, do  
18     you think the domestic industry is likely to experience  
19     further consolidation or downsizing in the near future? I  
20     don't know whether you all want to do this is a public  
21     forum, but if anybody wants to offer an opinion I'll take  
22     it.

23                  MR. WEINHOLD: It's Mike Weinhold from Versa. I  
24     think consolidation has been in existence, again taking you  
25     back in time, I started in the '80s in this business, and

1 consolidation was going on then.

2 We have seen consolidation accelerate as the  
3 business has become more challenged with the decline in  
4 demand we're all facing. I believe consolidation will  
5 continue. We are also seeing it within our customer base.  
6 We're seeing it within the merchant community, which we've  
7 testified here today about that consolidation is a natural,  
8 I think, result again of the decline in demand. So they're  
9 buying each other.

10 We've seen the consolidation happen in the  
11 printer side of the business, as well. So I do believe that  
12 consolidation, and unfortunately I think an end result of  
13 the decline in demand and what I think is at the heart of  
14 this case, is if these do not remain in place we will see an  
15 in flood of low-priced product once again and we will be  
16 forced at some point to address the situation of  
17 under-utilization, very low margins, and that does lead to  
18 the unfortunate consequences of having to deal with either  
19 machine or mill closures.

20 As we've indicated, we have had to make some of  
21 those very difficult decisions even with these Orders in  
22 place because of the decline in demand.

23 CHAIRMAN WILLIAMSON: Okay. Let me ask you a  
24 question. I think the Respondents were suggesting that  
25 because the producers are consolidating that they're

1 stronger. Yet I think you all saying that because your  
2 customers are consolidating they're stronger. Do we have a  
3 wash here? What's the net impact?

4 MR. GARDNER: Yes. Mark Gardner with Sappi North  
5 America. Yes, the customer base is consolidating even faster  
6 than the producer side. And particularly where a lot of our  
7 products are moved through a merchant network, that has seen  
8 a tremendous amount of consolidation to where the type of  
9 products that we sell through merchant networks, the top  
10 two, the three merchant chains now probably have 60 to 70  
11 percent of the distribution network.

12 CHAIRMAN WILLIAMSON: By "merchant networks," what  
13 do you mean, exactly?

14 MR. GARDNER: These are independently owned  
15 distribution companies that we referenced in the report,  
16 like Veritave would be one of them.

17 CHAIRMAN WILLIAMSON: Oh, as opposed to the end  
18 users?

19 MR. GARDNER: Right.

20 MR. STEWART: As opposed to the printers or the  
21 end users.

22 CHAIRMAN WILLIAMSON: Okay.

23 MR. STEWART: These are the people who basically  
24 go out and do the selling, or the movement of the product to  
25 the print shops based on daily--

1                   MR. WEINHOLD: Yeah, the middleman, for lack of a  
2                   better word. And they warehouse and stock inventory in  
3                   geographic locations across the country.

4                   CHAIRMAN WILLIAMSON: Okay. Good. Great. Thank  
5                   you for those answers.

6                   Vice Chairman Johanson.

7                   VICE CHAIRMAN JOHANSON: Thank you, Chairman  
8                   Williamson. And I would like to thank all of you for  
9                   appearing here today.

10                  Mr. Weinhold, I was interested to hear this  
11                  morning that there are now more trees in the United States  
12                  than 100 years ago. I'm glad to hear that at least some of  
13                  our forests are doing well.

14                  I might add that my favorite merit badge was a  
15                  forestry merit badge, and I remain very interested in  
16                  forestry.

17                  Mr. Kerr, I assume that forests in Canada are  
18                  also healthy. We all know that Canada's forests are  
19                  certainly plentiful. There's a lot of pulp and paper coming  
20                  out of Canada. So for this reason I was somewhat surprised  
21                  to hear that imports of coated paper into Canada are up from  
22                  subject countries.

23                  I could easily see this happening in Mexico as it  
24                  is not a heavily forested country, at least as far as I  
25                  know. Could you further discuss what has happened in

1 Canada?

2 MR. KERR: Sure. It's Frank Kerr from Verso. I  
3 was just thinking earlier on when I started in this business  
4 there were five mills that made coated paper, certain coated  
5 papers which is under discussion today. Those mills have  
6 all gone by the wayside due to primarily predatory pricing  
7 over the last 30 years.

8 So the actual manufacture of these products is no  
9 longer being done in Canada, in spite of our great forests.  
10 And our great forests are thriving.

11 VICE CHAIRMAN JOHANSON: So you stated that the  
12 mills for coated paper are no longer in Canada?

13 MR. KERR: That's correct, for the sheet-fed  
14 product.

15 VICE CHAIRMAN JOHANSON: Okay, for the subject  
16 product here today.

17 MR. KERR: Yes.

18 VICE CHAIRMAN JOHANSON: When did that happen?  
19 When did those mills shut down? And can they be linked to  
20 what is coming out of Indonesia and China?

21 MR. KERR: Yes, I would say it does. Certainly  
22 with the last, in the last 10 years with the Mepap Mill  
23 being shut down. That would have been impacted by the  
24 Chinese imports, as well as some European imports, and  
25 American imports.

1                   VICE CHAIRMAN JOHANSON: And I should know this  
2                   from the staff report, but does Mexico produce this product  
3                   as far as anyone knows? I would be surprised.

4                   MR. WEINHOLD: I think it's a small amount, but we  
5                   can actually supply that.

6                   VICE CHAIRMAN JOHANSON: Okay, I'm just curious.  
7                   If you have all these case studies, which you all contend  
8                   would happen, would be replicated in the United States if  
9                   the Orders came off, so it would be at least helpful for me.

10                  And now I would like to turn to China. And I'm  
11                  sorry that China witnesses are not here today, and the staff  
12                  report does not address China as extensively as I would like  
13                  because, at least in part due to the nonparticipation of  
14                  China, but where does China obtain its pulp sources? China  
15                  is not known for its forests, at least as far as I know.

16                  And I do know that China is facing increased  
17                  growth of its deserts, which certainly cannot be good for  
18                  trees. Could you all discuss this, please?

19                  MR. GARDNER: Mark Gardner with Sappi. Most of  
20                  China's pulp and paper operations are nonintegrated. They  
21                  bring in a lot of their chips. And if they're bringing in  
22                  chips, they will come from around the Asian markets as far  
23                  over as South Africa through Indonesia, Asia, and even the  
24                  West Coast of the U.S.

25                  And if they're bringing in pulp, a lot of the



1       pulp will come from Brazil. They are very much a major  
2       buyer of pulp from the Brazilian pulp mills.

3               MR. STEWART: I believe as well, Vice Chairman  
4       Johanson, that China has had an active program for trying to  
5       develop their forests. And that's been raised in one or  
6       more of the cases in the subsidy side over at the Commerce  
7       Department. We can try to provide you some information on  
8       that posthearing, if it would be of interest.

9               VICE CHAIRMAN JOHANSON: Okay. I didn't know  
10      about that. I assumed that would be a challenge, but I just  
11      don't know about what's happening much in China.

12              Thanks for your responses. Actually, let me get  
13      back to that, Mr. Gardner, now that I think about it.; So I  
14      assume that if China has to source its inputs from let's say  
15      Brazil and other countries, that must add to their costs  
16      compared to the United States where we have lots of forests,  
17      at least out in the West.

18              MR. GARDNER: The Brazilian pulp is a very large,  
19      very efficient operation. And their cost is oftentimes  
20      equal to or lower than the cost of pulp manufactured in the  
21      United States. It depends on the mill, and it depends on  
22      the particular wood basket the U.S. mill is drawing from.

23              VICE CHAIRMAN JOHANSON: And it's the same type of  
24      wood that would be produced let's say in the United States  
25      and Indonesia?

1                   MR. GARDNER: No. No, the Brazilian mills tend to  
2     be Eucalyptus, cycle life, so they're harvestable in 7 to 8  
3     years, and lower cost operations. The scale is huge. And  
4     that allows them to compete on a fairly global basis.

5                   VICE CHAIRMAN JOHANSON: Okay, so you all would  
6     not necessarily have an advantage, even though the pulp is  
7     obtained in the U.S.?

8                   MR. GARDNER: It will vary. It will vary, but  
9     oftentimes no.

10                  VICE CHAIRMAN JOHANSON: Okay. Yes, Mr.  
11     Osterberg?

12                  MR. OSTERBERG: Yes, if I might add to that, there  
13     are countries other than Brazil, some in South America, but  
14     also in Asia. In fact, APP itself is right now  
15     commissioning a new pulp mill that will eventually be the  
16     largest market pulp mill in the world, about 2.8 million  
17     tons is what's estimated.

18                  So there's some eucalyptus being sourced, you  
19     know, there.

20                  VICE CHAIRMAN JOHANSON: I'm sorry? Where is this  
21     new APP mill going to be?

22                  MR. OSTERBERG: In Indonesia.

23                  VICE CHAIRMAN JOHANSON: In Indonesia? Okay.  
24     Okay, thanks for your responses.

25                  Respondents have made an analogy to the

1 Commission's 2012 decision in certain aligned paper school  
2 supplies in which the Commission declined to cumulate  
3 imports from Indonesia with those from India, and reached  
4 negative determination with respect to imports from  
5 Indonesia.

6 Are there any lessons we might glean from that  
7 case as we consider these reviews?

8 MR. STEWART: Thank you, Vice Chairman. We  
9 thought this might be a question that would be of interest.  
10 There are some obvious differences between the cases. That  
11 was involving a consumer product, and where Staples, who was  
12 a major customer, had just cancelled their contract with the  
13 Indonesian company. That was a subject that was a major  
14 issue, I believe in both your consideration and Commissioner  
15 Pinkert's consideration at the time.

16 What's of interest of course is that Staples has  
17 renewed their relationship with APP since that time. So  
18 that issue in this product, in our view, is not the same.

19 In that case you had the Indonesians having  
20 exited the market, but the Chinese and the Indians having  
21 stayed in the market in a large way during the Period of  
22 Review. That's not a distinction here.

23 There is conflicting perspectives in terms of  
24 whether or not there is a difference in terms of growth in  
25 excess capacity in these two countries.

1           We have supplied a lot of information in our  
2     prehearing brief from industry sources, and we will refer to  
3     information that is in the staff report in the posthearing  
4     brief. But we believe that the information is clear that  
5     even if export trends had been different for China and  
6     Indonesia, both have had a growing excess capacity  
7     situation.

8           And here, unlike in that case, you have the  
9     effort of both countries to move in noncovered product. In  
10    this situation that is the sheeter rolls. And unlike the  
11    statement of opposing counsel in their brief, a significant  
12    part of the sheeter rolls coming in from Indonesia are not  
13    coming in from the company they claim was the only person  
14    who can export, but in fact is coming in from the other  
15    companies that are allegedly not able to export the product  
16    to the United States.

17           So we think there are a lot of differences in the  
18    case. There are probably a few similarities on the surface,  
19    and we also have identified the main difference, which is  
20    you now have a unified APP sales effort in the United States  
21    through Charta Global.

22           VICE CHAIRMAN JOHANSON: Yes.

23           MS. DRAKE: Elizabeth Drake.

24           In addition to the Charta Global issue that you  
25    didn't have in the other case, of course, that flows from

1       the fact that you have here affiliation between producers in  
2       the two countries that we believe should be cumulated,  
3       whereas, in the lined paper case there was no focus on or  
4       discussion of whether or not there was any affiliation  
5       between APP in Indonesia and any other producers in either  
6       China or India. The Chinese Respondents did not cooperate  
7       in the sunset review on lined paper and provide any  
8       identification, so that analysis wasn't available to the  
9       Commission, whereas here we have a record that does permit  
10      that analysis of potential product shifting if orders are  
11      revoked on Indonesia, but not on China.

12                   VICE CHAIRMAN JOHANSON: Alright, thank you for  
13      your responses. My time is about to expire.

14                   CHAIRMAN WILLIAMSON: Thank you. Commissioner  
15      Pinkert.

16                   COMMISSIONER PINKERT: Thank you, Mr. Chairman,  
17      and I thank all of you for being here today to help us to  
18      understand these issues in this case.

19                   In many cases one of the ways that we see the  
20      impact of orders is that the market share of the U.S.  
21      industry tax up after the orders go into effect. I don't  
22      think I see that here and so I want to give you an  
23      opportunity to put your understanding the impact of the  
24      orders in context of that change.

25                   MR. STEWART: Thank you, Commissioner Pinkert.

1                   First of all, you do not have, as yet, a  
2                   complete domestic industry database in the staff report.  
3                   And second, you need to recall that in the original  
4                   investigation the addition of questionnaires to producers of  
5                   packaging paperboard happened very late, post-hearing, in  
6                   fact, post final hearing and so it is not necessarily the  
7                   case that the companies who received the questionnaires and  
8                   were asked to respond in a very tight time period will have  
9                   responded the same way this time. So it may be that you're  
10                  looking at an apples and oranges situation, which is our  
11                  view, looking at where the public data is from 2009.

12                 In the original investigation in where you start  
13                 in 2010 for the domestic industry there is something that is  
14                 off. And as far as I can tell, it's either the lack of some  
15                 data, which hopefully will be added in the final staff  
16                 report or it's the fact that you've had the opportunity for  
17                 companies to better understand what was in the questionnaire  
18                 and to kind of rethink what, in fact, they have or don't  
19                 have.

20                 Certainly, you have some capacity closures in  
21                 the United States that have been discussed, but they're not  
22                 of the magnitude that would explain the shift in market  
23                 share. So from our perspective, I think you need to look at  
24                 the trends in market share separately for the POR where  
25                 you're at least dealing with companies who are answering on

1       whatever their current understanding is versus from the  
2       original investigation where you had the companies who are  
3       here, who are the primary producers of the product for  
4       printing and graphics and you had very late arrivals from a  
5       whole bunch of companies who, I think, did their very best  
6       in an extremely short time period to try to provide  
7       packaging information at the end of the case.

8                   MR. CLANCY:  Commissioner Pinkert, Paul Clancy  
9       from Verso Corporation.

10                  As I noted in my testimony, when the orders were  
11       put in place we were able to regain volumes at certain key  
12       accounts and we were also able to see higher prices as the  
13       orders were invoked, so we could provide additional data for  
14       you post-testimony, but it had a positive impact on our  
15       company.

16                  COMMISSIONER PINKERT:  Please do.

17                  Looking at this impact question again, and I  
18       understand that there's not an affects test under the  
19       statute, so I'm not assuming that this is the be-all and the  
20       end-all, but just sticking with this question of affect of  
21       the orders one of things that I can look at is profit  
22       margins before and after.  And if I do that I run into an  
23       issue right away, which is, is 2009 an anomalous year that  
24       I can't use as a benchmark.  It's anomalous in many  
25       industries, as we all know.  So can you help me to

1 understand whether that's a good benchmark to see what the  
2 impacts of the orders might've been?

3 MR. STEWART: Well, certainly, it's the case  
4 that it was the big recession year and so there were drops  
5 in volume. I think the biggest affect that you see was the  
6 tremendous downward pressure on the prices, which the  
7 Commission in the original investigation, in our view,  
8 correctly understood to be caused by the imported product  
9 and which you can actually trace, quarter-by-quarter, that  
10 we were chasing the imports down because of the need to  
11 maintain volume. The domestic industry was doing that, so  
12 that is a very real effect. And if you looked at the  
13 average prices on some of the products which are the same  
14 from the original investigation, you will see that there has  
15 been significant rebound in prices from the depressed levels  
16 that they were in the original investigation. I think  
17 that's probably the cleanest. And I can't tell you how you  
18 would factor in the recessionary affect, which was obviously  
19 also there and affected overall volume, but the biggest  
20 affect was obviously on price for the domestic industry.

21 COMMISSIONER PINKERT: Thank you. Any other  
22 comments on 2009? I know we'd like to put that year behind  
23 us, but anybody else on the panel? No?

24 Okay, now do you agree with Respondents that  
25 subject imports in the future are likely to be concentrated



1 in coated paper? And if so, do imports there, in other  
2 words, coated paper, have an impact on coated paperboard for  
3 packaging?

4 MR. WEINHOLD: So could you repeat the question  
5 so I make sure I get all parts of it? This is Mike  
6 Weindhold from Verso.

7 COMMISSIONER PINKERT: Certainly. Do you agree  
8 with Respondents that subject imports in the future are  
9 likely to be concentrated in coated paper? And if, do  
10 imports there, in other words, coated paper have an impact  
11 on coated paperboard for packaging?

12 MR. WEINHOLD: I do think coated paper is a  
13 likely import going forward from these countries. I think  
14 there's an area of crossover in packaging between certain  
15 coated papers and packaging papers, but it's a very narrow  
16 area.

17 MR. GARDNER: If you look at the upper end of  
18 the covers that we produce as an industry, our cover grades  
19 and also our caliper grades at the upper end it does cross  
20 over with the packaging products that are sold in that same  
21 market, so there will be significant impact at that  
22 packaging crossover point and it could be 25, 30 percent of  
23 the total volume that we produce.

24 MR. STEWART: Commissioner, this is Terry  
25 Stewart.

1                   Because the companies here are basically paper  
2                   companies that do some paperboard for the printing side  
3                   there is an awful lot of information in our pre-hearing  
4                   brief that looks at both the capacity additions in China and  
5                   in Indonesia that go to both paper and packaging products  
6                   and we do not believe, as counsel, that the affect of  
7                   revocation would be largely on the paper side. And in fact,  
8                   if you look at data from AMS in terms of what's coming in,  
9                   in rolled form, at the moment there is a lot of rolled form  
10                  that is coming in out of Indonesia that is labeled as being  
11                  paperboard product, coated paperboard products, so I don't  
12                  believe that the answer is that it would be predominately  
13                  paper and certainly we would expect that paper would be a  
14                  significant part, but we also believe that there would be a  
15                  lot of imports of coated packaging paperboard as well.

16                 COMMISSIONER PINKERT: I believe somebody was  
17                 shaking their head in the back, the back row.

18                 MR. CLANCY: Just simply acknowledging what was  
19                 being stated.

20                 COMMISSIONER PINKERT: I think you were shaking  
21                 your head while I was speaking, so I wasn't trying to make a  
22                 statement. Do you want to elaborate a little bit on that?

23                 MR. CLANCY: I prefer not. I would agree with  
24                 what everyone has just provided in terms of their testimony.

25                 COMMISSIONER PINKERT: Mr. Jankowski? No?

1                   MR. JANKOWSKI: I would agree that with the  
2                   amount of capacity of both coated -- what we think of  
3                   coated, free-sheet paper and coated paperboard from the  
4                   subject countries that it would be both board and regular  
5                   coated free-sheet paper that would be coming back into this  
6                   country if the orders were revoked.

7                   COMMISSIONER PINKERT: Thank you very much.

8                   CHAIRMAN WILLIAMSON: Thank you. Commissioner  
9                   Broadbent.

10                  COMMISSIONER BROADBENT: Thank you, Mr.  
11                  Chairman.

12                  Let's see, do any of the companies have an  
13                  activity in the export market to speak of? Are there any  
14                  witnesses here that are kind of familiar with growth rates  
15                  globally in different markets for this product?

16                  MR. GARDNER: Mark Gardner, with Sappi North  
17                  America.

18                  We do export a small amount of product from  
19                  North America, but we're also a global coated paper company  
20                  with operations in New York and so I'm somewhat familiar  
21                  with the other markets.

22                  COMMISSIONER BROADBENT: Okay. So Sappi,  
23                  generally, produces close to where they sell the product?

24                  MR. GARDNER: We tend to sell as much of our  
25                  product as we can as close to our mills as we possibly can.

1       The European operation is actually exports the most of any  
2       of our operations and they do export around the world about  
3       20 to 25 percent of their production.

4                   COMMISSIONER BROADBENT:   Okay, but there's  
5       really a global downturn in demand for this product overall.  
6       There's no developing countries where you know the digital  
7       economy is still behind and people are learning to read and  
8       paper is growing for some reason?

9                   MR. GARDNER:   From our experience, we're seeing  
10      particularly in the last couple of years the same kind of  
11      decline going on around the world that we're seeing here,  
12      only at a faster rate in some regions of the world.   Europe,  
13      currently, is declining slightly faster than we are here and  
14      even some of the emerging markets are now either plateau or  
15      starting to decline.

16                  COMMISSIONER BROADBENT:   Why is Europe declining  
17      faster than we are here, would you say?

18                  MR. GARDNER:   The United States being a large  
19      geographical area with a large population which tends to be  
20      one language we tend to adopt and make changes to  
21      communication methods a little bit faster than some other  
22      regions of the world and we're now seeing, we believe, the  
23      adoption of electronic and digital communication devices  
24      used at a more rapid pace currently in Europe than we have  
25      here.

1                   COMMISSIONER BROADBENT: Oh, that's interesting,  
2     yeah.

3                   I mean in this kind of case we have to sort of  
4     tease out the differences between this overall global  
5     downturn in demand that affecting everyone and trying to  
6     isolate some additional negative possibility that might  
7     occur in our market if we take this order off.

8                   If we look -- and some of this was asked  
9     earlier, and I apologize for the repetition, but if we look  
10    at Canada as instructive as to what might happen in the U.S.  
11    if we had no order just in Indonesia for a minute what is  
12    the Indonesia exports to Canada what are those trends right  
13    now?

14                  MR. STEWART: We had that in our pre-hearing  
15    brief as an attachment to one of the statements; I believe  
16    Mr. Kerr's statement. And I believe that the statement  
17    shows that Indonesia was going down and China was growing,  
18    so collectively, it was up 76 percent.

19                  COMMISSIONER BROADBENT: Year-to-year?

20                  MR. STEWART: No, no, between 2010/2015, there  
21    was a 76 percent increase.

22                  COMMISSIONER BROADBENT: In China.

23                  MR. STEWART: And APP Canada or APP America's  
24    announced in 2011 that they were going to double their  
25    presence in Canada and they then started the warehouses.

1       They added a sales force. And basically, they went from  
2       37,000 to 65,000 -- something like that -- tons that came in  
3       from their Chinese and Indonesian operations over that time.  
4       And you know Canada is typically about 10 percent of the  
5       U.S. market size-wide. So that would give you some idea if  
6       they put the same kind of effort into coming back into the  
7       United States what we could expect.

8               We had -- to respond to your earlier question,  
9       we had also provided in the pre-hearing brief the forecast  
10      of demand around the world that was provided RISI. And the  
11      statement that Mr. Gardner made that other developed  
12      countries in the 2017/2018 time period are expecting more  
13      rapid decline than is the United States flows from that. It  
14      also shows China being flat or slightly down over the next  
15      couple years. And there was a recent article out of one of  
16      the Jakarta newspapers indicating that Indonesian demand is  
17      apparently going to be down as well in the near term, even  
18      though China and Indonesia and other developing countries  
19      have been on a more of -- have had some growth in the recent  
20      past.

21              COMMISSIONER BROADBENT: But those exports to  
22      Canada are Chinese product. They're not Indonesian product,  
23      right?

24              MR. STEWART: No, they're both.

25              COMMISSIONER BROADBENT: But mostly,

1       predominately Chinese.

2                   MR. STEWART: Predominately, Chinese, that's  
3       correct.

4                   COMMISSIONER BROADBENT: How much,  
5       predominately?

6                   MR. STEWART: I don't have the pre-hearing brief  
7       with me, but it is in the attachment for Mr. Kerr.

8                   COMMISSIONER BROADBENT: Do you know, Ms. Drake?

9                   MS. DRAKE: Yes, Commissioner Broadbent, this is  
10      Elizabeth Drake.

11                   The different share, of course, vary by year,  
12      but in the most period the vast majority has been from China  
13      with I think about 66,000 tons in 2015 and the rest from  
14      Indonesia, which is a small amount.

15                   COMMISSIONER BROADBENT: How much from  
16      Indonesia?

17                   MS. DRAKE: From Indonesia, this shows 200 tons  
18      in 2015, but it was as high as 9,000 tons in 2011, the year  
19      after the orders were imposed here.

20                   COMMISSIONER BROADBENT: Okay, I'll take a look  
21      at that.

22                   In light of the fact that there's been a  
23      rationalization of capacity and consolidation consistent  
24      with all these reductions in demand in the U.S. how do you  
25      recommend that the Commission separate the natural and

1 continuous declines in this industry from any expected  
2 declines resulting from import competition? How do we parse  
3 this out?

4 MR. STEWART: Well, the projected decline in  
5 demand in the United States over the next two years, I  
6 think, is less than 1 percent in 2017 and expected to be  
7 around 1.7 or 1.8 percent in 2018. So just as there has  
8 been in other industries that you've looked at in the paper  
9 sector, there have been declines that can be anticipated  
10 from that, meaning periodically there will be closures of  
11 machines to reflect the decline in demand. The real issue  
12 is how much loss is there in terms of apparent consumption  
13 from increased imports because that will directly come out  
14 of the domestic hide and will require a quicker reduction of  
15 capacity in the United States. So we think there is a way  
16 to project what those trends lines are.

17 COMMISSIONER BROADBENT: Okay. Then I just had  
18 a question about this black liquor tax credit that was  
19 appearing in the staff report from when the order was put  
20 on. Why should we consider this in our analysis, as you  
21 argued on page 70 of your pre-hearing brief? I think this  
22 is a temporary, two-year credit expired in 2009.

23 MR. STEWART: We don't believe that it is  
24 relevant today, but it had been a factor that you considered  
25 in not making a material injury determination in 2010



1       because it had been in effect during part of the period and  
2       hence, there was a lot of revenue. And so it raised the  
3       question of whether or not the industry was injured.  
4       Obviously, that's not in place, so it's not an issue today.

5               COMMISSIONER BROADBENT: Okay.

6               MR. STEWART: We agree it's something that you  
7       shouldn't consider this time.

8               COMMISSIONER BROADBENT: Okay.

9               How do you think we should take into account the  
10      safeguard that the Indonesians have put in place?

11              MR. STEWART: Well, the data that is included in  
12      the safeguard report shows what the consumption in the home  
13      market is on an index basis and obviously, the use of the  
14      safeguard was an effort by the Indonesian producers,  
15      presumably, to try to get a larger part of the market that  
16      they had been losing to imports. So you can take a look at  
17      what the imports were in the time period that were examined  
18      and presumably, look at what the imports from those same  
19      countries are today and that will tell you what the affect  
20      is and whether or not there will be future affect in terms  
21      of volumes flowing to the Indonesian producers in the home  
22      market. There would be some, we would assume. There  
23      probably is a declining volume as the tariff rate is going  
24      down and was not large to begin with, but the volumes going  
25      into Indonesia were significantly smaller, overall, than the

1 volumes of imports that come into the United States and that  
2 report from the Indonesian government is contained in  
3 Exhibit 39 to our pre-hearing brief.

4 COMMISSIONER BROADBENT: Okay. And then just  
5 one question for Mr. Greenan, I think you mentioned that the  
6 USW has more paper workers than steel workers; is that  
7 correct?

8 MR. GREENAN: The paper sector is the largest  
9 sector of the Steel Workers Union currently.

10 COMMISSIONER BROADBENT: Okay, so you're  
11 representing more paper workers than you are steel workers?

12 MR. GREENAN: That's correct.

13 COMMISSIONER BROADBENT: Okay. Thank you very  
14 much, Mr. Chairman.

15 CHAIRMAN WILLIAMSON: Thank you. Commissioner  
16 Schmidtlein.

17 COMMISSIONER SCHMIDTLEIN: Thank you.

18 I think this is a question best for one of the  
19 lawyers. Are you arguing that were we to revoke the orders  
20 the subject imports would regain market share at the expense  
21 of the U.S. producers?

22 MR. STEWART: Yes.

23 COMMISSIONER SCHMIDTLEIN: And so what would we  
24 cite in the record for that, given that in the original  
25 case, if I'm looking at it correctly, the market share of

1 U.S. producers went up?

2 MR. STEWART: Yes, well, the original case was  
3 in a time period of a freefall in terms of demand where  
4 non-subject imports significantly contracted and so it  
5 wasn't -- we did gain market share, but it was because  
6 people from a long distance were not shipping product in, in  
7 a distressed market situation. So we think that the  
8 consequences of revocation are likely to be twofold. There  
9 will both be los of volume. And in a declining market the  
10 los of volume is going to come, presumably, out of the  
11 domestic producers hide and/or domestic industry to try to  
12 maintain volume will slash its prices, which is what it  
13 tried to do back in 2008 and 009 in which case its operating  
14 margins quickly deteriorate, but it also lost volume then  
15 and it was just a question that there were other people  
16 vacating the market because of the levels of prices.

17 COMMISSIONER BROADBENT: Well, how are we to  
18 know, given that non-subject have such a large portion of  
19 the market now, you know roughly half, that they would take  
20 it out of the domestic producers' hide rather than take it  
21 from non-subject?

22 MR. STEWART: I think the answer is whether they  
23 take it out of our hide or the other imports, non-subject  
24 imports, it will have an affect on prices in the marketplace  
25 because we respond to the prices in the marketplace, as we

1 are forced to, because the companies all fact, day-to-day,  
2 price quotes and the price quotes are based upon what they  
3 can get from imports. And whatever the lowest-priced  
4 imports is becomes the new standard against which you're  
5 being compared for whether you're going to maintain volume  
6 that you need at particular counts.

7 MR. STEWART: -- gentlemen from the industry  
8 would like to comment.

9 MR. WEINHOLD: Mike Weinhold from Verso. I  
10 think, as a producer, we're always trying to balance volume,  
11 certainly in market share, but in my mind, what's as  
12 important, if not more important today, is price. And so we  
13 have razor-thin margins in a very high capital-intensive, a  
14 very high cost-of-goods-sold business, and price is a huge  
15 determining factor on the viability of equipment going  
16 forward.

17 So I would contest that, regardless of the  
18 impact to volumes, we have demonstrated and seen what  
19 happens with price and so we will be faced with making  
20 decisions, I think, very rapidly on the viability of some of  
21 our higher cost equipment within our platform. I think it's  
22 also important to understand as a manufacturing base, we  
23 continue to gain from productivity efficiencies what we call  
24 "creep" in our business.

25 So our productive capacity today, in general,

1 not really by choice of a sales person, as an example, there  
2 will be more tons to sell in our company just through a 2 or  
3 3% efficiency gain. So any little bit of a change from a  
4 volume standpoint, in a declining demand, is exacerbated  
5 with what we gain from an efficiency standpoint. So price  
6 is a huge driver for us today.

7 MR. GARDNER: There's nothing more I could add  
8 to what Mr. Weinhold said. I would agree.

9 COMMISSIONER SCHMIDTLEIN: So I guess you're  
10 competing with a nonsubject on the basis of price as well?

11 MR. GARDNER: Absolutely.

12 COMMISSIONER SCHMIDTLEIN: Okay. I know when  
13 you look at the AUVs of the non subject and they're  
14 consistently lower than U.S. shipments. And so it makes me  
15 wonder, how do you compete with them if the decision always  
16 comes down to price?

17 MR. WEINHOLD: At a certainly point, we will  
18 do -- obviously, I welcome competition. That is not the  
19 issue. We have very rigorous, and should have competition.  
20 That's what we believe in. What I can't deal with is what  
21 we saw in the past from Indonesia and China, which is  
22 aggressive dumping territorial pricing. We cannot react  
23 fast enough and we have no margin left to deal with that.

24 So yes, we compete today on price as U.S.  
25 competitors and with imported product from other countries

1       than the ones we're discussing today. There is a certain  
2       point where we will try to do what we can, and I think  
3       you've heard others talk as in the case in Verso. We're  
4       trying to lessen some of our dependency on some of these  
5       more declining grades, printing and writing grades.

6               We're trying to shift into new markets. We're  
7       trying to move into specialty grades, packaging as an  
8       example. That takes time. It takes a very long time to do  
9       that. It also takes capital and so, you know, we cannot  
10      deal with the influx in the shortages overnight. We're  
11      forced to deal with it through balance in supply and demand.

12             And that's what you've seen in the industry.  
13      Even, despite having these tariffs in place, or these duties  
14      in place. You've seen that continue, case in point with  
15      what we had to go through with Wickliffe. And so I do agree  
16      that we are seeing imports and having to deal with imports  
17      and yes, I think there's a currency issue and so pricing  
18      coming in today from some of the nonsubject imports, I would  
19      argue is lower than what we are seeing in our domestic  
20      markets, but we deal with that. It is not the same that it  
21      was when we saw with these tariffs in place or duties in  
22      place.

23             MR. STEWART: Commissioner Schmidtlein, if I  
24      could perhaps add just a gloss on the issue. You were  
25      inquiring about the differential in price between nonsubject

1 imports and domestic. Part of that flows from what foreign  
2 sources do to be competitive in the market. The merchants  
3 buy large volume of product from offshore to eliminate the  
4 transit time differential that would exist from dealing with  
5 the domestics.

6 That means that a good part of their inventory  
7 is held by imported product, that they are then pushing out  
8 the door into the marketplace. And domestic producers incur  
9 the inventory costs and some of the warehousing costs, to be  
10 able to supply the smaller volumes that are needed by the  
11 end user, print shops, etcetera. I believe I've got that  
12 right. Let me just see if the people agree.

13 And so that accounts for some -- to be  
14 attractive to a large merchant, if I'm going to be bringing  
15 it in from Germany or Finland or Korea, I will want a  
16 certain amount of price discount offer where U.S. producers  
17 would be selling. The U.S. producers don't want to lose  
18 that money because of the effect it has on a thin-margin  
19 business. But there are some costs that domestics, that  
20 occur for the higher price that they get versus the imports  
21 that they're competing with.

22 COMMISSIONER SCHMIDTLEIN: Okay. Mr. Kaplan?

23 MR. KAPLAN: I think if you look at the  
24 incredible build-up of capacity in China, and the excess  
25 capacity both in China and Indonesia, and the price

1 differentials in subject exports that could come from China  
2 and Indonesia based on the charts in our PowerPoint, there's  
3 got to be an impact on market share in a relatively short  
4 period of time on the U.S. industry, which is trying to  
5 maintain some relatively low level of profitability.

6 But given the excess capacity in China and  
7 Indonesia, it's going to have an impact on market share of  
8 the U.S. industry in a relatively short period of time. One  
9 of the big issues that everybody's looking at is this  
10 build-up of capacity in China and other countries and this  
11 is a prime example of that.

12 COMMISSIONER SCHMIDTLEIN: All right. I don't  
13 have much time left. But I did want to ask a question about  
14 the sheeter rolls, and I apologize if this is -- I know  
15 we've talked about this, or you've talked about it with a  
16 couple other Commissioners -- but when you look at the staff  
17 report on Page IV-4 and it shows the imports of sheeter  
18 rolls and they stay relatively consistent and then they jump  
19 in 2014? And then fall off by more than half in 2015. So I  
20 wonder if anyone could explain what's going on there?

21 MR. STEWART: We will try to do that in a  
22 post-conference since it obviously would involve looking at  
23 the individual companies who have provided responses and  
24 those who haven't, in terms of the import community.  
25 Remember that the import community is estimated by a staff,



1 at I think about half of the level. We don't see a drop-off  
2 when we look at coated roll product coming in from  
3 Indonesia.

4 When we look at the AMS data, the Automated  
5 Manifest System data, and since there's not a clean  
6 break-out on the import statistics, your questionnaires say  
7 what they say what we do is that there's big uptick by  
8 Charta Global and by other companies that have been related  
9 to APP, in terms of their import arms, Paper Max and others,  
10 and that is true both for product from China and product  
11 from Indonesia. And we will supply you with the data that  
12 we have from those sources in the post-hearing.

13 COMMISSIONER SCHMIDTLEIN: All right. Thank  
14 you. Ms. Drake, did you want to add something?

15 MS. DRAKE: Commissioner Schmidtlein, that line  
16 for sheeter rolls on that table, I believe, covers sheeter  
17 rolls from all countries and so --

18 COMMISSIONER SCHMIDTLEIN: It does.

19 MS. DRAKE: -- if you break it out, I think you  
20 would see divergent trends.

21 COMMISSIONER SCHMIDTLEIN: And you did increase  
22 from Indonesia and China, is what you're saying? OK. All  
23 right, thank you.

24 CHAIRMAN WILLIAMSON: Thank you. Respondents  
25 also this morning was complaining that how can an Indonesian

1       agaent get back in the market, five years is enough. And  
2       they also talked about, I guess, it's only \$50 million, that  
3       would have a big impact. Another way they could get back in  
4       this -- of course, going through administrative reviews and  
5       showing that we're no longer be dumping. And I'll ask them  
6       about that this afternoon, but I wondered if y'all have any  
7       comments on whether or not they -- why they haven't done  
8       administrative reviews and feasibility of succeeding --

9               MR. STEWART: We have some interesting facts.  
10       There are imports under the HDS categories that are covered  
11       by the order. Staff's inquiry through a confidential  
12       database that we don't have access to, says that there's no  
13       duty collected on these products that as far as we can tell,  
14       are supposed to be covered. And the claim of the other side  
15       is there've been no exports.

16              So we had requested administrative review a  
17       couple of years ago, and the response that came back from  
18       the foreign producers, well, they hadn't exported. You  
19       can't do an administrative review where there've not been  
20       any exports. Why they've chosen not to have any exports,  
21       you'll have to ask them.

22              CHAIRMAN WILLIAMSON: I will.

23              MR. STEWART: When I look at the import stats,  
24       the reaction I get is, there obviously have been. But for  
25       whatever reason, the customs is not assessing duties on

1 products which, as far as I can tell, should be 100% within  
2 the coverage.

3 CHAIRMAN WILLIAMSON: Thank you. Are we already  
4 seeing increased production of fluffed paper and other paper  
5 types? And does this mean the industry is sort of  
6 restructuring? And I think from an earlier case, is fluffed  
7 paper a more attractive product to the industry or not?

8 MR. GARDNER: Mark Gardner with Sappi North  
9 America. I think you're referring to fluffed pulp. It  
10 would be -- and that is a pulp that is dried on a paper  
11 machine, but it goes into an end use, which is usually for  
12 absorbing materials and --

13 CHAIRMAN WILLIAMSON: Okay, yeah.

14 MR. GARDNER: -- and that has grown and is  
15 growing, as that market grows.

16 CHAIRMAN WILLIAMSON: Okay. I've got so many  
17 paper cases, but I do think this came up before --

18 MR. STEWART: It came up in the uncoated case.

19 CHAIRMAN WILLIAMSON: Good, okay.

20 MR. STEWART: There was an IP facility that was  
21 being converted. But my recollection was that the cost of  
22 the conversion was a nine-figure sum, so can you convert  
23 facilities with technology and with money? The answer is,  
24 you can convert some.

25 CHAIRMAN WILLIAMSON: And I guess that was the

1 question, whether or not this is a more profitable product  
2 of the -- I think they were arguing that it wasn't.

3 MR. WEINHOLD: I would just add that if you look  
4 at our paper machines today that make the subject product,  
5 certain coated papers, we could not convert that paper  
6 machine to a pulp. We would take the back end of the mill  
7 that makes pulp today and we would add a different  
8 technology to be able to convert pulp into fluff pulp.

9 So we would lose the capability of a paper  
10 machine and the corresponding stuff associated with that.  
11 And so your question about, is it more profitable or not? I  
12 think those that are in the fluff pulp business would have  
13 to weigh that answer based on the cost of manufacture. For  
14 us, it would be a step in the wrong direction relative to  
15 selling certain coated papers.

16 CHAIRMAN WILLIAMSON: Okay, thanks. Too many  
17 paper cases. The staff report indicates there's a seasonal  
18 component to demand in this market, specifically with  
19 respect to the holiday season and there are preparations  
20 that are made to increase supply during the holiday season.  
21 So how much demand in general increase during Third and  
22 Fourth Quarters?

23 MR. GARDNER: We see the Third and Fourth  
24 Quarter of the calendar year as the busiest time of the  
25 season, because most of our products go into communication

1 type materials and it can be substantial, compared to Q1 and  
2 Q2.

3 CHAIRMAN WILLIAMSON: My mailbox and the  
4 catalogues, I guess, is the best testimony to that.  
5 Post-hearing brief, please address an article by John Maine  
6 which is Exhibit 4 to the Indonesian industry's pre-hearing  
7 brief that they cite on Pages 9 and 11, so if you can take  
8 care of that.

9 MR. STEWART: We'll be pleased to.

10 CHAIRMAN WILLIAMSON: Okay, thank you. So I  
11 think the illusion -- you know, the Indonesians are arguing  
12 that they're less than 3% of our volume and value in the  
13 original investigation, and would likely be a small volume  
14 if the orders are lifted and this won't have an adverse  
15 impact on the domestic industry. Any reactions to that?

16 MR. STEWART: Well, we have a smaller  
17 consumption base today than we did then. And back then  
18 there was not, it was cumulated on a discretionary basis for  
19 threat with volumes -- if they say if they did and then into  
20 a smaller market wouldn't be a justification to even to be  
21 considered to be cumulated. Obviously, that doesn't make  
22 any sense.

23 MS. DRAKE: Commissioner Williamson, if I may.  
24 I think another way to look at it is that in the original  
25 investigation period, Indonesia was competing with China in

1 the U.S. market, and so yes, they increased. In fact they  
2 were able to increase even more quickly than China, but they  
3 remained a smaller player than China, and that's exactly why  
4 we've seen the same trends, I would say in the Canadian  
5 market.

6 But Commissioner Broadbent was asking about,  
7 since the orders have been imposed, that Indonesia has faced  
8 competition with China and all of these markets around the  
9 world, if the orders are revoked on Indonesia, but not  
10 China, in the U.S. market, it will become an incredibly,  
11 even more attractive market for Indonesia.

12 Because not only does it have high prices, large  
13 size, etcetera, relatively favorable demand trends, but  
14 China would continue to not be present in the U.S., giving  
15 the Indonesians the ability to offload excess capacity which  
16 last year alone was equal to 16% of domestic shipments in  
17 the U.S. market.

18 CHAIRMAN WILLIAMSON: Okay. Thank you. How do  
19 producers determine coated paper making capacity? Would it  
20 be reasonable for firms in this industry to be considered  
21 operating at or above capacity?

22 MR. STEWART: Do you want a response in terms  
23 of, how do the producers actually measure their capacity or,  
24 how does one deal with the information in the staff report?

25 CHAIRMAN WILLIAMSON: Good question.

1                   MR. STEWART: If you want us to do it with the  
2                   staff report, we'll do that post-conference.

3                   CHAIRMAN WILLIAMSON: Let's do that, and if you  
4                   -- if there's something about the way, the differences in  
5                   the way the industry does it that's relevant --

6                   MR. STEWART: Perhaps just ask the companies if  
7                   the mix of product that they're running or the length of  
8                   time that they're running any particular product can change  
9                   what the output on the machines is, because that could have  
10                  an effect in terms of what the capacity might get reported,  
11                  or what production you might actually do.

12                  MR. WEINHOLD: Mike Weinhold with Verso. Not to  
13                  get too technical in nature, but it does depend a little bit  
14                  on the asset based on the machines that you're dealing with.  
15                  To try to simplify it a little bit, we can have paper  
16                  machines that have coating processes in line, and we can  
17                  have paper machines that then go to an offline coater.

18                  So if you have a paper machine that goes to an  
19                  offline coater, in theory you could shut a coater down and  
20                  make uncoated product and other products, and so you would  
21                  have some swing capacity between coated and uncoated. If  
22                  you have an online coater, that's much more difficult, in  
23                  most cases, not even practical. Some cases you might be  
24                  able to lift the coater to make that.

25                  So we look at our productive capacity today at

1       Verso with our paper assets as all potentially coated paper  
2       production. So then we will try to balance, again, the  
3       efficiencies of a paper mill, as I think we've shared in  
4       many different cases with you, paper mills are designed,  
5       unfortunately, or fortunately, to run basically 360 days,  
6       24/7. We take some downtime during every year for  
7       maintenance, etcetera.

8                       And so we are trying to basically balance  
9       production and keep the paper machine running to absorb the  
10      unabsorbed fixed costs that remain in any facility if the  
11      paper machine is not running. So we will look at the  
12      ability to produce coated paper. In some cases, we will  
13      make some uncoated paper to keep the baseload full until we  
14      reach a certain point.

15                      And that's really what the industry's been  
16      dealing with decline in demand, is what else can you make on  
17      these paper machines besides some of the products that are  
18      declining more than others? At a certain technical point,  
19      you can't really do anything else until you spend a lot of  
20      capital. And so we would look at our productive capacity  
21      based in our world as almost all coated paper.

22                      CHAIRMAN WILLIAMSON: Thank you. Mr. Gardner?

23                      MR. GARDNER: Yes, we have the same kind of  
24      criteria as Mr. Reinhold spoke to. But we also look at the  
25      basis weight and the product mix on a machine can also



1       greatly move a machine around in terms of capacity, so most  
2       of our machines have a range of products that they can make  
3       and we take the average of that range to estimate your  
4       overall capacity.

5               MR. STEWART:   And so if you did lighter weights,  
6       presumably you could produce more than what the theoretical  
7       capacity of the machine was.

8               CHAIRMAN WILLIAMSON:   Okay, good.   Thank you for  
9       those answers.   Vice-Chairman Johanson.

10              VICE-CHAIRMAN JOHANSON:   Thank you, Chairman  
11       Williamson.   I'd like to return to my question, my last  
12       question of this morning, which dealt with the ITC's 2012  
13       decision in certain lined paper school supplies.   How do you  
14       all respond to the Indonesian industry's assertions on Page  
15       4 of his pre-hearing brief, that revocation of the order on  
16       lined paper for school supplies from Indonesia, did not  
17       result in a significant increase in imports of that  
18       merchandise?

19              MS. DRAKE:   Commissioner Johanson, this is  
20       Elizabeth Drake.   I believe the public import data doesn't  
21       break out subject and nonsubject lined paper imports.   But  
22       we will post-hearing see if there is some data that we can  
23       find to try to respond to that point.

24              VICE-CHAIRMAN JOHANSON:   Okay, thank you, Ms.  
25       Drake.   Indonesian respondents have argued that the width of

1 Pindo Deli's paper machine is limited and will continue to  
2 limit the likely volume of subject imports from Indonesia.  
3 They take the position that the configuration of machinery  
4 prevents it or them from producing the most common sizes in  
5 the United States in a cost-efficient manner.

6 I realized this morning, some of the witnesses  
7 stated that that was not the case, and that it's actually  
8 quite simple to adjust the machinery, but is it possible  
9 that the Indonesian manufacturers have a different type of  
10 machinery, where this would be more difficult to achieve?

11 MR. WEINHOLD: Mike Weinhold from Verso. I  
12 think what's important to understand when we're talking  
13 about the subject matter of certain coated papers and  
14 coated-free sheets, the paper machine has a fixed width.

15 So everybody that manufactures paper -- we're  
16 not adjusting the width of that machine, so for sake of  
17 argument, let's use a 300" paper machine. That is the width  
18 of the paper machine, we'll product a master log, we will  
19 then cut that log into smaller rolls to then take over to a  
20 sheeting operation, which will convert the smaller roll into  
21 sheets. And so all of the various sheets sizes that we sell  
22 into the market, they marry up to parent rolls that have a  
23 fixed width.

24 We line up a lot of those parent rolls to trim  
25 out our machine, then we cut various sizes of sheets. So to

1       make an analogy that a single sheet size doesn't fit a paper  
2       machine is not congruent. It doesn't make any sense. So  
3       you would make various sheet sizes to fill out the width of  
4       your paper machine. And you'll always have some waste.

5               We have waste on a paper machine. In a perfect  
6       world, we'd have what we call a perfect dental, which is  
7       we've maximized the width of the paper machine. That  
8       generally never happens, so there is waste in the process,  
9       and then there's waste in the sheeting process. But for us  
10      to take a look at a specific sheet size and say that doesn't  
11      fit this piece of equipment is really a nonsensical  
12      argument.

13             MR. STEWART: Mr. Weinhold also, I believe,  
14      testified in his direct testimony, that they have machines  
15      that are very close in size to two of the machines at Pindo  
16      Deli has, and that you have two false predicates. One is  
17      that there are only two standard sheet sizes that are sold  
18      in the United States and that, as a result, you have to  
19      figure out how you put that on a particular sized machine.

20             And you have a number of witnesses who said that  
21      simply isn't true. There's a dozen or more standard sizes  
22      that are used. And the other testimony from Verso was, we  
23      have machines that are virtually identical in size to the  
24      listed width of the Pindo Deli machines and we run coated  
25      paper on them all the time and don't run into the problems

1       that they're talking about because there's, for the reasons  
2       that Mr. Weinhold said, there's lots of different products  
3       you make and you just put a different assortment on.

4               VICE-CHAIRMAN JOHANSON:   So Mr. Weinhold, I  
5       think you stated that what at Verso happens, is you'll  
6       produce the product and then you'll cut it.  Is that  
7       basically what it is?

8               MR. WEINHOLD:   That's exactly what it is.  So  
9       you can envision, again using my analogy, a 300" roll of  
10      paper coming off the paper machine.  That will then be cut  
11      into individual rolls, which we call parent rolls, which  
12      will then be cut into sheets.

13              VICE-CHAIRMAN JOHANSON:   I guess that's what the  
14      importers are doing anyway as far as the rolled paper goes?

15              MR. WEINHOLD:   Yes.

16              VICE-CHAIRMAN JOHANSON:   They're just cutting  
17      it?

18              MR. WEINHOLD:   Yes.

19              VICE-CHAIRMAN JOHANSON:   Okay.  And kind of  
20      along the same lines, how about the issue of adjusting  
21      machinery in order to change the shade of coated paper?  The  
22      domestic industry stated this morning that it's simple to  
23      adjust machinery to make such changes, but had Indonesia had  
24      different equipment that could make this a more difficult  
25      process?

1                   MR. OSTERBERG: Excuse me. Doug Osterberg with  
2     Appleton Coated. It's not likely they would have different  
3     equipment and it's really a very simple process. It's  
4     tinting dyes, even white paper typically has some dyes in  
5     the tint to shade, red, green, blue, yellow, a little bit in  
6     one direction or another.

7                   We make a variety of different shades, different  
8     products, coated and uncoated, and this typically is done  
9     with online equipment controlling flowmeters, controlling  
10    dyes that literally within minutes can turn over the system.  
11    In our case, we have many grades where we do not adjust the  
12    base sheet. We just simply adjust the coating and as we got  
13    from one grade to a different grade, it has a different dye  
14    package and a different formulation.

15                  MR. OSTENBERG: Very quick.

16                  COMMISSIONER JOHANSON: I'm curious about the  
17    different shades. I believe that the Indonesian Product is  
18    a bluer tint. That's I believe that's what we read. If I  
19    were to look at the product produced in Indonesia and the  
20    product produced in the United States, just me a laymen,  
21    would I be able to tell the difference? And, I'm getting  
22    the whole issue of how substitutable the products are.

23                  MR. OSTENBERG: It's entirely likely you could  
24    see the difference. Again, there's a variety of these even  
25    within our own portfolio. We all make number one, number

1 two, number three sheets. They have different brightness  
2 and shade packages. Since it's so available and being used  
3 in Canada those are markets we service as well. I've got to  
4 believe it would be accepted here. If not, it would be a  
5 very simple matter to change it.

6 Moreover I guess I would say that this isn't  
7 something that would have to happen frequently. I would  
8 envision that they would dedicate a machine to making a  
9 shade for this market rather than spread it around different  
10 machines.

11 MS. DRAKE: Commissioner Johanson, if I may?  
12 Elizabeth Drake. I think one of the things we may want to  
13 develop further post-hearing because it's partially based on  
14 confidential information in the Respondents' brief is they  
15 compare different shades by looking at percentage  
16 differences and different shade measurements and our  
17 understanding is that percentage differences are really not  
18 meaningful. There has to be an absolute difference of a  
19 certain amount to make difference in shade even  
20 distinguishable and that's something that we'd be happy to  
21 elaborate on post-hearing.

22 COMMISSIONER JOHANSON: Okay, thank you. Yes?

23 MR. HANNIGAN: Yes, Hannigan from Sappi. There  
24 are many shades of paper used in the United States, there's  
25 bluer shades coming in from Europe, there's yellower shades.

1       There's all shades of white and side-by-side you can tell  
2       differences but isolated it looks like a white sheet of  
3       paper so this is not a difficult thing to sell on the market  
4       and usually mills will have different product categories  
5       that have different shades of color and customers will pick  
6       their preferences.

7               COMMISSIONER JOHANSON:   Yes, Ms. Byers?

8               MS. BYERS:   Just to add one thing to, this is  
9       Bonnie Byers from King and Spalding.   Obviously they made  
10      the same color paper that is mostly consumed in the United  
11      States before and there's no reason that they can't do that  
12      again.   They didn't forget how to do that.

13              COMMISSIONER JOHANSON:   Okay, thank you Ms.  
14      Byers.   Mr. Kerr, getting back to what's happening in  
15      Canada, Indonesian products entering the Canadian Market,  
16      this bluer tint, is it being accepted?

17              MR. KERR:   All of the products are being  
18      accepted, yes.   In, yes.

19              COMMISSIONER JOHANSON:   Okay.   Thanks for your  
20      response.   I think I have time for one more question.   We  
21      all know that the industry is in decline in what's called  
22      secular decline.   Do you all anticipate that the U.S. demand  
23      for coated paper will continue to decline over the next few  
24      years and at what point or does it ever enter a point of  
25      stabilization?   At some point you would think it would level

1 off.

2 MR. GARDNER: Mark Gardner with Sappi North  
3 America. We do expect the decline to continue for the  
4 foreseeable future and I would have five years ago probably  
5 said we see it starting to level off at some point but it  
6 has continued to decline and I think the best way to answer  
7 your question is from all of our financial modeling that we  
8 do we also have a decline of 1-2 percent built into it.

9 COMMISSIONER JOHANSON: Yes, I do know. I get a  
10 lot of emails saying do you want to stop receiving such and  
11 such information via the mail, we can send it to you online  
12 now. Talking about company reports, etc., so I can see all  
13 of this happening. Yes, Mr. Weinhold?

14 MR. WEINHOLD: Yes, Mike Weinhold from Verso. I  
15 would just add it was brought up from another Commissioner  
16 earlier, global demand over the last two years has started  
17 to turn down. That's a new phenomena. We used to be able  
18 to be able to point to emerging markets which were brought  
19 up as having growth rates which were taking the global  
20 demand positive, albeit maybe small percentages but still  
21 positive. The fact that we've seen that shift of global  
22 demand declining is a significant change for the industry.

23 So like Mr. Gardner, I too would have said and I  
24 think, although hope is not a strategy, I would still say we  
25 do believe and hope there will be some leveling out but to



1       see that global growth rate start to turn negative I think  
2       is not a good indicator that we've yet reached a  
3       stabilization point. We do see predictions of growth over 5  
4       year horizons and negative demand declines and some great  
5       categories are significantly worse than others, but it is a  
6       negative decline.

7               COMMISSIONER JOHANSON:  Alright.  Thanks for your  
8       responses.  My time has expired.

9               CHAIRMAN WILLIAMSON:  Thank you.  Commissioner  
10      Broadbent?

11              COMMISSIONER BROADBENT:  Sure.  Mr. Kaplan, we  
12      had gotten a letter from the Governor of the State of Maine,  
13      Governor Le Paige expressing concern about not revoking,  
14      urging us to revoke the order on paper imports.  Do you have  
15      any sense of, he was saying it hurts business interest in  
16      the state, so for I think the delegation is splint but the  
17      Governor is taking a pretty strong stand against renewing  
18      the orders.  Have you heard anything about that?

19              MR. OSTENBERG:  No, I'm afraid I haven't.

20              COMMISSIONER BROADBENT:  Okay, anybody else?  Ms.  
21      Byers?

22              MR. GARDNER:  Mark Garner with Sappi North  
23      America.  I actually live in the State of Maine.  That's  
24      where I'm from.  I cannot speak for the Governor and I do  
25      not know what was behind his thoughts there because I have

1 not talked with him about it but I would point out that he  
2 might have been thinking about one of the mills in Maine,  
3 which is a woodland mill which is owned by APP and just  
4 invested in some tissue machines.

5 COMMISSIONER BROADBENT: Okay. Thanks. That  
6 helps. Let's see. You all assert that the Indonesian  
7 suppliers would increase shipments to the United States if  
8 their sister companies in China remained under order. Do  
9 you have any other third country example of when this  
10 happened? I note that when the EU put orders on China in  
11 2011 Indonesian exports to the EU declined from I think  
12 48,000 short tons to 9,000 short tons in 2015. Wouldn't  
13 this example cut against your theory on how APP Indonesia  
14 would react to revocation of the Indonesia order?

15 MR. STEWART: If you take a look at the European  
16 import statistics you will see that China has a slight  
17 decline in rebounds within a year or so that unlike the  
18 United States where they exited in Europe basically Chinese  
19 Imports have remained at relatively high levels. We will  
20 see if we can find any example post-hearing.

21 COMMISSIONER BROADBENT: Yes, because I don't  
22 think there was a strong decline in the Indonesian exports  
23 as I understand it in the EU.

24 MR. STEWART: We will try to provide the response  
25 in our post-hearing.

1                   COMMISSIONER BROADBENT:   Okay.   Thank you very  
2   much.   No further questions Mr. Chairman.

3                   CHAIRMAN WILLIAMSON:   Okay.   Commissioner Keiff  
4   do you have any other questions?   Commissioner Schmidtlein?  
5   Okay.   Which is the most common constraint on the production  
6   of free-sheet CPP raw, materials papermaking capacity or  
7   sheeting capacity?

8                   MR. STEWART:   Did you say here in the United  
9   States Mr. Chairman?

10                  CHAIRMAN WILLIAMSON:   Yes.

11                  MR. WEINHOLD:   Mike Weinhold from Verso.   If you  
12   could just one more time run through the question, Mr.  
13   Chairman.

14                  CHAIRMAN WILLIAMSON:   What is the most common  
15   constraint in the production of free sheet?   Raw materials,  
16   paper-making capacity or sheeting capacity?   Are any of them  
17   a constraint?

18                  MR. WEINHOLD:   I'll try to put them in order so  
19   capacity would be a constraint if you obviously don't have  
20   the capacity to produce the product of coated free sheet;  
21   followed by pulping capacity so you need a certain raw  
22   materials to make one product versus another and then the  
23   last would be sheeting capacity I think because one really  
24   comes before the other so you know if you don't have the  
25   paper capacity you won't have the sheeting capacity because

1       you're not going to need it.

2               CHAIRMAN WILLIAMSON: Oh, so it's just straight  
3       down the chain?

4               MR. WEINHOLD: Yes, it kind of really is.

5               MR. STEWART: That is as clear, Mr. Chairman,  
6       from the Staff Report we don't have any actual constraints  
7       and have not during the period of review.

8               CHAIRMAN WILLIAMSON: Okay, so they cannot supply  
9       -?

10              MR. WEINHOLD: No we have access as we've  
11       indicated, excess capacity, excess sheeter capacity and  
12       paper capacity.

13              CHAIRMAN WILLIAMSON: Okay, I don't think this  
14       has been asked but I was wondering how do you respond to the  
15       Indonesian Industry's argument that they are unlikely to  
16       shift sales from their home market because of the demand  
17       outlook and growth potential there and then you might also  
18       touch on Asian demand and Indian demand.

19              MR. STEWART: If you take a look at the  
20       individual Indonesian companies that are part of APP, two of  
21       them have any report saying your reports provide information  
22       on their aggregate exports as well as their total sales as  
23       you would expect in an annual report. What it shows is  
24       there has been a majority of their product that gets  
25       exported and less than, typically less than half of that

1 goes to Asia so roughly half of their exports go to  
2 non-Asian locations.

3 If you take a look at the prices that are shown  
4 in the Staff Report for a different location based on the  
5 questionnaire responses from the Indonesian companies and  
6 you look at what the U.S. prices are that have been shown  
7 both in the Staff Report and you have to ask yourself even  
8 if you say that Asia is your priority, and I want to  
9 continue to sell in my home market, I have a huge capacity  
10 of existing sales that are at much lower prices. Why would  
11 I not take advantage of higher prices if I could obtain  
12 them?

13 So their answer has to be that we don't care how  
14 good the prices would be that we could obtain. We won't do  
15 them because we said we won't do them. The Staff Record  
16 indicates that profit-maximizing businesses of course would  
17 shift product to the United States at least for non-subject.  
18 Even if they "think that they're committed to Asia in their  
19 home market".

20 MR. JONES: Chairman, Steve Jones from King and  
21 Spalding. You will recall, Mr. Chairman that during our  
22 slide presentation there is a slide, I was just looking for  
23 the number and I can't find it, but there's a slide showing  
24 a graph of Indonesian Exports of pulp and paper products of  
25 all kinds to the United States and there's been a

1 significant increase in imports from Indonesia pulp and  
2 paper products over this period of review so we think that's  
3 a very good indication of what's likely to happen.

4 It shows a high degree of interest in the U.S.  
5 Market, the ability to export and export orientation, all of  
6 the things you look for in terms of what's likely to happen  
7 if the order is revoked and it undercuts the argument that  
8 the focus is the home market. They're looking for, as Mr.  
9 Stewart just said, they're looking for profitable export  
10 opportunities and the U.S. is the best opportunity out  
11 there.

12 CHAIRMAN WILLIAMSON: Okay, thank you for those  
13 answers. We've already talked about the bankruptcies that  
14 Verso has had to go through and I was just wondering how  
15 should we take this information into our -- now how should  
16 we factor that into our analysis?

17 MR. STEWART: Well, if you look historically at  
18 how the Commission has looked at bankruptcies I'd say I  
19 don't have a clue as to what to suggest.

20 (Laughter)

21 CHAIRMAN WILLIAMSON: Okay.

22 MR. STEWART: I think the answer is that it, to  
23 what extent the structure of companies obviously goes to  
24 whether they are vulnerable, going through bankruptcy can  
25 alleviate some of the cost pressures on particular companies

1       that may or may not change the profile as we have outlined  
2       in our direct presentation and comments today, the industry  
3       we believe is highly vulnerable. Profitability is improved  
4       but that's about all that is improved since the original  
5       investigation and that's because of the myriad of challenges  
6       that the industry still has.

7               CHAIRMAN WILLIAMSON: Okay. Thank you. Go  
8       ahead.

9               MR. KAPLAN: I would second that. I think you  
10       have the largest producer of coated paper in this country  
11       and various iterations has had to go through bankruptcy  
12       twice and that's obviously a very difficult thing for a  
13       company that shows how hard it is to stay the course in this  
14       industry right now, even if you're very efficient and trying  
15       to cut costs and trying to maybe find some other kinds of  
16       products. It's a very difficult situation.

17              CHAIRMAN WILLIAMSON: Thank you. Commissioner  
18       Johanson.

19              VICE CHAIRMAN JOHANSON: Thank you, Chairman  
20       Williamson I had one more question, but you just asked it so  
21       I will not ask anymore. Thanks.

22              CHAIRMAN WILLIAMSON: Any other questions from  
23       Commissioners? If not, oh sure, Commissioner Pinkert.

24              COMMISSIONER PINKERT: For post-hearing could you  
25       look at whether net income or operating income gives us the

1 best picture of the financial performance of this industry  
2 with the particular note about the debt structure that  
3 you've already testified to?

4 MR. STEWART: We'd be pleased to.

5 COMMISSIONER PINKERT: Thank you.

6 CHAIRMAN WILLIAMSON: Okay. If there's no other  
7 questions from Commissioners, do Staff have any questions  
8 for this Panel?

9 MR. CORKRAN: Douglas Corkran, Office of  
10 Investigations. Thank you, Mr. Chairman. Staff has no  
11 additional questions.

12 CHAIRMAN WILLIAMSON: Okay. Thank you. Do those  
13 opposed to a continuation have any questions for this Panel?

14 MR. MORGAN: No questions, Mr. Chairman.

15 CHAIRMAN WILLIAMSON: Okay. I want to thank this  
16 Panel for their testimony. We appreciate very much all of  
17 you coming from your business to do that. It is now time  
18 for a lunch break so we will resume at 1:35. I would remind  
19 everyone that this room is not secure so please take any  
20 business, proprietary business or confidential business  
21 information with you. We will recess the hearing until  
22 1:35. Thank you.

23 (Whereupon, a recess was held to reconvene at 1:35  
24 p.m.)

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1                                   AFTERNOON SESSION

2                   CHAIRMAN WILLIAMSON:   Okay, good afternoon.   Mr.  
3   Morgan, you can begin when you're ready.

4                   MR. MORGAN:   Good afternoon, Mr. Chairman.   My  
5   name is Frank Morgan of Trade Law Defense.   I'm joined by  
6   Mr. Arvind Gupta, who is the Director Commercial of Tjiwi  
7   Kimia.

8                   Before Mr. Gupta gives his statement, I'd like  
9   to give a brief overview of how his testimony fits into our  
10   legal arguments.   Mr. Gupta will be testifying about the  
11   production capacity levels in Indonesia and the RISI data  
12   that those in support of continuing the orders cited to in  
13   their public pre-hearing brief and have discussed this  
14   morning in their presentation.   I think how that aspect of  
15   Mr. Gupta's testimony fits into our legal arguments doesn't  
16   need any explanation.

17                  Next, Mr. Gupta will take about the shade of the  
18   Indonesian industry's coated paper.   This is a fact that  
19   supports both our argument against cumulating Indonesia with  
20   China, if you were to find a discernible adverse impact.  
21   And it also supports our argument that the volume of subject  
22   imports from Indonesia will be limited.

23                  We brought samples with us to show you the  
24   differences which I believe domestic industry testified are  
25   obvious to the naked eye and I believe you will see that as

1 well.

2 Mr. Gupta will also testify about the deckle at  
3 Pindo Deli and how this affects the cost efficiencies at  
4 that mill and its ability to produce the most common sized  
5 sheets for the U.S. Market. Next, Mr. Gupta will testify  
6 about Indonesia's home and regional markets and the growth  
7 potential those markets present. Finally, Mr. Gupta will  
8 respond to the points those in support of continuation made  
9 about the attractiveness of the U.S. market, imports of  
10 coated paper into Canada and Mexico; that would be  
11 Indonesian coated paper into Canada and Mexico, and Charta  
12 Global.

13 All of those points go to the question of the  
14 likelihood of a significant increase in the volume of  
15 subject imports from Indonesia if the orders are revoked.

16 Mr. Gupta, please proceed.

17 STATEMENT OF ARVIND GUPTA

18 MR. GUPTA: Good afternoon. My name is Arvind  
19 Gupta and I am the Director Commercial for Tjiwi Kimia. I  
20 have worked for Tjiwi Kimia for the last 18 years. And by  
21 the way, I'll be going nice and slow about this because  
22 we're not a football team. We're just the two of us, so we  
23 have enough time.

24 This is not my first time testifying in a  
25 Commission sunset review. I was also a witness in 2012 at

1 the Commission's hearing on lined paper from China, India,  
2 and Indonesia. I appeared on behalf of Tjiwi Kimia, who was  
3 the only Indonesian producer of lined paper and we were  
4 seeking to have the AVDCVD duties on that product revoked  
5 for Indonesia.

6 As you know from reading our pre-hearing brief  
7 in this proceeding, line paper imports from Indonesia did  
8 not increase significantly after the orders were revoked.  
9 Today I am here in support of revoking the AVDCVD orders  
10 against Indonesian coated paper.

11 In my current position, one of my primarily  
12 responsibilities is to oversee trade issues and this  
13 requires me to work closely with all the other APP mills in  
14 Indonesia. I'm extremely familiar with all the APP  
15 Indonesian mills' operations and if there is something I  
16 don't know I know who to ask and get the information from.  
17 There are only two Indonesian producers of coated paper,  
18 Tjiwi Kimia and Pindo Deli.

19 Indah Kiat produces paperboard for packaging. A  
20 small product, a portion, a small portion which ended up  
21 falling under Commerce scope definition because it met the  
22 physical specifications and can be used to print high-end  
23 graphics. I read the public version of the Petitioner's  
24 brief and I know that they have said that Indonesia's  
25 production capacity increased from 695,000 short tons to

1       739,000 short tons during the POR according to RISI.

2               This is simply not correct. First, the RISI  
3       data includes rolls and carbonless paper, both of which are  
4       non-subject. Second, the RISI data does not account for the  
5       production problems we have experienced and reported in  
6       confidence in our foreign producers questionnaire response.  
7       Actually, when you look at the 2010 production capacity that  
8       we reported in sheets and rolls and compare that to the 2010  
9       capacity figure reported in RISI, you will see that there is  
10      almost no difference.

11              The Petitioners also have cited to in the cap  
12      Tjiwi Kimia's and Pindo Deli's annual reports, claiming that  
13      the reported production capacity figures are somehow  
14      relevant to the question of how much excess coated paper  
15      capacity really exists in Indonesia. Anyone who knows the  
16      paper industry would immediately the gapping flaw in  
17      Petitioners' logic.

18              To make coated paper you have to have a coater.  
19      It can either be put on the paper machine, known as an  
20      online coater or it can be a separate machine, known as an  
21      OMC, or an Offline Machine Coater. Simply having the  
22      capacity to produce "X" tons of paper does not mean you can  
23      produce "X" tones of coated paper.

24              Take for example the 600,000 ton increase from  
25      2011 to 2012 that Petitioners cite in Indah Kiat's annual

1 report. That paper machine was built for the express  
2 purpose of making photocopy paper. The entire facility was  
3 designed around that purpose and the machine does not have  
4 either an online coater and there is no OMC either. The  
5 value added to the machine is cut sheeting the base paper  
6 and making photocopy paper. This machine has been in  
7 operation for the last four years and we have built markets  
8 around this concept. If the purpose had been for this  
9 machine to have a coating capability, we would have done so  
10 from the inception of the design and construction itself.  
11 These shifts cannot take place overnight and the same is  
12 true of Tjiwi Kimia's and Pindo Deli's paper machines, which  
13 are not linked to the production of coated paper.

14 I know that an important issue in this  
15 proceeding is the question of whether the Commission will  
16 consider Indonesia individually or in combination with  
17 China. We have provided an extensive discussion of this  
18 issue in our pre-hearing brief and I will not waste your  
19 time by repeating them all. I am happy to answer any  
20 questions that you have on these issues.

21 I do want to take a moment of your time to  
22 discuss the shade of the paper we make in Indonesia because  
23 we brought samples for you to look at. We have four samples  
24 of paper from various mills around the world and we would  
25 like for you to identify, if possible, which paper shade is

1 different than the other three. I'll give you a minute  
2 before continuing with my testimony.

3 (Pause)

4 MR. GUPTA: Korean paper is labeled pink. The  
5 American paper is labeled purple. The Chinese paper is  
6 labeled blue and Tjiwi Kimia's paper is labeled yellow.  
7 While you all have the paper in front of you, I will also  
8 briefly comment on our point about the deckle of Pindo  
9 Deli's paper machine and the question of mixed grained  
10 sheets.

11 The grain is not visible to the naked eye, but  
12 the grain direction is established as the fibers align  
13 during the wet end portion of the manufacturing process.  
14 When you go to cut the jumbo roll into several sheet rolls,  
15 you can decide to cut with the grain or against it and the  
16 result will be a short or long grain direction. As we  
17 discussed in our brief, the U.S. market does not accept  
18 mixed grained sheets, meaning sheets with both long and  
19 short grains in the same batch.

20 In Indonesia, India, and other regional markets  
21 we serve mixed grained sheets are accepted. And as we have  
22 shown you in our pre-hearing brief, this has significant  
23 ramifications for our costs to produce certain dimensions.

24 Another issue we discussed in our pre-hearing  
25 brief that I wish to elaborate is the efforts we have made

1 over the last five years to grow our sales in the Indonesian  
2 home market and regional markets and the future growth  
3 potential we see in markets outside the United States.

4 In Indonesia, we have consolidated our position  
5 over the last five years in a market that has continued to  
6 grow at approximately 5 percent annually. We also recently  
7 obtained safeguard relief that lasts until August 2018. The  
8 current rate of safeguard duty is 7 percent and this is in  
9 addition to the normal rate of duty of 5 percent.

10 In India and the Subcontinent, we have  
11 established a strategic partnership, as mentioned in our  
12 brief, and we expanded our field force and customer base  
13 several fold in the last five years. This is due to the  
14 duty advantage that we enjoy, which is a zero rate and the  
15 proximity of this region to our home country. We  
16 implemented a business plan of building a long-term position  
17 in this market and have no intention of losing this for a  
18 short-term gain somewhere else.

19 The Petitioners have said we will want to take  
20 advantage of better prices in the American market, but would  
21 we want to do this at the expense of losing a loyal customer  
22 base that we have built up over several years in the Indian  
23 and Subcontinent markets? I think the answer is, no, as  
24 this does not make any logical sense at all.

25 There is no question that demand in the U.S.



1 market has been adversely affected by a shift to digital  
2 media. This shift has not happened to nearly the same  
3 extent in Indonesia, India, Bangladesh, Pakistan, and the  
4 other regional markets we serve. We have continued demand  
5 growth for coated paper in these markets. Fewer people read  
6 digital magazines on their tablets, visits websites rather  
7 than reading catalogs, and view coupons on their Smartphone  
8 and so forth, greater demand for coated paper.

9 I was recently in India and one of the sharp  
10 differences I noticed was you still had newspapers being  
11 delivered at home and these newspapers contained inserts,  
12 which were on coated paper carrying advertisements. This is  
13 something that you totally lack in America or Europe  
14 nowadays. Another reason demand has been growing in our  
15 home and regional markets is simply a function of improving  
16 economic growth. Traditionally, coated paper demand has  
17 been tied to GDP growth and this remains the case in  
18 Indonesia and our regional markets. And even if U.S. prices  
19 were the highest in the world, we would not turn away for  
20 our home and regional markets because of potential for  
21 further expanding sales because those markets continue to  
22 grow.

23 Let me turn to Petitioners' claim that the  
24 attractiveness of the U.S. market is so great that we will  
25 incur the additional expense of exporting sheeter rolls to

1 the U.S. rather than sheeting those rolls in Indonesia and  
2 then shipping to other markets. In fact, Indonesia exported  
3 a very limited volume of sheeter rolls to the U.S. market  
4 over the POR, beginning from a level of nearly zero in 2010  
5 to a maximum level of 12,000 short tons in 2014 and with the  
6 present day position of about 4,000 short tons in the first  
7 eight months of 2016.

8           From these figures you will notice that it took  
9 us almost five years to grow to a level of 1,000 short tons  
10 a month and that has dropped off significantly in the next  
11 20 months. If we really had as much excess capacity as  
12 Petitioners claim and were really so desperate to dump  
13 product into the U.S. market and if U.S. prices were really  
14 as attractive as Petitioners claim, then why didn't we  
15 export far more sheeted rolls? The fact of the matter is  
16 that we don't have significant excess capacity and we  
17 aren't desperate to sell to the U.S. market and the U.S.  
18 prices are not as attractive as Petitioners claim,  
19 especially after factoring in transportation costs, currency  
20 risks, and the lead time issues.

21           Another point Petitioners raised in their  
22 pre-hearing brief that I want to respond to is concerns of  
23 the market in Canada and Mexico. First, I note that  
24 Petitioners referred to China and Indonesia collectively  
25 when discussing the issue of imports from those countries

1       into Canada and Mexico. But when you look at the data, it  
2       immediately becomes apparent that Indonesia is  
3       insignificant in both markets. Attachment 1 of Exhibit 24  
4       of Petitioners' pre-hearing brief shows that in 2015 only  
5       194 tons -- I repeat, 194 tons of imports were made by  
6       Indonesia into Canada, totally approximately \$2,000 Canadian  
7       dollars.

8                   Attachment 2 of Exhibit 25 to Petitioners'  
9       pre-hearing brief shows that 1,600 -- again, 1,600 metric  
10      tons of imports were made from Indonesia into Mexico,  
11      totaling approximately \$1.7 million U.S. dollars. I don't  
12      believe either of these constitutes a significant volume or  
13      value of imports from Indonesia and I believe it supports  
14      our point that China and Indonesia compete under different  
15      conditions of competition.

16                   Finally, I want to take a moment of your time to  
17      talk about Charta Global. Petitioners would have you  
18      believe that it is a major distributor that will open the  
19      floodgates if the orders against Indonesia are revoked.  
20      Nothing could be further from the truth. First off, the  
21      consolidation of the three distributors was a response to a  
22      decrease in our sales because of the orders and was a  
23      cost-cutting exercise, which actually decreased, had gone by  
24      half. If Veritiv is the 800 pound gorilla of paper  
25      distributors, then Charta, I beg to say, is just a peanut.

1                   As you know, Veritiv is the successor of  
2           Unisource and Xpedx and neither of these companies was doing  
3           business with Indonesia at the end of the original  
4           investigation period and there is no indication that they  
5           are interested in doing business with Indonesia, even if the  
6           orders are revoked. Thank you.

7                   STATEMENT OF FRANK MORGAN

8                   MR. MORGAN: Thank you, Mr. Gupta.

9                   I'll keep my remarks brief. As I mentioned in  
10          my opening statement, we are here on behalf of Indonesia and  
11          Indonesia alone. The record evidence from the original  
12          period of investigation shows that subject imports from  
13          Indonesia were at negligible levels throughout and at prices  
14          that were not having adverse affects, even if they could  
15          have at the low levels that they were at. Nothing has  
16          changed to alter the validity of those findings for the  
17          reasonable foreseeable future.

18                  The Indonesian industry has operated at high  
19          levels of capacity utilization and is unlikely to shift  
20          sales from other markets with greater potential for growth  
21          in order to increase sales to the United States. The  
22          Indonesian industry also faces a number of limitations on  
23          its ability to increase exports to the United States that  
24          have limited and will continue to limit the likely volume of  
25          subject imports from Indonesia.

1                   We will respectfully submit that those facts  
2       compel a no discernible adverse impact finding. If,  
3       however, the Commission disagrees, we ask the Commission to  
4       de-cumulate Indonesia and China. In the original  
5       investigation, the Commission cumulated the two countries in  
6       its threat analysis based largely on what appears to be the  
7       affiliation of the APP China mills with the Indonesian  
8       industry and the claim that shifting sales would be likely.

9                   There have been meaningful changes since the POI  
10      and the facts in this review do not support cumulation based  
11      on affiliation or otherwise. The APP china mills have been  
12      operating at high levels of capacity utilization during the  
13      POR and are likely to do so in the foreseeable future.

14                  Even if this were not the case, the Indonesian  
15      industry enjoys commercial advantages over China in its  
16      Indonesian home market and regional markets. In Indonesia,  
17      imports from China face a normal duty of 5 percent and  
18      additional safeguard duties of 7 percent, plus it costs more  
19      to ship from China to Indonesia than it costs the Indonesian  
20      mills to ship to their home market.

21                  In India, the Indonesian industry pays zero  
22      duties on imports, while China pays a 10 percent normal  
23      duty. The Indonesian industry has developed and implemented  
24      a business plan and India that includes a strategic  
25      partnership and an investment in a significant sales force.

1 We submit those facts all compel a finding that affiliation  
2 is not likely to result in a shift in sales that will allow  
3 Indonesia to increase exports to the U.S.

4 Additional facts supporting de-cumulation are  
5 the differences in the size and scale of the Indonesian  
6 industry compared to the industry in China. It is the case  
7 that there are non-APP coated paper mills in China. Those  
8 in favor of continuation provided information about the size  
9 of the Chinese industry and facts about the other members of  
10 the Chinese industry in their pre-hearing brief. We believe  
11 that information supports our point about the difference in  
12 the scope and scales of the two industries.

13 The shade of the coated paper the Indonesian  
14 industry produces differs from that produced in China as  
15 you've just seen demonstrated for yourselves. China  
16 produces the widely prevailing shade in the U.S. market,  
17 whereas, Indonesia's deferred and is the preferred shade in  
18 Indonesia and India.

19 MR. MORGAN: The original POI shows pricing  
20 differences between subject imports from China and  
21 Indonesia. Subject imports from China were present in  
22 larger volumes and in more pricing products, and the pricing  
23 behavior deferred from Indonesia.

24 Unlike the Chinese industry, the Indonesian  
25 industry accounts for a minor share of global production

1 capacity. We submit these facts all compel a finding that  
2 China and Indonesia are likely to compete under different  
3 conditions of competition in the event of revocation.

4 Considered on its own, there is no likelihood  
5 subject imports from Indonesia will cause or threaten the  
6 continuation or recurrence of material injury to the  
7 domestic industry.

8 At less than 3 percent market share, with prices  
9 that were over-selling or under-selling by narrow margins,  
10 subject imports from Indonesia will not have an adverse  
11 impact. In terms of volume, as Mr. Gupta testified, the  
12 Indonesian industry is operating at high levels of capacity  
13 utilization.

14 That capacity is being filled almost entirely by  
15 sales to the Indonesian home market, and in the end the  
16 Indian subcontinent.

17 As Mr. Gupta explained about the efforts over the  
18 last five years to develop those markets, why those markets  
19 are of continued importance, irrespective of U.S. prices,  
20 and the Indonesian industry is not going to simply shift  
21 capacity from those markets to the United States.

22 In terms of pricing, as we pointed out  
23 information on AUVs from major importers during the POR, or  
24 nonsubject importers during the POR, is consistent with the  
25 conclusion that subject imports from Indonesia are not

1       likely to have adverse price effects, nor is the domestic  
2       industry vulnerable to injury. We disagree that the  
3       domestic industry is highly vulnerable. Every major  
4       performance indicator in fact improved in interim 2016  
5       compared to interim 2015, and the domestic industry operated  
6       a 7.3 percent profit margin in the interim 2016 period.

7               Thank you. We look forward to answering your  
8       questions.

9               CHAIRMAN WILLIAMSON: Thank you very much for your  
10       testimony. We will begin the questioning this afternoon  
11       with Commissioner Pinkert.

12              COMMISSIONER PINKERT: Thank you very much, Mr.  
13       Chairman.

14              Mr. Morgan, you mentioned that in cumulating in  
15       the original investigations for purposes of threat the  
16       Commission cited, among other things, APP's ability to shift  
17       exports to the United States from its facilities in one  
18       subject country to its facilities in the other subject  
19       country.

20              And you provided some argument and information to  
21       suggest that there wouldn't be the incentive to do that at  
22       this point in time and going forward. And I understand your  
23       testimony of that.

24              But what I want to ask you is: Do they still have  
25       the ability? Does APP still have that ability to shift from



1       one to the other? And is then the question simply whether  
2       they have the incentive to do that going forward?

3               MR. MORGAN: I mean if I read the Commission's  
4       Opinion correctly in the original investigation, I think the  
5       ability was equivalent to the fact that they are affiliated.  
6       And that was about the extent of the discussion, from what I  
7       could determine. And if the question is whether there are  
8       still APP mills--you know, the APP mills in Indonesia are  
9       APP, and the APP mills in China are China, that hasn't  
10      changed. They're still affiliates, no change there.

11              So I think what we've cited to are changes in the  
12      conditions of competition that did not exist at the time,  
13      and that not only change--I mean I guess it's an incentive  
14      point, but there wasn't a 12 percent duty in effect at the  
15      time in Indonesia that would have made say China shift--even  
16      if it was something that was possible, you know, the  
17      economics of it have completely changed.

18              I don't know that I would have agreed with the  
19      statement that the Commission made in the original  
20      investigation to begin with, but the affiliation remains.  
21      That hasn't changed, but the other factors have.

22              MR. GUPTA: Just one point over here. You know,  
23      for instance right now supposing I wanted to move all my  
24      home production, all my home sales overseas to America and  
25      start having China shipping to my home market, everything,

1 right? That would mean we would have to pay 12 percent  
2 extra on duties. I don't understand the logic. It just  
3 doesn't make any sense.

4 And then, similarly, you know, that's what we've  
5 done in the last five years. We've looked at the markets  
6 around the world and, you know, we found that, okay, we have  
7 this advantage in India. We have this advantage in the  
8 subcon. We have this advantage in Indonesia. And those are  
9 the markets that we built up. And that's why we even  
10 shifted our--you know, we've made the shade of our product  
11 which is suitable to these markets. And that's the whole  
12 context of the way we've been going around doing our  
13 business.

14 Because we have limited capacity, and we want to  
15 use that capacity as best as possible.

16 COMMISSIONER PINKERT: I appreciate that answer.  
17 And what I would ask you, Mr. Morgan, for the posthearing is  
18 to look into that determination that was made in the  
19 investigations, and tell me, or tell the Commission whether  
20 there's any reason to think that there is not that ability,  
21 that capability to shift that was found in the  
22 investigations.

23 I understand that the affiliation continues, but  
24 if you want to bring an argument to bear on this that says,  
25 yes, the affiliation is there but that capability is not,

1 the capability to shift, I think that would be helpful for  
2 us to hear that.

3 MR. MORGAN: We will certainly do that for the  
4 posthearing, Commissioner.

5 COMMISSIONER PINKERT: Thank you.

6 Now do you agree that in the coated paper segment  
7 subject merchandise is a commodity product that competes on  
8 the basis of price?

9 MR. GUPTA: Subject merchandise is really a  
10 commodity product which does compete on the basis of price.  
11 It is very, very price sensitive, as the Petitioners have  
12 been saying, and that's the main reason I guess why we've  
13 been out of the market in America for the last five years,  
14 because we just could not take back the additional duties  
15 that were placed on us. And the price elasticity of the  
16 product made it impossible to sell into the American market.

17 So unless you sell at a price which is  
18 competitive with the market, you cannot sell at all.

19 COMMISSIONER PINKERT: Okay, now you cited a  
20 number of attenuation factors in your argument that, while  
21 there may be competition, it's attenuated competition going  
22 forward in the event that the Orders are revoked. And what  
23 I'd like you to do, either here or in the posthearing, or  
24 maybe in both, is to comment on whether those attenuation  
25 factors would be taken into account in the price negotiation

1       so that you would still have competition. There would still  
2       be competition on the basis of price, but those attenuation  
3       factors would be taken into account in the price that was  
4       offered.

5               MR. MORGAN: I'd like to think I'm smart enough to  
6       answer that on the fly, but I'm going to be wise and defer  
7       that to the posthearing when I can give it a little thought.

8               COMMISSIONER PINKERT: Thank you very much.

9               Now there's also discussion in your brief about  
10      the transshipment problem. And I appreciate the statements  
11      in your brief about your concern that Chinese merchandise  
12      might be transshipped. So is there something that  
13      Indonesian producers can do to prevent that kind of  
14      transshipment from China?

15              MR. MORGAN: I mean as an initial matter, I don't  
16      think there's been any allegation by anyone on any side of  
17      the issue that there has been any kind of transshipment  
18      involved with this product.

19              Not knowing what might be said, it was something  
20      that we wanted to factor in. The reality is that product is  
21      very easily traceable in terms of the country-of-origin.  
22      You can do an analysis on the paper and fairly readily  
23      determine where it's coming from based on the shade and  
24      other factors.

25              So in that respect, you know, we would work with

1 Customs if the issue ever arose as to whether something was  
2 country-of-origin Indonesia. But the fact is, the APP mills  
3 right now are shipping--you know, they're operating at full  
4 capacity. So I don't think there's really a question of  
5 them shipping to the United States under a country-of-origin  
6 Indonesia, but certainly I think the argument that the  
7 Petitioners have made is less transshipment and more of this  
8 shifting capacity around between the affiliates.

9 COMMISSIONER PINKERT: And just a quick follow up  
10 on that. Is there something physically distinctive about  
11 China origin subject merchandise? I know the testimony that  
12 you've given about the distinctiveness of the product from  
13 Indonesia, but is there something physically distinctive  
14 about the Chinese product?

15 MR. GUPTA: In today's date, except for the shade,  
16 there's nothing much more different physically. But if you  
17 look at the product, you know, if you work the product on  
18 the machine, at the end user or the printer, then you will  
19 find that they will be preferring the Chinese product over  
20 the Indonesian product. And that is because of various  
21 quality-related issues, and the machine-related issues that  
22 we've been having in Indonesia over the last several years.

23 So our product is not as good as the Chinese  
24 product.

25 COMMISSIONER PINKERT: Thank you. And how

1       difficult is it for a coated paper producer to change the  
2       shade of its paper?

3               MR. GUPTA: You know, I've been in this industry  
4       also for the last 18 years, although my colleagues have been  
5       around for 30 years or so, and my understanding is that  
6       actually the shade defines the machine, or the machine is  
7       defined by the shade.

8               So normally if you have a machine, you have a  
9       shade. You can't just go around changing the shade  
10      overnight, or in ten minutes, or--you know, you can change.  
11      Sure, you can change. But then you have to clean out the  
12      full machine. You have to do a lot of things at the back  
13      end before, and then you have to run trials. Because  
14      changing shade is not such a simple or easy thing. You have  
15      to run trials. You have to try to fix the shade again as  
16      per the way that you want to see it.

17              So like a Japanese shade is a natural shade,  
18      totally. If you look at--I'm talking about uncoated paper  
19      over here now, which is easier on the shade side--but a  
20      Japanese shade is totally neutral.

21              Now to run a neutral shade is very different from  
22      running an extra white shade like the one that you find on  
23      our photocopy, normal photocopy, extra bright shade here on  
24      the photocopy.

25              `So shade differences define the machine. And if

1 the machine is--and, you know, if you look at it when a  
2 person buys from a particular mill, for coated paper they  
3 buy text and cover. So the text and cover, normally they  
4 will buy the same shade. And that's because it's coming  
5 from the same mill.

6 So the two machines in that mill, one is  
7 producing the text and one produces the cover. The shade is  
8 the same. So normally you can't change shades. That's my  
9 understanding, but the understanding from the other side was  
10 totally different.

11 COMMISSIONER PINKERT: Have you ever had the  
12 experience of changing shades?

13 MR. GUPTA: Yes, we have. That's exactly what  
14 we've done for the Indian market and the Indonesian markets.  
15 We've developed the type of shade that I just showed you.  
16 It has been developed in the period from about 2011-2012  
17 onwards, and this is the shade that we have now developed  
18 for these markets. And we're not going to change it.

19 COMMISSIONER PINKERT: Right. But I'm just  
20 wondering if you've ever had to change somewhat quickly to  
21 respond to a market situation? Have you ever had to--

22 MR. GUPTA: There's another thing over here, sir.  
23 You know, when you are running the machine, you are running  
24 it on a cycle, as everybody understands. You run it on a  
25 monthly cycle. So you're running various gramitures along

1 the month, right? So you start maybe at 70 grams, and you  
2 go 80 grams, and you go 90 grams. Then you go 100 grams.  
3 That's the paper weight along the month.

4 So if you are trying to change the shade, you  
5 need to have orders all along the gramiture. So that means  
6 that really then your customer base is shifting to that  
7 particular shade. So your customers are demanding to see  
8 that particular shade, and that's why you are able to run  
9 the machine on that shade for the whole month, and your  
10 whole production cycles.

11 So you can't just, you know, run 128 grams for a  
12 day on a particular shade, and then change over to something  
13 else on the next day. It's just not possible.

14 MR. MORGAN: I think the answer is that once they  
15 change the shade, that was it. The shade hasn't gone to a  
16 different--you haven't had different shades.

17 COMMISSIONER PINKERT: Thank you very much.

18 Thank you, Mr. Chairman.

19 CHAIRMAN WILLIAMSON: Okay, thank you.

20 Commissioner Schmidtlein?

21 COMMISSIONER SCHMIDTLEIN: Okay, thank you

22 Mr. Gupta, thank you very much for being here  
23 today. I guess I just want to continue with that line of  
24 questions from Commissioner Pinkert about how easy or not  
25 easy it is to change the shade.



1                   So this morning we heard testimony that it would  
2           take no more than an hour to change the shade in the  
3           machine, to change that machine to print at a different  
4           shade.

5                   MR. GUPTA: And I don't believe so, ma'am.

6                   COMMISSIONER SCHMIDTLEIN: And why do you say  
7           that? Have you personally had experience in working with  
8           the machines and changing the shades?

9                   MR. GUPTA: No, I'm not a paper--I don't work on  
10          the machine.

11                  COMMISSIONER SCHMIDTLEIN: Okay.

12                  MR. GUPTA: I'm at the corporate headquarters.

13                  COMMISSIONER SCHMIDTLEIN: Okay.

14                  MR. GUPTA: But I work with people who work on the  
15          machine.

16                  COMMISSIONER SCHMIDTLEIN: And so how long do you  
17          think it takes? If you were to achieve a sale in the U.S.  
18          and you needed to change your machine from the shade that  
19          you use for your home market or India, how long would it  
20          take to do that?

21                  MR. GUPTA: At least--to change the shade would  
22          take at least maybe 12 to 16 hours. And then I would not be  
23          sure of the shade that I'm going to get out of the machine,  
24          so I'd have to run trials.

25                  COMMISSIONER SCHMIDTLEIN: And so what happens in

1       that 12 to 16 hours?

2                   MR. GUPTA: The machine is shut down. It's  
3       cleaning. We clean the machine.

4                   COMMISSIONER SCHMIDTLEIN: You clean it.

5                   MR. GUPTA: We have to clean the machine. So we'd  
6       be cleaning the machine. And then when you run the shade  
7       finally, when you run the new mixture of the chemistry, and  
8       then you would have to see the result, does it match with  
9       what your requirements are? You'd have to run the lab  
10      tests. And then, if it doesn't match, then you'll have to  
11      go back and retry. So it's not a simple process, ma'am.

12                  COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank  
13      you.

14                  Would you also like to respond to the arguments  
15      we heard this morning with regard to the FSC certification?  
16      And I know that in the brief you acknowledge that the  
17      purchaser questionnaires don't indicate that this is an  
18      important factor, but you argue that those are under-stated,  
19      I believe.

20                  MR. GUPTA: Well actually I do believe that in  
21      America, the American market and the European market, it's  
22      more or less understood that everybody has these  
23      certifications. And that's why nobody asks about them  
24      nowadays. They're not top-of-the-mind because it's  
25      understood that everybody has these.

1                   COMMISSIONER SCHMIDTLEIN: So why do you think  
2                   when we asked about it, they didn't indicate that it was  
3                   important?

4                   MR. GUPTA: I haven't seen the--I haven't seen  
5                   those reports that only the lawyers can see.

6                   MR. MORGAN: So I think that in my view, because  
7                   everyone has them, it may not be a requirement. We don't  
8                   say you have to have a FSC certification. You have a FSC  
9                   certification. Why would we make that a requirement of the  
10                  purchase? We're going to ask you about the price. Because  
11                  if we're not going to buy it from you, we're going to buy it  
12                  from somebody else in the U.S. market who also has a FSC  
13                  certification. So, yeah, it's not technically a  
14                  requirement, and so the question was answered truthfully,  
15                  but as I believe someone asked of the morning panel, APP  
16                  doesn't have one and they're working awfully hard to try to  
17                  get one, and it's not a process that doesn't have a cost.

18                  I also believe I heard in the morning panel that  
19                  one company was deciding to abandon it because of the cost  
20                  of doing it. So I kind of question why everybody would have  
21                  these on their websites from the paper makers to the  
22                  distributors, pay the cost of having it, and then it really  
23                  turns out not to be an important thing at all?

24                  It just seems inconsistent, and I think that's  
25                  the way to reconcile it is, yeah, it may not be a

1 requirement because mostly everyone has it, even the  
2 nonsubject imports have it. And we're certainly not saying  
3 that, you know, that's the be-all/end-all and that's the  
4 reason why you should vote for revocation, but it is a  
5 factor.

6 And I don't want to over-state the significance  
7 of it as a factor, but it's clearly a factor that will limit  
8 sales from Indonesia, and in fact has in the past, as I  
9 think we've pointed out. It's not just a factor of limiting  
10 future sales, but it explains why import levels from  
11 Indonesia have always hovered around those negligible  
12 levels.

13 COMMISSIONER SCHMIDTLEIN: Okay. So speaking of  
14 the past sales from Indonesia, and I heard you this morning  
15 refer to the \$50 million in value, which I guess was at its  
16 peak maybe over the last POI, is that what you expect would  
17 occur with the Order being revoked?

18 MR. GUPTA: Not immediately. We would have to  
19 first of all start building a market. Building a market in  
20 this product range is a long and--it's a long process.

21 First of all, you have to get trial orders from  
22 customers. You have to start running those trial orders.  
23 They run it on the machines. They come back with several  
24 clarifications, several requirements. You have to change  
25 the--you know, you have to do certain stuff before you can

1       actually build up a marketplace for yourself.

2               Each customer I think would take at least six to  
3       eight months to convert, if we wanted--once we got started  
4       on the process in America, or anywhere around the world.  
5       And that's the way it is.

6               COMMISSIONER SCHMIDTLEIN: So what is APP's plan  
7       for the U.S. market in terms of your goal?

8               MR. GUPTA: The plan for the market over here is  
9       that if there is a revocation, that means that we then have  
10      the ability to sell into the American market on a level  
11      playing field. And that we can then start the process.  
12      Obviously we will start the process to build a certain  
13      market space for ourselves in America, but keeping in mind  
14      that, you know, we already have our existing base of  
15      customers around the world, and we don't want to let them  
16      go. And we don't have much capacity available.

17              COMMISSIONER SCHMIDTLEIN: So would you then use  
18      whatever capacity you have available to ship here? Or would  
19      you be diverting from somewhere else to ship here, given  
20      the high levels that you assert that you're operating at  
21      right now?

22              MR. GUPTA: We can't divert from anywhere. We  
23      have to produce ourselves. We don't have the capacity to  
24      divert from anywhere. We can't buy and sell.

25              COMMISSIONER SCHMIDTLEIN: Well divert sales from

1 another market to the U.S. market.

2 MR. GUPTA: Oh, let me--Oh, I think, you know, we  
3 would built up some sales in the American market, but I  
4 don't think we will see levels of \$15 million for several  
5 years down the road.

6 COMMISSIONER SCHMIDTLEIN: And would you continue  
7 to sell the sheeter rolls into the U.S. market?

8 MR. GUPTA: Ma'am, we're hardly selling any  
9 sheeter rolls. From Indonesian point of view, I was looking  
10 at the figures, actually. I was looking at the import  
11 figures that the U.S. database has provided, and what I can  
12 see over here is that we sell--this year we've sold about  
13 3,500 tons of sheeter rolls up to our list in the first  
14 eight months.

15 COMMISSIONER SCHMIDTLEIN: So I think it was  
16 higher than that, though, in the prior years. It was higher  
17 than that, though, in the prior years.

18 MR. GUPTA: In 2014, it was 11,000 tons. So  
19 11,000 tons again is 900 tons a month, which is, to my mind  
20 is insignificant, ma'am, because, you know, you're talking  
21 on the order of 2 billion dollar market--2 million ton  
22 market, sorry. You're talking about a 2 million ton market.  
23 If you're supplying 900 tons a month of sheeter roll into  
24 this market, it's hardly anything.

25 COMMISSIONER SCHMIDTLEIN: Okay. So but you think

1       you would continue? It's possible you would continue at  
2       those levels?

3               MR. GUPTA: I suppose so, yes. Why not?

4               COMMISSIONER SCHMIDTLEIN: In addition to selling  
5       sheets?

6               MR. GUPTA: In addition to selling sheets,  
7       whatever we can pick up, yes.

8               COMMISSIONER SCHMIDTLEIN: Okay. Alright, If I  
9       have any other questions at the moment--I guess this is  
10      really a question for you, Mr. Morgan.

11              Maybe you could go over one more time, as you  
12      mentioned I think in one of your statements, an important  
13      question we have to answer here is whether to decumulate,  
14      right? Your brief was really largely about just Indonesia.  
15      But before we can get to that, we have to find a basis to  
16      decumulate.

17              And I know you argued that there are certain  
18      trends that suggest they operate--they would operate under  
19      different conditions of competition. And I know some people  
20      do look at that, but I never have understood how that kind  
21      of trend--to me, a trend in volume of sales is indicative of  
22      some underlying conditions, right? It's not the condition  
23      itself.

24              And so I wondered if maybe you could, if you  
25      could sort of tease that out for me. Like what exactly is

1       it that constitutes the different condition of competition?

2               MR. MORGAN: So I think the point that we've made  
3       is a little bit different than maybe what those in support.  
4       They've kind of pointed to I think the indicators, you know,  
5       the same volume trends in exports during the Period of  
6       Investigation as an indicator that we're going to compete  
7       under the same conditions of competition in the event of  
8       revocation.

9               I agree with you that that's just an indicator of  
10      a trend that we believe has changed. So what we've pointed  
11      to is the size of the Indonesian industry relative to the  
12      size of the Chinese industry. That's a condition of  
13      competition that suggests certain things about who those  
14      countries will compete in the U.S. market in the event of  
15      revocation.

16              If China has 2 million tons of excess capacity,  
17      that means a different condition of competition exists than  
18      if Indonesia, as we have reported, has limited excess  
19      capacity.

20              COMMISSIONER SCHMIDTLEIN: Well to me that just  
21      suggests there's going to be--that's an argument for what  
22      the volume is going to be.

23              MR. MORGAN: Well, and I think we're looking at  
24      the likely volumes in the event or revocation. If the  
25      likely volume suggested by the underlying trend for



1 Indonesia would be still at low and negligible levels,  
2 whereas the volume for China looks like it would be much  
3 higher, that's a significant difference in the conditions of  
4 competition.

5 If one is at one percent market share and the  
6 other is at ten percent market share, those pricing will  
7 defer as a result of that, the customer base will defer. If  
8 we're producing a shade that's different from China's,  
9 that's going to limit the acceptance of our product into the  
10 market. It does go to likely volume, I agree.

11 The pricing differences, as we pointed to in the  
12 original investigation, I think are reflective of a trend--  
13 or reflective of a difference in the conditions of  
14 competition, which may be a product of the size, or the  
15 customer base, or what have you.

16 So I do believe that the conditions, and in terms  
17 of the production issue that we pointed to at Pindo Deli  
18 with the size of its paper machine and its ability to cut  
19 certain sheets, and what we provided to the Commission is  
20 kind of support for that was the Commerce verification  
21 report which shows the original investigation period before  
22 there were any orders in place, Pindo Deli was selling a lot  
23 less in terms of volume than Sheewee Kemia, the other  
24 coated paper mill in Indonesia.

25 So it wasn't just something we were making up.

1 This was, you know, demonstrated based on that as well.

2 COMMISSIONER SCHMIDTLEIN: Okay. Alright. Thank  
3 you. My time is up.

4 CHAIRMAN WILLIAMSON: Thank you.

5 Mr. Gupta, I was just wondering, what color are  
6 the sheeter rolls, the paper on the sheeter rolls that  
7 you're selling now?

8 MR. GUPTA: The same what I've given to you, sir.

9 CHAIRMAN WILLIAMSON: Okay, so there are some U.S.  
10 customers who do take that color?

11 MR. GUPTA: Sure You see the American market is an  
12 extensively big market. So you would have pockets where you  
13 would find people who will accept the bluish tone that we  
14 produce.

15 CHAIRMAN WILLIAMSON: So is it just your company?  
16 Is Pindo Deli--

17 MR. GUPTA: This is Tjiwi Kimia,

18 CHAIRMAN WILLIAMSON: What about the other  
19 Indonesian companies? Do they sell sheeter rolls? And are  
20 they selling the same color, too? To your knowledge.

21 MR. GUPTA: Their sales into American market are  
22 very, very limited, very small. But the color would be the  
23 same.

24 CHAIRMAN WILLIAMSON: Okay. So there is some part  
25 of the U.S. market that will accept this color?

1 MR. GUPTA: Yes.

2 CHAIRMAN WILLIAMSON: Do you have to know why, or  
3 if you want to say posthearing? I mean, if it's an  
4 unacceptable color, why do these particular folks want it?

5 MR. GUPTA: No, it's not an unacceptable color,  
6 sir. It is a color which is less accepted. So there are  
7 people who will accept this color, but the majority of the  
8 market prefers a shade which is more neutral in tone rather  
9 than the bluish white shade which we produce. So the vast  
10 majority of the market over here would like the shades that  
11 we showed to you, the cream shade and the Chinese shade and  
12 the American shade. But there are producers, there are  
13 pockets where this shade would also be accepted. And I  
14 think bluish shade material is also produced by some of the  
15 producers in America in small quantities by themselves, as  
16 well.

17 CHAIRMAN WILLIAMSON: Okay, so you see where I'm  
18 going here. There is a market there.

19 MR. GUPTA: There is a market there.

20 CHAIRMAN WILLIAMSON: And for the right price that  
21 market could grow, too.

22 MR. GUPTA: That's where we'd be selling if the  
23 Orders were revoked, yes. Sure.

24 CHAIRMAN WILLIAMSON: Okay. I'm curious. This  
25 morning there was talk about, you know, giving an Asian

1 country an opportunity. The reason why we shouldn't  
2 continue the Orders was, you know, it's been five years, and  
3 you should be given an opportunity.

4 The other way would be to go through  
5 administrative reviews and establish that you're no longer  
6 dumping. The reason why we end this proceeding is that  
7 there was a finding of unfair imports. So I was wondering  
8 why you haven't pursued that route. I know it costs money,  
9 but--

10 MR. GUPTA: For the very simple reason, sir, that  
11 we could not sell even a single ton at the duties that were  
12 imposed upon us. It's just not possible, you know? If you  
13 want to have an administrative review, you have to have a  
14 market. You have to have some position in the market. And  
15 we did not sell even one ton of material in the last five  
16 years, which was subject merchandise, which could  
17 participate in an administrative review.

18 CHAIRMAN WILLIAMSON: Okay. Thank you for that.  
19 This helps.

20 I guess the issue of sustainable forestry  
21 practices in Indonesia has been an issue in some NGOs. How  
22 is the progress of that going?

23 MR. GUPTA: After our zero deforestation statement  
24 and, you know, then we found that now NDR is sticking to  
25 that and we now zero deforestation policy. So that has gone

1 a long way to help us in our sustainability efforts. But we  
2 still have problem of haze. We still have a problem  
3 because, you know, our plantations also include a lot of  
4 other forestry product like crude palm oil where there is a  
5 lot of cut and burn policy still going on.

6 So we still have problems of haze in Indonesia.  
7 So the overall perception of the market is still, you know,  
8 the NGOs have still got a position, and they feel that the  
9 overall market position has not changed that much, but, yes,  
10 it is undergoing change slowly and steadily at least in the  
11 paper industry, yes.

12 CHAIRMAN WILLIAMSON: Okay, so it is possible that  
13 the industry could get some of the certifications?

14 MR. GUPTA: We are working very hard with the FSC  
15 to get the certificate. We were never really fully  
16 certified by FSC in the past, also. There was a comment in  
17 the morning that we were certified by FSC. But, no, I  
18 think--and I'm not exactly sure of this, maybe I need to  
19 check it out, but I think we had a chain of custody  
20 certification from FSC. We were not really fully certified.  
21 And that has gone away, as well. So right now we don't have  
22 any certification at all from FSC.

23 And we're working very hard to get it back, but  
24 the whole process I think takes a long time, and it's not  
25 easy.

1           MR. MORGAN: And just to interject something, we  
2       wouldn't shy away from the fact that we do have a  
3       certification from an organization called PEFC. So I don't  
4       want to leave the impression that we don't have any, but FSC  
5       is different and we don't have that, and we don't know--we  
6       haven't even started--we've tried to re-engage FSC to get  
7       that certification, but they haven't actually started any  
8       kind of formal certification process. And my understanding  
9       is that takes some time, once it does begin. Not months,  
10      but a year or more.

11           CHAIRMAN WILLIAMSON: You have a certification  
12      from where?

13           MR. GUPTA: PEFC, sir.

14           CHAIRMAN WILLIAMSON: What does that stand for, by  
15      the way, out of curiosity? If you don't know, that's okay.  
16      It was just my curiosity.

17           But I take it that is one that is recognized by--  
18      accepted by some companies in the U.S.?

19           MR. GUPTA: Yeah, it's one of the three which is  
20      recognized by the United States buyers over here. All the  
21      certification in the United States is SFI, SFC, and PEFC.  
22      So we have the PEFC, yes.

23           CHAIRMAN WILLIAMSON: So you could sell to those  
24      customers? I mean, that wouldn't be--

25           MR. GUPTA: Sure. Let's see. Please respond to

1 the domestic industry's allegations that the trends in the  
2 Indonesian industry's export shipments appear to be related  
3 to strategic decisions regarding APP and China?

4 MR. MORGAN: I'll take a crack at that, if you  
5 want to chime in. If you look, the other overall trend is  
6 that there's been a downward decline--not downward decline--  
7 there's been a decline in shipments overall, even in the  
8 home market. And it's not the case that it's due to some  
9 corporate strategy shift.

10 You have the production problems that we've  
11 discussed in our brief. You have also had an increase in  
12 sales to the home market. And so with more limited  
13 production capacity available, the home market took  
14 precedence getting the safeguard action in place in the home  
15 market. Then the Indian and subcontinent took more of the  
16 production to the extent it was available.

17 And so you had kind of a drawing up, if you will,  
18 of leftover. And then you've had lost sales as a result of  
19 the production issues that they've experienced. And in fact  
20 Arvind was telling me yesterday that the business unit head  
21 for coated paper lost his job just recently because of these  
22 ongoing production problems that they've been having.

23 And you might add some color if you want?

24 MR. GUPTA: Actually, we have been facing--from  
25 Indonesia, we have been facing a lot of production-related

1 issues in the last four or five years from both  
2 environments, both at Tjiwi Kimia as well as in Pindo Deli.  
3 And that has curtailed production considerably.

4 And then the fact that we were able to  
5 successfully get a safeguard action. And we've been able to  
6 supply more into the home market. And also the subcon  
7 market means that we've been able to shield ourselves more  
8 effectively from the issues of party problems that we've  
9 been having, because we've not really had to go out and sell  
10 the product into markets where quality becomes then a major  
11 issue.

12 So, you know, that also has led to the business  
13 unit head losing his job two months ago. And we are trying  
14 our best to work on remedying these problems, but they are  
15 persistent and they have been there for now about four or  
16 five years, but three to four years at least, yes.

17 CHAIRMAN WILLIAMSON: But I assume the APP could  
18 say, okay, you're getting better. And if the Order gets  
19 revoked, rather than you shipping to maybe as much to India  
20 or someplace else that they could supply those markets out  
21 of China, and then supply the U.S. market.

22 In other words, the parent company has some  
23 flexibility in where it wants to source product, and ship  
24 product to, assuming that its individual divisions can't get  
25 into a certain market. Is that fair?



1           MR. GUPTA: Not really in today's date, sir. The  
2       two markets that I'm talking about have, because of the duty  
3       structures, et cetera, they're quite more aligned to the  
4       Indonesian production now. It would be very difficult for  
5       the Chinese production to all of a sudden come into  
6       Indonesia, like they just said, because they'd have to pay  
7       12 percent duty.

8           CHAIRMAN WILLIAMSON: No, I understand that part.  
9       I understand if you have preferential access into other  
10      markets. But you are selling to places where I guess you're  
11      competing head-to-head with Chinese product, aren't you?

12          MR. GUPTA: We've actually provided you with a  
13      full detailed analysis of our various markets around the  
14      world.

15          CHAIRMAN WILLIAMSON: Okay.

16          MR. GUPTA: We have given that to you in our--

17          CHAIRMAN WILLIAMSON: Okay, I'll take a look at  
18      that.

19          MR. GUPTA: You have a look at that, and that  
20      gives you country by country how we'll be selling into  
21      various markets.

22          CHAIRMAN WILLIAMSON: But maybe posthearing, since  
23      I don't want to get into those details now, if you do want  
24      to address that question of why couldn't the parent company  
25      decide.

1           MR. MORGAN: So it wouldn't make economic sense to  
2     a degree. I mean, Indonesia sales to India are duty free.  
3     China sales there are 10 percent. So to the extent you'd be  
4     giving up the sales in India, you'd have to pay 10 percent  
5     more. It doesn't mean China wouldn't make sales there, or  
6     couldn't make sales there, or isn't making sales there, but  
7     it's a 10 percent sacrifice you're making to make the sale  
8     to the U.S. So you shift your sale out of India to allow  
9     China to make the sale to India, they pay 10 percent more.

10           So the economics have to work for that 10 percent  
11    loss to make sense.

12           CHAIRMAN WILLIAMSON: No, I understand. The  
13    question is, there are markets where--Are there markets  
14    where APP China, APP Indonesia basically are selling on the  
15    same basis? There's no preference, no tariffs, anything  
16    else.

17           MR. GUPTA: Yeah, there would be some markets  
18    where some product would be going into markets where, you  
19    know, we'd be selling, where China could also sell, for  
20    sure. There would be some markets. But the volumes that  
21    we're talking about are not so much, sir.

22           CHAIRMAN WILLIAMSON: Okay, that was the question.  
23    Good.

24           Okay, well thank you very much for that. Vice  
25    Chairman Johanson.

1                   VICE CHAIRMAN JOHANSON:     Thank you, Chairman  
2     Williamson. And also thank you, Mr. Gupta and Mr. Morgan  
3     for appearing here today.

4                   Mr. Morgan, you noted in your opening statement  
5     this morning that Indonesia has not shipped to the United  
6     States since imposition of the Order.

7                   I assume that Petitioners will contend that this  
8     is a sign that the Order has worked, and that the lack of  
9     sales demonstrates that Indonesia is unable to sell in the  
10    U.S. market at a fair price.

11                  How would you respond?

12                  MR. MORGAN: First I would ask if anyone from the  
13    Department of Commerce is here. If not, I would say I've  
14    been involved in many Commerce proceedings and I think the  
15    margins that were calculated in this case, and the sub-Z  
16    rate that was calculated do not bear a resemblance to the  
17    commercial practices and the commercial leveling the playing  
18    field, so to speak. I think actually the fact that the  
19    company hasn't been able to sell here suggests that they're  
20    not receiving massive subsidies. Because if they were, why  
21    not just sell and keep taking the subsidies and not worrying  
22    about recovering their costs because the government is  
23    basically funding their sales?

24                  So I think it shows that the actual commercial  
25    reality is that if you slap a 30 percent duty it's not

1       leveling the playing field, it means you're knocking a  
2       commercially competitive player out of the market.

3               VICE CHAIRMAN JOHANSON: Okay. Thanks for your  
4       response.

5               And also, Petitioners noted this morning that  
6       there have been no--or they stated this morning that there  
7       have been no closures of mills I believe in Indonesia since  
8       2010. Is that correct?

9               MR. GUPTA: Yes, that's correct. There have been  
10      no closures of mills.

11              VICE CHAIRMAN JOHANSON: Okay, because--I'm asking  
12      this because there has been quite a bit of disruption in the  
13      U.S. industry with the number of mills which have closed in  
14      recent years.

15              Is the Indonesian industry not also facing sales  
16      constraints?

17              MR. GUPTA: It could be, sir, because we don't  
18      have that much capacity. We are very limited in our  
19      capacity in coated paper. See, our mills in Indonesia, and  
20      the figures that will be shown by the Petitioners, they were  
21      showing Chapter 48, their sales of 450,000 tons into America  
22      or something. Chapter 48 is a very large chapter. So we  
23      have sales from Indonesia for a supermarket of products. We  
24      don't produce just coated paper. We produce uncoated. We  
25      produce photocopy. We produce tissue. We produce so many

1 different grades of paper. And that's why the machines that  
2 produce coated paper number only four, not eleven, what the  
3 Petitioners were saying.

4 We produce coated paper from four machines which  
5 have either an on-machine coater or they have off-machine  
6 coaters. So that's it. We can't produce coated paper  
7 elsewhere. It's not possible. And that's why we have a  
8 limited capacity to produce. And that's why, you know--I'm  
9 forgetting the question now, I'm sorry.

10 Yeah, that's why there will be no mill closures,  
11 because we produce only from these four machines coated  
12 paper.

13 VICE CHAIRMAN JOHANSON: Okay. Okay, thanks for  
14 your response Mr. Gupta.

15 The domestic industry has argued that the  
16 Indonesia industry production and excess capacity have  
17 increased since 2010. And this can be seen at page 3 of  
18 their brief.

19 Do you dispute their representations?

20 MR. MORGAN: So the numbers they took from RISI,  
21 let's take for example, Arvind mentioned them in his  
22 testimony, if you--first of all, you have to keep an  
23 important thing in mind about the RISI report, it's sheets  
24 and rolls.

25 So if you look at the number that we reported in

1 I think it's Table 2-5 which has sheets and rolls reported,  
2 it's coated paper, and then I believe it's other coated  
3 paper, the coated paper line is for our sheet production.  
4 And the other coated paper is for our rolls. You take those  
5 two numbers for 2010 and add them together, and you'll find  
6 a number that is remarkably close to the RISI number for  
7 2010.

8 And then the numbers for us start to diverge from  
9 RISI because of the fact that we had production problems  
10 that we reported to the Commission that did affect our  
11 practical capacity to produce the products. And those are  
12 not reported to RISI because we submitted them under the APO  
13 and we would not submit them to an organization that gets  
14 paid to disseminate it to our competitors.

15 So in any case, that's where the divergence from  
16 the RISI data is. The second point, the second data source  
17 that the Petitioners reference is something referred to as  
18 the TPPC World Supply and Demand PW survey. It's a table  
19 that looks like this.

20 There's no underlying source data for it, so I  
21 really don't know much about it other than the numbers  
22 printed on the page. I went to look for it to see if I  
23 could Google it and find it. I spent a few minutes looking  
24 for it and didn't find it.

25 So I really can't comment on this other than to

1 note that the number is large and we disagree with it. It  
2 is showing capacity of something like 1.4 million tons, and  
3 I don't know where this number comes from or what source  
4 data went into it.

5 The third source data, and this is the last one  
6 that I'm aware of that the Petitioners have put in to  
7 challenge our capacity, is from FAO Stat Forestry  
8 Production. And they gave the actual website for that. So  
9 I was able to go and look and challenge the figures because  
10 it has, again, capacity, or production, this isn't reported  
11 as capacity, but production of like 1 million going up to  
12 1.9 million in 2015.

13 So I went and looked for what it reports for the  
14 U.S. So again we dispute those numbers. We don't think  
15 they're valid. But at least I could test this one. So I  
16 went to see what do they report for U.S. production of  
17 coated paper under the category Petitioners use to gather  
18 the Indonesia data.

19 And I found that for 2015 they reported that the-  
20 -the same data source reported 5.3 million tons of U.S.  
21 coated paper production. I'm sure the Petitioners will not  
22 stand by that being an accurate number for coated paper  
23 production in the U.S.

24 So I think the FAO data source is counting things  
25 that clearly aren't anything similar to what is within the

1 scope of the Commission's investigation, or what we've been  
2 discussing as coated paper.

3 So, you know, I--you know, the RISI data is  
4 fairly close, except where it doesn't account for the  
5 production issues we've had. The other two data sources are  
6 really--I do dispute those numbers. One, I can't provide  
7 you with anything other than the fact that I just don't know  
8 where the numbers came from.

9 VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.  
10 Morgan.

11 The domestic producers testified today that  
12 paper-making machines would not limit producers from making  
13 the most common sizes in the United States. They indicated  
14 that sizing was really a matter of cutting rather than any  
15 limitation in the width of the machinery itself.

16 Could you all please respond to this answer of  
17 the Petitioners?

18 MR. GUPTA: Yeah. I beg to differ, sir. The  
19 Pindo Deli machines that we're talking about in this  
20 particular reference, you know, we're talking about them as  
21 far as a deckle combination is concerned, and that was what  
22 the Petitioners were also referring to.

23 When the Petitioners spoke about their deckle  
24 combination, they were looking at 300 inches was what he was  
25 saying. So he has a machine size deckle of 300 inches. Our



1 machine size, I would not like to say this publicly, but I  
2 mention it to you in our--we've already given it to you in  
3 our brief, but our machine size is much, much less than  
4 that.

5 And that's the reason why we have a deckle issue,  
6 why we have a deckle problem. Because when you reduce the  
7 size of the machine, then it becomes more difficult to get  
8 various combinations out of the machine.

9 So we have given you in our brief, we have given  
10 you examples of how we cut the product for the Indian  
11 market, for the Indonesian market, and for the U.S. market,  
12 if we were to cut for the U.S. market.

13 We've taken those two sizes in the U.S. market,  
14 which are the most preferred sizes over here. In the U.S.  
15 market there will be 100 odd sizes. SKUs will be numbering  
16 more than 100. But there are some preferred sizes. And  
17 we've taken the two most preferred sizes, and then we run an  
18 analysis, which we provided, and it shows that in the U.S.  
19 market our losses on machine deckle. So that loss means the  
20 trim, the trim which comes off the paper, which has to then  
21 go for recycling.

22 It just not useable paper. It has to go back to  
23 the machine and be repulped again. So those losses would be  
24 8 percent in U.S., if I'm not mistaken, and in India and  
25 Indonesia those losses are hardly 1 percent. So if you're

1 looking at a 7 percent differential on production cost, just  
2 on trim, on the machine trim, that's a closer amount, which  
3 economically you would not want to have.

4 MR. MORGAN: So we're not saying we can't do it.  
5 It can be done, but from a cost perspective it doesn't make  
6 any--it makes limited sense to do it. We have in Exhibit 9  
7 of our confidential posthearing brief the analysis that  
8 we've done. I mean you can sheet these rolls to that size,  
9 but then you have different levels of losses depending on  
10 the size roll you're sheeting.

11 MR. GUPTA: At 300-inch, then you have a scope for  
12 a lot of things. Because the machine size increases, then  
13 once the machine size increases to that large a capacity,  
14 300 inches, 700-and-something-odd centimeters, so then you  
15 really have a possibility that you can do a lot of  
16 combinations. You can.

17 And since the Petitioners are sitting in the  
18 American market and they have access to the American market,  
19 they get orders all the time from the American market, so  
20 they have the possibility of running each gramiture. They  
21 have, you know, several customers giving them various sizes  
22 for the American market for various gramitures, and they can  
23 run those combinations. They can do a production planning  
24 process.

25 VICE CHAIRMAN JOHANSON: Okay, thanks for your

1 responses. My time has expired.

2 CHAIRMAN WILLIAMSON: Thank you.

3 Commissioner Broadbent?

4 COMMISSIONER BROADBENT: Okay, thank you, Mr.  
5 Chairman.

6 We really appreciated all the foreign producer  
7 responses that we got from both Chinese and the Indonesian  
8 affiliates of APP. But given that APP owns large portions  
9 of both the Indonesian and the Chinese industries, what  
10 dictated the decision for Indonesian affiliates of that  
11 company to participate in the hearing, and send in briefs,  
12 and not the Chinese affiliates?

13 COMMISSIONER BROADBENT: Why are the Chinese  
14 reluctant to participate?

15 MR. GUPTA: I think and I'm not really sure about  
16 this but I think it is because the other companies in China  
17 did not want to participate. So you would have a limited  
18 participation which would be of no use so I think that was  
19 the main cause of concern that the other exporters out of  
20 China did not want to participate, and so a decision was  
21 taken that we don't want to participate.

22 But we did want to -- and the mills did agree  
23 that they would want to submit their response, the written  
24 response, which they did so but participating at the hearing  
25 they didn't want one because the other exporters did not

1       want to participate.

2                   COMMISSIONER BROADBENT:   Okay because it makes it  
3       a little bit difficult.   I guess the other question I have  
4       for you all regarding the corporate ownership -- how do we  
5       -- we've got product coming from two affiliates of the same  
6       corporate entity.   How do we argue that they are coming in  
7       under different conditions of competition?

8                   MR. MORGAN:   Because I think we have talked a  
9       little bit about the shade of the Indonesian product  
10      relative to the Chinese produce and they are different  
11      shades and the Chinese product does have that difference.   I  
12      think the other thing is the Chinese industry is not just  
13      APP and I think you heard in the morning there are Chinese  
14      companies who have FSC certifications -- APP does not have  
15      FSE certifications.

16                   Now is that the same if you take a subset of the  
17      Chinese industry relative to the Indonesian industry?   It is  
18      -- but if you look at the Chinese industry overall there is  
19      clearly a difference in the likely conditions of competition  
20      between China and Indonesia if you eliminate the APP part of  
21      that equation.

22                   The other difference would be the machinery and  
23      equipment in China just had -- the APP China mills just  
24      recently added a world-class state of the art production --  
25      well it's a paper machine right -- so there is an addition

1 of new capacity that can I believe coat on four sides -- do  
2 four --

3 MR. GUPTA: It is a four coating machine, four  
4 coating machine so it has four coats of latex on -- two  
5 coats on one side, two coats on the bottom side so you have  
6 four coats of latex instead of the two coats that are  
7 provided by Indonesian mills. It's just a way at looking at  
8 it technically.

9 COMMISSIONER BROADBENT: But does that tell us  
10 that the product produced on that kind of machine is likely  
11 to come to the U.S. market whereas the Indonesian product  
12 wouldn't?

13 MR. GUPTA: That product is superior to us ma'am,  
14 that's what I am going to say.

15 COMMISSIONER BROADBENT: Okay.

16 MR. GUPTA: The Chinese product is superior to  
17 the Indonesian product.

18 COMMISSIONER BROADBENT: Okay so --

19 MR. GUPTA: Technically.

20 COMMISSIONER BROADBENT: Okay.

21 MR. MORGAN: So I think to the legal part of that  
22 question the idea as I have always understood looking at the  
23 likely conditions of competition is what are the differences  
24 that currently exist and would prevail and I would see no  
25 reason to say that the Chinese product -- it would be

1       inappropriate to look at that before it got to the U.S.  
2       market. There is no reason to think it wouldn't come to the  
3       U.S. market and be sold to the U.S. market.

4               So what does that product look like compared to  
5       the Indonesian product that is likely to be exported to the  
6       U.S. market?

7               Also, another one is the difference in the size  
8       of the Indonesian industry relative to the APP -- the APP  
9       China you know if you look at the APP China mill as the  
10      mills of the Chinese industry and compare that to the  
11      Indonesian industry even there there is a difference in the  
12      scale of the two you know industries.

13              COMMISSIONER BROADBENT: But what if we decide to  
14      cumulate and are you telling us that we should -- that  
15      there's really no case to go negative on both countries?

16              MR. MORGAN: We are taking no position and I know  
17      that's a lawyer's copout but this is you know -- our mandate  
18      is to come and present the best arguments we can on behalf  
19      of Indonesia. We are not here for China and if the  
20      Commission decides based on the facts and evidence before it  
21      that a negative determination is warranted on a cumulated  
22      basis well the Commission certainly has the prerogative and  
23      indeed the statutory mandate to make that kind of a  
24      decision.

25              But as for our mandate here and the position that

1 we are taking it is for Indonesia and that's as far as it  
2 goes.

3 COMMISSIONER BROADBENT: But it is the same  
4 corporate entity, I mean --

5 MR. MORGAN: You know it is the same corporate  
6 entity but there is a different work force in Indonesia,  
7 there's a different set of economics at play in Indonesia --  
8 I mean the mere fact of affiliation if that always leads to  
9 a decision to cumulate then the cumulation factor has become  
10 almost irrelevant.

11 I think that the affiliation issue has taken on a  
12 life of its own based on the last investigation that I have  
13 never seen before in a Commission case. I mean we have  
14 pointed to all the different conditions of competition that  
15 exists between the Chinese and Indonesian industry. Look at  
16 Canada and Mexico where the Chinese are present and the  
17 Indonesians have steadily declined to the point where they  
18 are irrelevant in both markets.

19 So you know I think this ongoing predominance of  
20 the affiliation issue has trumped the other economic  
21 realities that exist and are different from the original  
22 period of investigation.

23 COMMISSIONER BROADBENT: Okay so you think the --  
24 what as we sit here and try to predict the future on whether  
25 industry would reoccur to the industry -- the domestic

1 industry that it is really the character of the product and  
2 not the intent of the corporate leadership on coming back  
3 into this market?

4 MR. MORGAN: And I believe a question asked too  
5 is can Indonesia ship a hundred thousand tons into the U.S.  
6 market? It's never done it in the past during the POI and  
7 if you look over the course of the POI Indonesia reached a  
8 60 -- I think it was something like 66,000 tons which was  
9 2.7% by quantity at its peak.

10 So and Indonesia had excess capacity during the  
11 original period of investigation so why wasn't that 200,000  
12 tons, why wasn't it 300,000 tons? It just hasn't happened  
13 before and you have history to go by as a measure of what  
14 the likely level of Indonesian exports is and we have tried  
15 to set forth the reasons -- not just in the future that will  
16 limit the Indonesian exports but explaining how they have  
17 done that in the past.

18 It wasn't just coincidence that Indonesian  
19 exports were at limited levels. It is not coincidence they  
20 are at limited levels in Canada and Mexico, in Europe and  
21 the Indonesian industry has taken steps to grow its home  
22 market and regional markets in response to the orders and  
23 has developed business plans to do that and went out and got  
24 a safeguard duty which applies to China so Chinese imports  
25 can't enter the Indonesian market without paying a --



1                   COMMISSIONER BROADBENT: But what would prevent  
2                   the Indonesian leadership from getting the same machine that  
3                   was put in in China?

4                   MR. MORGAN: Oh we are talking about the capital.

5                   MR. GUPTA: I think that is a 500 million dollar  
6                   investment. It is a huge investment.

7                   COMMISSIONER BROADBENT: Right but it is the same  
8                   corporate entity.

9                   MR. GUPTA: I know but you have to have the money  
10                  and you have to have the market. So I don't see that kind  
11                  of market existing in world markets today. So you know, 500  
12                  million dollar investment of that size of state of the art  
13                  machinery for Indonesia does not make any sense. Our home  
14                  market size is nothing in comparison to the Chinese market.  
15                  The Chinese whole market is much bigger than what we have in  
16                  Indonesia.

17                  COMMISSIONER BROADBENT: But you are bringing up  
18                  this whole Acehnese area to sell to?

19                  MR. GUPTA: Yea but the Acehnese area also ma'am  
20                  is nothing in comparison --

21                  COMMISSIONER BROADBENT: In India.

22                  MR. GUPTA: Overall Chinese market so you know  
23                  and that's why I think what we have been doing in Indonesia  
24                  is that we have been focusing more on the uncoated paper and  
25                  the photocopy segment of the market rather than on the

1       coated paper side of the business because coated paper for  
2       us means the Indonesian market and the Indonesian market can  
3       take only what it can take.

4               It can't be equivalent to developed markets  
5       around the world and we have to look at the internal markets  
6       first.

7               COMMISSIONER BROADBENT:   Okay I have no further  
8       questions.

9               CHAIRMAN WILLIAMSON:   Thank you, Commissioner  
10      Kieff?

11              COMMISSIONER KIEFF:   Thank you very much.   I join  
12      my colleagues in thanking you for coming and preparing and  
13      presenting and following up.   Let me just try if I could to  
14      move quickly through some questions to see if I am even  
15      where I should be to make a decision.

16              So first of all it sounds like there is a factual  
17      disagreement between this panel and the prior panel about  
18      how easy it is to change the machine to handle shade, grain  
19      and features of that type -- okay, am I correctly perceiving  
20      that factual disagreement?

21              MR. MORGAN:   Well they didn't state in public so  
22      I imagine it is proprietary information how they are able to  
23      change the shade and I haven't seen any references to that.

24              COMMISSIONER KIEFF:   Am I at least correct in  
25      understanding --

1                   MR. MORGAN: Yeah but I don't think we are  
2                   challenging the voracity of their testimony or that they can  
3                   do it but what we are saying is we can't. So the difference  
4                   -- I want to make it clear that we are not saying that there  
5                   is any question over voracity.

6                   COMMISSIONER KIEFF: No problem and I appreciate  
7                   that very much. What I am trying to understand you know  
8                   sometimes -- what if you are both right and maybe that's  
9                   what you are just saying. What if you are both right --  
10                  does that matter to our analysis at all?

11                  MR. MORGAN: I think it matters a great deal.

12                  COMMISSIONER KIEFF: How?

13                  MR. MORGAN: The difference in the conditions of  
14                  competition between Indonesia and the U.S. producers.

15                  COMMISSIONER KIEFF: Right but isn't their  
16                  position -- I'm -- don't you lose if they have factual  
17                  support for the following claim and the factual support is  
18                  substantial. It is not made up there is something to it.  
19                  What if their view is we recognize the pieces of paper you  
20                  handed out are different but we the domestic producers have  
21                  customers who would buy that from us or something else from  
22                  us if they didn't buy that from you and therefore we are  
23                  harmed?

24                  What if that is their entire argument?

25                  MR. MORGAN: I would say no, absolutely we don't

1       lose.

2                   COMMISSIONER KIEFF:   Why not?

3                   MR. MORGAN:   Well because we are not suggesting  
4       for a second that we are not going to sell.   We have sold  
5       sheer rolls with that shade so there is a segment of the  
6       market that will -- and Mr. Gupta testified earlier about  
7       this in response to --

8                   COMMISSIONER KIEFF:   Yes.

9                   MR. MORGAN:   And so there is a segment of the  
10      market that will buy that.   I think what we are saying is  
11      there is a combination of things -- when you take shade,  
12      when you take these other things that both explain why there  
13      has been a limited volume from Indonesia in the past and  
14      shade at the time wasn't actually even one of the limiting  
15      factors.

16                   During the original investigation period we were  
17      selling the shade to the U.S. market except it was widely  
18      accepted in the U.S. market and we are still at 2% -- 2.7%  
19      peak market share.   So shade would just be an additional  
20      limiting factor explaining why we are not going to explode  
21      into the U.S. market like some bull in a china shop.

22                   COMMISSIONER KIEFF:   I'm sorry let's try this  
23      again.   Let's go with some Agatha Christie you know we went  
24      with ice cream for the morning let's go with you know,  
25      Murder on the Orient Express in the afternoon.

1           What if the material injury standard is a low  
2    enough threshold that a paper cut counts? They don't have  
3    to argue that you are going to cut off their heads, they  
4    don't have to argue that they are going to bleed out through  
5    the paper cut, they merely have to argue that you are  
6    injuring them -- ouch it hurts, and they would like that to  
7    stop.

8           I think that if I get what you are saying there  
9    are a whole lot of factors that all add up to a little bit  
10   of harm but I don't think our standard is a little bit is  
11   not enough -- I think our standard is material injury. And  
12   if it is a material injury standard, are you saying it is  
13   immaterial -- it doesn't impact them?

14          MR. MORGAN: Well I think if you have 3% market  
15   share there is no way that has an impact on the -- that  
16   doesn't cause material injury. If material injury is that  
17   low of a standard --

18          COMMISSIONER KIEFF: Alright -- so let's just  
19   stop there. Please post-hearing for both sides submit  
20   briefing on precedent that would allow us to decide -- and  
21   you pick your number, 2, 3, or 4 or 5 or 6, whatever the  
22   percent threshold is -- tell us why that for your side is  
23   too low to count as material and for the other side why that  
24   is too high to count as immaterial.

25          And then you have empowered us to make a

1 decision.

2 MR. MORGAN: Sure we will definitely do that.

3 One other point too is that an argument that hasn't been  
4 discussed much by us and that's my fault is non-subject  
5 imports and their presence --

6 COMMISSIONER KIEFF: Yes that's great.

7 MR. MORGAN: And that would be another thing that  
8 --

9 COMMISSIONER KIEFF: So let me just make sure I  
10 understand this connection -- that to the extent -- are you  
11 saying that to the extent they would lose sales, those sales  
12 that they would lose would be lost to non-subject imports  
13 rather than your subject imports, is that what you are  
14 saying?

15 MR. MORGAN: No I think our point is that subject  
16 imports would gain share from non-subject imports.

17 COMMISSIONER KIEFF: Alright that's fair too.

18 MR. MORGAN: Resulting in no loss of share or  
19 minimal loss of domestic share.

20 COMMISSIONER KIEFF: Perfect that's great. So  
21 then let me just invite both sides after in the post-hearing  
22 to explain as clearly as possible with citations hopefully  
23 to documentary evidence in the record why that is -- why we  
24 should make the inference that that's the case.

25 MR. MORGAN: Certainly we will definitely do

1       that.

2                   COMMISSIONER KIEFF:  Alright so then let me then  
3       just say these back to you to make sure I'm getting the  
4       gravamen of your case.  Your first argument is there is some  
5       legal threshold -- you will debate with the other side  
6       post-hearing about what that threshold is, you will both  
7       provide citations to precedent that tells us what that legal  
8       threshold is and your point is you are below it and their  
9       point is you are above it.

10                  Your second prong of your argument is to the  
11       extent that you are going to come into the market you are  
12       going to replace non-subject rather than domestic.  Is that  
13       it?  Have I got the gist?

14                  MR. MORGAN:  That's two points.

15                  COMMISSIONER KIEFF:  Okay what's the next?

16                  MR. MORGAN:  Another point that got buried a  
17       little bit is that we are coating --the subject industry in  
18       Indonesia is producing coated paper and the packaging  
19       component is minimal as Mr. Gupta testified.  Indah Kiat  
20       does a little bit which happened to fall within the common  
21       scope definition.

22                  You have received a lot of questionnaire  
23       responses from coated packaging producers and it is not an  
24       insignificant part of the domestic industry's market size.  
25       So in the event of revocation we are going to be in here

1 with paper but it is not going to be competing against a  
2 significant share of domestic production vis- -vis those who  
3 are producing packaging.

4 COMMISSIONER KIEFF: Okay great. Very helpful --  
5 we are late in the day already I think I get the gist so now  
6 it just boils down to the support. I don't mean to cut off  
7 Mr. Gupta so please by all means Mr. Gupta if you want to  
8 add something, you're good.

9 MR. MORGAN: Thank you for that moment.

10 COMMISSIONER KIEFF: No problem, thank you very  
11 much.

12 MR. MORGAN: Thank you Commissioner.

13 CHAIRMAN WILLIAMSON: Thank you Commissioner  
14 Schmidtlein?

15 COMMISSIONER SCHMIDTLEIN: Thank you. I guess I  
16 just wanted to make sure I understand the conditions of  
17 competition argument. Just to -- and Mr. Morgan maybe you  
18 could just summarize. So the Respondent's argument is that  
19 the shade of the paper and the difficulty in switching to  
20 the shade that is predominantly sold in the United States  
21 according to the Respondents -- the size of the industry  
22 between China and Indonesia, the FSC certification between  
23 China and Indonesia differentiates how they would compete?

24 MR. MORGAN: I think that point I was bringing  
25 out in response to Commissioner Broadbent was asking about



1 APP and you know the difference between industry -- but yes.  
2 Certainly the Petitioners cited to the fact that some  
3 Chinese producers have FSC certification so the extent that  
4 that's a difference --

5 COMMISSIONER SCHMIDTLEIN: Do you know how many  
6 do have it in China?

7 MR. MORGAN: I do not.

8 COMMISSIONER SCHMIDTLEIN: Okay. And so and what  
9 other condition of competition do you claim is a difference  
10 between China and Indonesia?

11 MR. MORGAN: The -- I mean I am not making this  
12 up -- this is the Commission precedent -- the size of the  
13 industry is relative to global capacity so the Commissioners  
14 look not just at the relative sizes to each other but what  
15 they account for in terms of their percentage of global  
16 production capacity so that is another difference between  
17 the two industries.

18 COMMISSIONER SCHMIDTLEIN: Okay.

19 MR. MORGAN: Another difference in the conditions  
20 of competition.

21 COMMISSIONER SCHMIDTLEIN: Okay and is there  
22 anything else in terms of that analysis in trying to decide  
23 whether to decumulate China from Indonesia?

24 MR. MORGAN: Can I check the table of contents of  
25 our brief for a moment?

1 I don't want to miss anything.

2 COMMISSIONER SCHMDITLEIN: I mean some of them  
3 sort of bleed into the volume effects and price effects but  
4 I am really sort of focused on what we should be looking at  
5 in terms of deciding whether the two countries are going to  
6 compete differently.

7 MR. MORGAN: Oh yes a couple of other points --  
8 the percentage market share they each held during the  
9 original period of investigation is another difference --  
10 that's one where it reflects a difference in the conditions  
11 of competition I believe. Nothing has changed certainly to  
12 suggest that that would be different if the orders were  
13 revoked.

14 Also the pricing behavior that was seen during  
15 the original investigation was different if you look at  
16 China's prices relative to Indonesia.

17 COMMISSIONER SCHMIDTLEIN: And what underlying  
18 condition do you think that reflects?

19 MR. MORGAN: Sitting here today I don't know at  
20 the time what it reflected. It may have been -- may have  
21 been a fact of volume. I don't know if the Chinese  
22 producers were able to sell at higher volume whether that  
23 meant they were able to be taking lower prices as a result,  
24 whether it was the customers they were selling to -- a  
25 certain niche of the market or what have you but I know it

1 is clear in terms of showing a difference that reflects an  
2 underlying difference.

3 And I would submit that -- as I sit here today  
4 not having full access to the original record that it  
5 reflects a difference in the size of the two industries.  
6 And to a degree the quality that Mr. Gupta talked about of  
7 the Indonesian product. The Chinese product is --

8 MR. GUPTA: I think that -- just one point I  
9 would like to make over here that when I discussed quality I  
10 discussed with reference to APP China. You know there are  
11 several other mills in China which have no affiliation at  
12 all with APP and so what product they are selling at what  
13 pricing they maintain to the marketplace.

14 I know for instance in various markets these are  
15 the mills that sell at very, very low prices. So I am not  
16 really sure of the context as far as the previous case was  
17 concerned about the pricing levels from China -- how much of  
18 it was coming from these other mills because we can only  
19 speak on behalf of APP to a certain extent about China.

20 But we don't know what happened -- I don't know  
21 what happened about the other mills in China.

22 COMMISSIONER SCHMIDTLEIN: Okay. And then just  
23 one last question -- when you were answering in response to  
24 Commissioner Kieff with regard to the question about the  
25 ease of changing the shade -- the ink, so do the mills in

1 Indonesia use different types of machines that would make it  
2 more difficult?

3 MR. GUTPA: I don't think so. I really don't  
4 think so I think the paper machine has been fairly constant  
5 for the -- you know there have been changes in technology  
6 for sure. We have new technology now, we have newer  
7 technology the four coating machine in Hainan, China which  
8 we have installed five years ago.

9 So you know those technology differences have  
10 taken place but basically paper-making has remained constant  
11 for several decades now.

12 COMMISSIONER SCHMIDTLEIN: Okay, alright thank  
13 you very much I don't have any further questions.

14 CHAIRMAN WILLIAMSON: Thank you. I asked this  
15 question this morning and it deals with capacity and your  
16 answer -- if you agree on what was said this morning -- how  
17 do producers determine coated paper-making capacity? Would  
18 it be reasonable for firms in this industry to be  
19 consistently operating at above 100% capacity?

20 MR. GUPTA: You have what is the boiler capacity  
21 of the machine, which is you know what the manufacturers  
22 said that this machine is going to produce at the certain  
23 level of efficiency and a certain GSM, a certain Grams per  
24 Square Meter paper.

25 CHAIRMAN WILLIAMSON: So the weight of the

1 paper?

2 MR. GUPTA: The weight of the paper. So the  
3 weighted capacity is 125 GSM and at say, 95% efficiency, so  
4 that's the boiler plate capacity. But then it depends on  
5 what is actually being produced on that machine. So the way  
6 normally you would be doing it is, seeing what production  
7 occurred over that last one year, and then seeing what is  
8 the efficiencies of the machine, number one, what is the  
9 downtimes that you had to take. So what were the  
10 efficiencies on the machine. And what was the gramature it  
11 produced, and then come up to the actual capacity of the  
12 machine, in that particular year.

13 CHAIRMAN WILLIAMSON: Okay.

14 MR. MORGAN: And just on one data point, we did  
15 submit a revision to the APP China Mill's Chinese producer's  
16 questionnaire response that I think may go a long way  
17 towards addressing your point and correct some of the  
18 reported information I think it, it makes a question I'd  
19 rather not discuss in public, but I believe goes to the  
20 question that you were asking.

21 CHAIRMAN WILLIAMSON: Okay, good, Thank you.  
22 How should Charta Global's existence as an exclusive  
23 distributor of APP product affect Commissioner's analysis of  
24 material injury?

25 MR. GUPTA: See, I can get you just a factual of

1        what Charta Global is. So Charta Global, uh, Paper Max,  
2        and GPS, these were three distributors who sold APP product  
3        into America. Charta Global sold the Indonesian product,  
4        and Paper Max and GPS sold product from China. GPS sold the  
5        packaging grade material and Paper Max sold the actual  
6        coated paper.

7                    CHAIRMAN WILLIAMSON: It's all been  
8        consolidated, right?

9                    MR. GUPTA: Excuse me?

10                   CHAIRMAN WILLIAMSON: It's been consolidated?

11                   MR. GUPTA: These three were consolidated. Why  
12        they were consolidated? Because they could not generate  
13        sales by themselves. The sales were limited over the last  
14        three or four years. They've been losing sales, and  
15        therefore, there was no cost benefit in keeping all three of  
16        them active.

17                   And they were centered at various different  
18        points around the country, so what the corporate has done is  
19        to bring them all together into one company, Charta Global,  
20        located in Los Angeles. And that has actually consolidated,  
21        it's a cost-cutting exercise, and it has helped to reduce  
22        manpower by about 50%. So a lot of people lost their jobs  
23        because of that.

24                   CHAIRMAN WILLIAMSON: So if the orders are  
25        removed, would it make the existence of Charta Global, make

1       it possibly more efficient about coming back into the U.S.  
2       market --

3                   MR. GUPTA:  -- has lower number of people who  
4       can sell the product.  This is a vast country.  And right  
5       now the position is that we do not have enough -- manpower  
6       has been reduced and so we are able to concentrate only on  
7       some centers of the country now.  We're not able to take  
8       into account the whole country.

9                   CHAIRMAN WILLIAMSON:  But it's all about finding  
10      your right niche, isn't it?

11                  MR. GUPTA:  Excuse me?

12                  CHAIRMAN WILLIAMSON:  It's all about finding  
13      your right niche, right?

14                  MR. GUPTA:  Yes, that's right.  It's about  
15      finding the right niche --

16                  CHAIRMAN WILLIAMSON:  And you have one account,  
17      you consolidated your distribution, isn't that easier to do  
18      that then?

19                  MR. GUPTA:  It's good if you have the right  
20      niche and you know -- if all of that revoked then you can  
21      focus on that niche and build up whatever excess sales that  
22      you want to build up after taking care of the other markets  
23      that you already have in existence, and you can do something  
24      else.

25                  CHAIRMAN WILLIAMSON:  Okay.  Thanks.  I was just

1       trying to figure out. What would be the possible impact?  
2       How do you respond to domestic industry argument that APP's  
3       Indonesian operations in Canada and Mexico, their intentions  
4       for the U.S. market? You know they've raised this several  
5       times this morning.

6                   MR. MORGAN: So I think it's not a key  
7       difference between the APP China and APP Indonesia mills.  
8       Indonesia's pretty much non-present in either market. I  
9       mean, you know, it's 198 tons I think in Canada, and like  
10      1,000 tons in Mexico in 2015. So that may apply to China.  
11      That may be relevant in considering China, I think it's  
12      altogether irrelevant in considering Indonesia's ability to  
13      access the U.S. market.

14                   Maybe it's relevant to gauging actually how much  
15      the view that we have of limitations and likely volumes will  
16      be by gauging neighboring markets like Canada and Mexico,  
17      because you have transportation costs, issues that would be  
18      similar to those markets from Indonesia. They're selling  
19      much further away, from Indonesia than they are from China.  
20      So if anything, I think its imports are -- point that  
21      Indonesia is small and likely to be insignificant in the  
22      U.S. market.

23                   MR. GUPTA: I'd like to add one point over here.  
24      We've been talking about Canada and Mexico all this while.  
25      But we've been ignoring the European market. In Europe, for



1 instance, Indonesia does not have any ADCEE issues, whereas  
2 China has been having duties imposed on it since 2011. And  
3 we will see, from -- can you put it in the post-hearing  
4 brief also -- it's there, right -- so that you can see that  
5 the sales in Europe have actually gone down over these years  
6 from Indonesia.

7 So there's been no real, you know, it's not like  
8 Indonesia has gone into the European market in a big way and  
9 trying to dump the market or something, or trying to grow  
10 the market very high, because again, we think in terms of  
11 market position and focus. So our market position and focus  
12 is on two markets which we'll discuss in the afternoon  
13 today. And that's our focus area. The other markets are  
14 very irrelevant to us. From an Indonesian point of view.

15 CHAIRMAN WILLIAMSON: Okay. And would  
16 transportation, maybe our efficiencies of scale, when you  
17 have large shipments going back and forth are -- for  
18 instance transportation or quality difference affect that?  
19 What the European situation is.

20 MR. GUPTA: Overall, transportation, quality  
21 differences, this would be an overall part of the package.  
22 In Europe also, it costs much more to ship goods to Europe.  
23 The quality requirements in Europe are much higher than what  
24 they are in India and Indonesia. So that all contributes a  
25 lot, you're right.

1                   CHAIRMAN WILLIAMSON:   Okay.

2                   MR. GUPTA:   And that's why, you know, we have a  
3                   very limited capacity and that capacity is best utilized in  
4                   our home markets.

5                   CHAIRMAN WILLIAMSON:   Okay.   Thank you for that.  
6                   To what extent if any should the Commission's analysis of  
7                   likely material injury take into account the decline in  
8                   apparent U.S. consumption during the review period?

9                   MR. MORGAN:   I think at the end of the day, our  
10                  position on that -- I mean, certainly you're going to  
11                  account for it.   I can't imagine the Commission not noting  
12                  that as an issue.   I think the petitioners have cited to  
13                  something like 2% decline in consumption per year over the  
14                  next several years.

15                  I think our position is that there, twice the  
16                  Commission did not find a causal connection between subject  
17                  imports from Indonesia and the condition of the U.S.  
18                  industry.   I say that because there was the 2007 coated  
19                  paper investigation, which went negative overall, so clearly  
20                  there was a finding of no causal connection and the 2009  
21                  case there was a finding of no causal connection for present  
22                  injury.

23                  So at least in two prior cases and the case  
24                  under review, there's never been a finding that it was  
25                  Indonesia causing the domestic industry's problems.   There

1       was a threat found obviously in 2009, which is why we're  
2       here today. But in view of the decline in apparent  
3       consumption, I would suggest and submit that, in the absence  
4       of a prior finding that Indonesia was causing adverse  
5       effects, you would have to attribute any ill effects from a  
6       decline in consumption, or any ill effects that the domestic  
7       industry might be experiencing to decline in consumption,  
8       rather than subject imports.

9                   And as a vulnerability issue, the decline in  
10       consumption has been occurring over the entire period of  
11       review and the domestic industry has been profitable  
12       throughout. So I don't think the decline in consumption  
13       factors in favor of either some kind of causal connection  
14       between Indonesia and the U.S. condition or between  
15       vulnerability --

16                   CHAIRMAN WILLIAMSON: That's fine. OK.

17                   MR. MORGAN: -- and the U.S. industry relation.

18                   CHAIRMAN WILLIAMSON: Thank you. And one last  
19       question. Commissioners this morning referred to the  
20       bankruptcies in industry as a sign of vulnerability. And I  
21       was wondering, what is your opinion on that? What should we  
22       make of the bankruptcies? Is it a vulnerable industry or a  
23       strong industry?

24                   MR. MORGAN: I mean I think as public in our  
25       brief, press statement made by Verso's CEO at the time, that

1 bankruptcy allowed them to eliminate \$2.4 billion of debt,  
2 and so if you can eliminate that much debt, you have to be  
3 that much better off following the emergence from  
4 bankruptcy, so in our position, that would have improved  
5 Verso who, you know, is publicly acknowledged to be the one  
6 of the biggest U.S. producers.

7 CHAIRMAN WILLIAMSON: Thank you for those  
8 answers. Vice-Chairman Johanson.

9 VICE-CHAIRMAN JOHANSON: Thank you, Chairman  
10 Williamson. The pre-hearing staff report at Page 213  
11 described a moderate to high degree of substitutability  
12 between domestically produced coated paper and subject  
13 coated paper. Does this suggest that the only way a  
14 producer can rapidly gain market share is through pricing?

15 MR. MORGAN: I think if, with your permission,  
16 we'd like to give that some thought and respond to it in the  
17 post-hearing?

18 VICE-CHAIRMAN JOHANSON: That's fine, Mr.  
19 Morgan. Thanks. Also, how do you all respond to the  
20 domestic industry's argument on Page 3 of its pre-hearing  
21 brief, that "the global increase in exports from China  
22 during the review period has come at the expense of exports  
23 from Indonesia and certain markets, thereby increasing the  
24 attractiveness of the U.S. market to Indonesia if only its  
25 orders are revoked."?

1                   MR. MORGAN: So I think there was a variant of  
2     this question earlier and my response, thankfully, hopefully  
3     is the same. The petitioners looked at the bottom line,  
4     total exports to other markets in the Chinese producers'  
5     questionnaire response, and then looked at the bottom line  
6     in the Indonesian producers' questionnaire response, because  
7     these ultimately then flow into the staff report, the  
8     confidential staff report, and they saw that, well, total  
9     exports from China to other markets increased and our total  
10    exports to other markets decreased, and I think there are a  
11    couple of factors that work.

12                   One is our overall shipments to the home market  
13    were increasing as a share of our total shipments. So that  
14    was one factor at play. The other factor at play was our  
15    shipments to Indian subcontinent were increasing, coupled  
16    with the fact that we had declines in practical production  
17    capacity, so what that table actual reflects is more of our  
18    available production being sold closer to home, if you will,  
19    and sales opportunities that we were losing out on as a  
20    result of not having capacity to sell where we might have  
21    otherwise sold.

22                   And also the other fact of the matter is that  
23    you add the additional of production capacity in China and  
24    the APP mills' increased production capacity during that  
25    period as well. So seeing an increase in shipments of any

1 sort to any market would be natural consequence of adding  
2 capacity. You wouldn't add capacity if you didn't think you  
3 would make sales with it.

4 VICE-CHAIRMAN JOHANSON: All right. Thank you  
5 for your responses. That concludes my questions.

6 CHAIRMAN WILLIAMSON: Thank you. Commissioner  
7 Schmidtlein, do you have any further questions? It looks  
8 like there are no further questions from Commissioners?  
9 Does staff have any questions for this panel?

10 MR. CORKRAN: Douglas Corkran, Office of  
11 Investigations. Thank you, Mr. Chairman. Staff has no  
12 additional questions.

13 CHAIRMAN WILLIAMSON: Do petitioners have any  
14 questions for this panel? Okay. In that case, it looks  
15 like it's time for closing statements. And those in favor  
16 of continuation have a total of five minutes. The  
17 opposition have thirty-seven from direct and five for  
18 closing for a total of forty-two minutes. As usual, we'll  
19 combine the time, and, yeah, Mr. Morgan -- thank you.  
20 Excuse me. I went too quickly, but thank you for coming  
21 this way to testify. So those in opposition have forty-two  
22 minutes total, which they don't have to use all of and --

23 And so I will invite those in favor to come  
24 forth when they're ready.

25 CLOSING REMARKS OF STEPHEAN A. JONES

1                   MR. JONES: Thank you, Mr. Chairman, Mr.  
2 Vice-Chairman, members of the Commission. Steve Jones from  
3 King & Spalding on behalf of the petitioners. We will rely  
4 on our brief and our presentation for the basis of an  
5 affirmative determination with respect to China, and I will  
6 focus my closing comments on Indonesia.

7                   It was interesting to hear throughout the  
8 testimony today that the Indonesian industry, I think,  
9 admitted that they want to come back to the United States.  
10 They said it many times, that they want to resume sales to  
11 the United States. That's why they're here, that's what  
12 this case is about. They said they can't sell with the  
13 orders in place. They can't market and sell their markets  
14 in the United States. Mr. Gupta admitted he couldn't sell  
15 a single ton with the countervailing duties and anti-dumping  
16 duties in place.

17                  It's all about price. Products are  
18 substitutable, and they can't get back in here with the  
19 orders in place. The government representative in her  
20 statement said that her understanding was that the goal of  
21 the Indonesian industry was to get back to their pre-order  
22 levels of imports. \$50 million is the term that she used.  
23 That's about 60,000 tons.

24                  And we would submit that \$50 million, 60,000  
25 tons is about 3% market share, and the adverse price effects

1       that would go along with that, we would submit that that is  
2       a discernible adverse impact. And basically that was  
3       admitted today, that that's the goal. So that really is I  
4       think the first step in the analysis here is whether what  
5       they have admitted on the record is a discernible adverse  
6       impact.

7                     In addition to those statements and that  
8       evidence, we went through a number of other factors, that  
9       even aside from that, we think would show a discernible  
10      adverse impact from Indonesia alone. The RISI data show  
11      significant increase in available capacity in Indonesia.  
12      The APP has exported significant tonnage of pulp and paper  
13      during this period of review, with the exception of sheeter  
14      rolls, which they are shipping in fairly significant  
15      volumes. Not the subject merchandise, obviously, but other  
16      types of paper.

17                    They're well-known in the U.S. market. They  
18      have a high interest in being here. And we think it's  
19      strange credulity to think that they would not divert  
20      product from a relatively low priced market like India to a  
21      much higher-priced market such as the United States. They  
22      talk about the tariff advantages of shipping to these other  
23      markets, but if the orders are revoked, they would have a  
24      huge tariff advantage in the United States, at least  
25      compared to where they are now.



1                   So the issue of shifting, Commissioner Pinkert  
2     isn't here, but he asked some interesting questions on that  
3     and got some interesting responses, the ability of APP to  
4     shift product around and control that. And I think Mr.  
5     Morgan admitted that that ability still exists and the  
6     question is whether, you know, the economics would justify  
7     it. And we would submit that the economics would justify  
8     it, and we'll provide a lot more analysis on that in our  
9     brief.

10                  Charta Global, as Mr. Hannigan testified, Ms.  
11     Byers noticed, the new Eagle Ridge, and we would ask you to  
12     go back and look at the analysis in the original  
13     investigation and how important the establishment of Eagle  
14     Ridge was in your analysis. It was a big deal having a U.S.  
15     affiliated importer facilitating the sales in the U.S.  
16     market. They've got a ready distribution channel ready to  
17     go in the U.S.

18                  And finally, the -- again, the prices in the  
19     United States are higher than in other markets and that's, I  
20     think, a significant difference, among other differences  
21     between this case and the lined paper case that we discussed  
22     earlier.

23                  So discernible adverse impact, we think that  
24     hurdle is cleared easily here. So the next step, are there  
25     differences in the conditions of competition? And, you

1 know, again, we don't think there really are any. I thought  
2 Commissioner Schmidtlein's questions on this were very  
3 interesting because there may be some differences in trends  
4 and so on, but what are the differences in the conditions of  
5 competition? There really aren't any.

6 Mr. Gupta said that it's all about price, and we  
7 agree with that. Shade is not a significant difference, and  
8 FSC certification is not a significant difference, and  
9 finally, I would just note that this is a highly vulnerable  
10 industry. Two bankruptcies, several machine closures, labor  
11 concessions, there's no question that this industry is  
12 vulnerable. We respectfully request that the Commission  
13 continue the orders on both Indonesia and China.

14 CHAIRMAN WILLIAMSON: Thank you, Mr. Jones.

15 MR. JONES: Thank you.

16 CHAIRMAN WILLIAMSON: Mr. Morgan, begin when  
17 you're ready.

18 CLOSING REMARKS OF FRANK MORGAN

19 MR. MORGAN: Thank you, Mr. Chairman. Good  
20 afternoon again. Thank you for all your time that I know  
21 you'll be putting in over the course of the next few weeks.  
22 And thank you to staff again for your hard work.

23 In two investigations involving coated paper,  
24 one concluding in 2007 and one concluding in 2010, the  
25 Commission has never found subject imports from Indonesia

1 materially injured the domestic industry. 2007, the  
2 Commission found there was no threat either. Whereas in  
3 2010, the Commission cumulated Indonesia with China and  
4 found there was a threat.

5 But in two investigations never found a causal  
6 connection between the domestic industry's present condition  
7 and subject imports from Indonesia. And that is what is  
8 ultimately at the heart of this case and why a negative  
9 determination is warranted.

10 We have spelled out how the record evidence  
11 compels our finding that the volume of subject imports from  
12 Indonesia will not be significant upon revocation, whether  
13 it is because of the historically low level during the POI,  
14 the current level of capacity utilization in Indonesia, the  
15 strong growth in sales to the Indonesian home market during  
16 the POR and also to the regional markets. The shade, the  
17 deckel, the lack of an FSC certification, the need to regain  
18 customers' trust or the inevitable competition with  
19 non-subject imports.

20 Please don't mistake what we are saying about  
21 each of those factors. We do not argue in our pre-hearing  
22 brief, nor are we arguing today that those factors preclude  
23 subject imports from Indonesia from entering. But those  
24 factors acting individually and certainly even more so  
25 combined, will limit the likely future volume of imports

1 from Indonesia, just as they have in the past.

2 We've never said \$50 million was our goal. We  
3 don't even know how long it would take to get there. We  
4 testified about that today. Or if we'll even get to that  
5 level. We have spelled out why the prices of subject  
6 imports from Indonesia are not likely to have significant  
7 adverse price effects. That was the record from the  
8 original period of investigation. And we've spelled out  
9 why there is not likely to be an adverse impact and why the  
10 domestic industry is not vulnerable.

11 We have historical data from the POI and it tell  
12 us the volume of subject imports from Indonesia is likely to  
13 be limited. In view of this, the Commission should do what  
14 it has done two times in the past and find there is unlikely  
15 to be any causal connection between revocation and  
16 continuation of recurrence of injury to the domestic  
17 industry.

18 And I'd note in closing that we have been here  
19 once before, and Tjiwi Kimia was here before the Commission,  
20 presenting arguments about why revocation of the lined paper  
21 orders should go forward, and the Commission agreed and  
22 those orders were revoked, and the information we've  
23 submitted and which we stand by shows that imports from  
24 Indonesia of lined paper following revocation did not rise  
25 significantly.

1                   Unfortunately there's no provision in U.S. law  
2                   of which I'm aware, that allows the Indonesian industry to  
3                   make a binding commitment that it will not export more than  
4                   \$50 million to the U.S. market in the foreseeable future.  
5                   Otherwise, the Indonesian industry would've done so.

6                   But the Indonesian industry is sure to be back  
7                   before the Commission again in the Sunset review of the  
8                   uncoated paper case. And the Indonesian industry is aware  
9                   that the Commission will remember what it says here today  
10                  and what it subsequently does and that the Commission will  
11                  hold it accountable on at least that basis. Thank you for  
12                  your time.

13                  CHAIRMAN WILLIAMSON: Thank you. And I want to  
14                  express my appreciation to all the witnesses for their  
15                  testimony today and their participation in this hearing.

16                  And closing statement. Post-hearing briefs,  
17                  statements in response to questions and request of the  
18                  Commission, and corrections to the transcript must be filed  
19                  by November 4th, 2016.

20                  Closing of the record and final release of data  
21                  to the parties is November 30th, 2016. Final comments are  
22                  due December 2nd, 2016. And with that, this hearing is  
23                  adjourned.

24                  (Whereupon, at 3:34 p.m., the hearing was  
25                  adjourned.)

## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: 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

HEARING DATE: 10-27-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Review

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 10-27-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Gregory Johnson

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Larry Flowers