February 26, 2015

Dear Secretary Pritzker and Secretary Barton:

On behalf of the Coalition For Fair Paper Imports ("the Coalition" or "Petitioner"), we respectfully submit to the U.S. Department of Commerce ("the Department") and the U.S. International Trade Commission ("the Commission") this petition for the imposition of countervailing duties on U.S. imports of supercalendered paper ("SC Paper") from Canada. The Coalition is an ad hoc association of U.S. manufacturers of SC Paper. The individual members of the Coalition, Madison Paper Industries and Verso Corporation, are U.S. producers of SC
The Honorable Penny S. Pritzker
The Honorable Lisa M. Barton
February 26, 2015
Page 2

Paper, and are thus “interested parties” within the meaning of 19 U.S.C. § 1677(9)(C). As a trade or business association all of whose members produce SC Paper in the United States, the Coalition is an interested party within the meaning of 19 U.S.C. § 1677(9)(E).

Volume I of the petition contains general information and the allegations of injury, along with associated exhibits. Volume II contains the Canada countervailing duty allegations and associated exhibits. There are proprietary and public versions of both volumes.

Pursuant to sections 351.202(d) and 351.304 of the Department’s regulations, and section 201.6 of the Commission’s regulations, we request business proprietary treatment for the bracketed information in the narratives and exhibits of this petition as detailed below. Disclosure of this information, which is not otherwise publicly available, would cause substantial harm to the competitive position of the submitter and would impair the ability of the Department and the Commission to obtain information in the future necessary to fulfill their statutory functions.

Volume I (General Information and Injury):

- Pages I-iv and I-15-17; Exhibits I-7-10 – identification of confidential source of information and confidential industry data
- Pages I-3, I-11, I-17, I-19-20, and I-22; Exhibits I-9 and I-12-13 – domestic industry operations, trade, and financial data and information
- Pages I-19 and I-21; Exhibit I-11 – domestic industry lost sales and revenues
- Exhibits I-4 and I-11 – identification of customers

Volume II (Canada CVD):

- On Page II-13 and Exhibit II-29 – domestic industry confidential financial information

The requisite certification that substantially identical information is not available to the public is set forth as an attachment to this letter, in accordance with section 201.6(b)(3)(iii) of the
Commission's rules. Also attached are the requisite company and counsel certifications regarding the completeness and accuracy of the information contained in the petitions.

Pursuant to section 351.304(b)(1) of the Department's regulations, Petitioner agrees in principle to permit disclosure of business proprietary information contained in the petitions under an appropriately drawn administrative protective order ("APO"). Petitioner respectfully reserves the right, however, to comment on all APO applications prior to disclosure.

A public version of the petition is being filed simultaneously with this submission pursuant to section 351.304(c)(1) of the Department's regulations and section 201.8(d) of the Commission's rules.

Pursuant to section 351.202(c) of the Department's regulations, we certify that the petition and all required copies were filed today with both the Department and the Commission. The petition is being filed electronically on the Department’s ACCESS filing system. An original and eight paper copies of the business proprietary version and two paper copies of the public version of the narrative portions of each volume, along with CDs containing the associated business proprietary and public version exhibits, are being filed manually at the Commission.
If you have any questions regarding this petition, please contact us.

Respectfully submitted,

[Signature]

Gilbert B. Kaplan
Christopher T. Cloutier
Brian E. McGill
Clinton R. Long
Jennifer D. Jones
Bonnie B. Byers, Consultant
Craig W. Matney, Consultant

KING & SPALDING LLP
1700 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 737-0500

Counsel for the Coalition For Fair Paper Imports
CERTIFICATION OF COUNSEL

City of Washington

) ) ss
District of Columbia

In accordance with section 201.6(b)(3)(iii) of the Commission's rules, I, Gilbert B. Kaplan, of King & Spalding LLP, counsel to The Coalition for Fair Paper Imports, certify that information substantially identical to the information for which we are requesting proprietary treatment in the attached submission is not available to the public.

In accordance with section 207.3(a) of the Commission’s rules, I further certify that (1) I have read the attached submission, and (2) the information contained in this submission is accurate and complete to the best of my knowledge.

Dated: February 25, 2015

Gilbert B. Kaplan

Subscribed and sworn to before me on this 25th day of February, 2015.

Trina L. Hedgepeth
Notary Public

Trina L. Hedgepeth
Notary Public of District of Columbia
My Commission Expires July 31, 2015
COMPANY CERTIFICATION

I, Greg Hadley, Assistant General Counsel, currently employed by Verso Corporation, certify that I prepared or otherwise supervised the preparation of the attached February 26, 2015 Petition For The Imposition Of Countervailing Duties On Supercalendered Paper From Canada (C-122-xxx). I certify that the public information and any business proprietary information of Verso Corporation contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. I am also aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government.

In addition, I am aware that, even if this submission may be withdrawn from the record of the AD/CVD proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature: [Signature]

Date: 2/20/15
COMPANY CERTIFICATION

I, E. Russell Drechsel, President, currently employed by Madison Paper Industries, certify that I prepared or otherwise supervised the preparation of the attached February 26, 2015 Petition For The Imposition Of Countervailing Duties On Supercalendered Paper From Canada (C-122-854). I certify that the public information and any business proprietary information of Madison Paper Industries contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. I am also aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the AD/CVD proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature: E. Russell Drechsel

Date: 24Feb2015
COUNSEL CERTIFICATION

I, Gilbert B. Kaplan, of King & Spalding, counsel to The Coalition for Fair Paper Imports, certify that I have read the attached *Petition For The Imposition Of Countervailing Duties On Supercalendered Paper From Canada* (C-122-854) filed on February 26, 2015. In my capacity as Counsel, I certify that the information contained in this submission is accurate and complete to the best of my knowledge. I am aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the AD/CVD proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature: [Signature]

Gilbert B. Kaplan

Date: 2/25/15
BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION
UNITED STATES DEPARTMENT OF COMMERCE
AND THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of )
SUPERCALENDERED PAPER ) PETITION FOR THE IMPOSITION
FROM CANADA ) OF COUNTERVAILING DUTIES

VOLUME I: GENERAL INFORMATION AND INJURY

PETITIONER:
The Coalition For Fair Paper Imports

COUNSEL:
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Christopher T. Cloutier
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February 26, 2015
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Exhibit I-13 Domestic Industry’s Financial Data (BPI)
PETITION FOR THE IMPOSITION OF COUNTERVAILING DUTIES ON IMPORTS OF SUPERCALENDERED PAPER FROM CANADA

I. INTRODUCTION

This petition is filed on behalf of the Coalition For Fair Paper Imports ("Petitioner") seeking the imposition of countervailing duties on imports of supercalendered and soft calendered paper ("SC Paper") from Canada. Petitioner files this petition before the International Trade Administration of the U.S. Department of Commerce (the "Department") and the U.S. International Trade Commission (the "ITC" or "Commission") on behalf of the domestic industry producing SC Paper pursuant to Section 701 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1671. Specifically, Petitioner alleges that the Government of Canada and Canadian provincial governments are providing, directly or indirectly, countervailable subsidies with respect to the manufacture, production, or export of SC paper. Petitioner further alleges that the domestic SC Paper industry is being materially injured and is threatened with further material injury by reason of unfairly traded imports of subject paper. This petition sets forth the information reasonably available to Petitioner in support of these allegations.

II. GENERAL INFORMATION

A. The Petitioner

The Petitioner is The Coalition for Fair Paper Imports (the "Coalition"). The Coalition is an ad hoc association of U.S. manufacturers of SC Paper. The individual members of the Coalition, Madison Paper Industries ("Madison Paper") and Verso Corporation ("Verso"), are

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1 On January 7, 2015, Verso concluded the purchase of the papermaking assets of NewPage, including NewPage's SC Paper mill in Duluth, Minnesota. See Exhibit I-1. Verso Paper also produced SC Paper at its mill in Sartell, Minnesota during the three-year period of...
U.S. producers of SC Paper, and are thus “interested parties” within the meaning of 19 U.S.C. § 1677(9)(C). As a trade or business association all of whose members produce SC Paper in the United States, the Coalition is an interested party within the meaning of 19 U.S.C. § 1677(9)(E). The name, address, and other contact information for the member companies are:

Madison Paper Industries
1 Main Street, P.O. Box 129
Madison, ME 04950
Contact: Russ Drechsel
President
Phone: (207) 696-1228
Email: russ.drechsel@upm.com
www.upm.com

Verso Corporation
8540 Gander Creek Drive
Miamisburg, OH 45342
Contact: Greg Hadley
Assistant General Counsel
Phone: 937-242-9569
Email: greg.hadley@versoco.com
www.versoco.com

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW") represents a significant number of workers at Madison Papers’ mill in Madison, Maine, and supports this petition.²

B. Description Of The Domestic Industry

As detailed in Section III of this petition, the like product should be defined as co-extensive with the scope of investigation. This petition is filed on behalf of the domestic industry producing SC Paper, the domestic like product.

² See Letter of Support from the USW at Exhibit I-2.
C. Degree Of Industry Support For The Petition

Sections 702(c)(4)(A) and 732(c)(4)(A) of the Tariff Act of 1930, as amended (the “Act”), state that the administering authority shall determine that a petition has been filed by or on behalf of the industry if the domestic producers or workers who support the petition account for (1) at least 25 percent of the total production of the domestic like product and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Petitioner is filing this petition on behalf of the domestic industry producing SC Paper. The total volume of U.S. production of the domestic like product (supercalendered paper) was [ ] short tons in 2014. Petitioner accounted for 100 percent of U.S. production in 2014.

D. Previous Requests For Import Relief For The Merchandise


E. Detailed Description Of The Subject Merchandise

1. Physical characteristics, specifications, and uses

SC Paper is an uncoated printing paper made from mechanical pulp, chemical pulp, filler, and additives. It is used to produce a variety of printed materials including magazines, catalogs, retail inserts, direct mail materials, corporate brochures, flyers, directories, and other high-run publications and advertising.

The finish on SC Paper is achieved by subjecting the paper to a series of supercalenders. A supercalender is a vertical alternating stack of hard polished steel and soft cotton (or other resilient material) rolls. The hard roll is pressed heavily against the soft roll, compressing the material between the rolls (the “nip”). As the paper web passes through this nip, the deflection
against the hard, polished roll as the soft roll struggles to return to its original dimensions, “buffs” the paper, generating the additional luster and enamel-like finish typical of SC Paper. The supercalenders give the paper a high-gloss finish, the extent of supercalendering determining the extent of the gloss. The supercalenders also increase the surface smoothness of the paper and increases the paper’s density, as the fibers are “squeezed” between the calender rolls. The supercalendering portion of the papermaking process can either be done “on-line,” that is at the end of the machine producing the paper, or in a separate off-line calendering process.

SC Paper is produced in a continuum of grades, SCA+, SCA, SCB, and soft nip calendered (“SNC”). The grades equate to the brightness and smoothness levels of the SC Paper. SCA+ is the brightest and smoothest, and SNC is the least bright and smooth. SC Paper is typically produced with ISO brightness levels ranging from 63 to about 75.

SC Paper is produced in a variety of basis weights ranging from about 28 lbs. (41.4 grams per square meter (“gsm”)) to about 50 lbs. (74.0 gsm).

2. **U.S. tariff classification numbers**

Before July 1, 2014, SC Paper entered the United States under the following statistical reporting numbers of the Harmonized Tariff Schedule of the United States (“HTSUS”): 4802.61.3010 and 4802.61.3090. Both of these HTSUS numbers include paper other than SC paper, including uncoated directory and book paper. Effective in July 2014, a tariff breakout for SC Paper weighing over 40 gsm was established. This new statistical subheading is 4802.61.3035. Petitioner believes that virtually all SC Paper subject to this petition is

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3 ISO brightness is the amount of light reflected from the surface of a sheet as compared to the amount of blue light—457-nanometers wavelength—that strikes the surface, which is measured as a percentage of absolute whiteness.

4 exhibit I-3 contains the relevant pages from the HTSUS.
classifiable under 4802.61.3035. Petitioner believes that little, if any, SC Paper is produced that would have a basis weight of less than 40 gsm, which would classifiable under 4802.61.3091.

Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the products under investigation is dispositive of its inclusion as subject merchandise.

3. **Production methods**

SC Paper is produced from mechanical pulp, chemical pulp, fillers, and other additives. Chemical pulp can either be produced by the paper producer, or it can be purchased on the open market. The mechanical pulp used to produce SC Paper can be produced via several methods: groundwood, pressure groundwood, or thermo-mechanical pulping. The mechanical pulp is typically bleached to improve the printability properties of the paper.

Papermaking begins at the head box, where a pulp mixture, which is about 99 percent water and just one percent pulp and filler, is introduced. The dilute stock leaves the headbox and is either injected between two fast-moving forming fabrics or is spread out on top of a single moving forming fabric. The forming section forms the stock into a web, which is made up of pulp mixed with water and additives.

In the “forming section,” the water drains away and fibers are retained on the surface of the fabrics, *i.e.*, on a finely woven plastic mesh, in an absolutely even layer. The forming fabrics or “wires,” are specially designed to keep the bound fibers lying flat, letting the water drain. Water is collected throughout the papermaking process for reuse. The direction of the fiber in the paper is determined in the wire section, where strength, formation, and two-sidedness can also be affected.

As the mixture reaches the “press section,” the stock is now approximately 80 percent water. The pulp is taken into the wet presses by the press felt. The wet presses squeeze the
water content down to 50 percent, and the felts absorb water from the paper web. Pressing improves fiber bonding by bringing the fibers closer together. In the pressing section, the bulk, stiffness, opacity, and surface roughness of paper are influenced.

The paper web continues into the drying section, which consists of steam heated cylinders that evaporate more water. After going through the drying section, the paper has a moisture content of 3-8 percent, depending on the grade. Drying requires a large amount of steam, which is typically produced in an integrated power plant of the mill, or purchased from another source. The drying section affects the moisture content and thus the curl of the paper.

Supercalendering is used to produce SCA+, SCA, and SCB grades of SC Paper. The scope of this petition also includes SNC paper, which undergoes a less rigorous calendering process known as “soft calendering.” Supercalendering can take place either on-line or off-line, and this is done at the end of the papermaking process, before cutting. The supercalender typically consists of 10 to 12 hard and soft cylinders, although there are other configurations that produce the same results. The hard cylinders are made from steel while the soft calenders are made from cotton (or some other resilient material). The paper web snakes around each roll, and heat, pressure, and friction in the nips glaze both surfaces of the paper to make them smooth and glossy. At the same time glazing makes the paper thinner and more transparent, and reduces stiffness. Soft calendering typically occurs online, and involves fewer hard and soft calenders. A typical soft calendering consists of two to four hard and soft cylinders.

4. Proposed scope of investigation

Petitioners propose the following scope for these investigations:

The merchandise covered by this petition is Supercalendered Paper (“SC Paper”). SC Paper is uncoated paper that has undergone a calendering process in which the base sheet, made of pulp and filler, (typically clay, talc, or other mineral additive), is processed through a set of supercalendars, a supercalender, or a soft nip

- I-6 -
calender operation. Supercalendering and soft nip calendering processing, in conjunction with the mineral filler contained in the base paper, are performed to enhance the surface characteristics of the paper by imparting a smooth and glossy printing surface. Supercalendering and soft nip calendering also increase the density of the base paper.

The scope of this petition covers all SC Paper regardless of basis weight, brightness, opacity, smoothness, or grade, and whether in rolls or in sheets. The scope covers all uncoated paper that meets the scope definition regardless of the type of pulp fiber or filler material used to produce the paper.

SC Paper is typically (but not exclusively) used for retail catalogs and flyers, magazines, Sunday newspaper inserts, and other advertising circulars, magazines and catalogues, directories, direct mail advertising, coupons, and corporate brochures.

Specifically excluded from the scope are imports of paper printed with final content of printed text or graphics.

Until July 1, 2014, the products covered by these investigations were classified in the Harmonized Tariff Schedule of the United States ("HTSUS") under statistical reporting numbers 4802.61.3010 and 4802.61.3090. Recently a tariff breakout covering SC Paper over 40 grams per square meter was established. This statistical subheading, which became effective on July 1, 2014, is 4802.61.3035. SC Paper of less than 40 grams per square meter continues to be covered in 4802.61.3010. Thus, subject imports are currently entered under either HTSUS 4802.61.3010 or 4802.61.3035. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigation is dispositive.

F. Class Or Kind Of Merchandise And Domestic Like Product

There is a single class or kind of merchandise that consists of SC Paper as defined herein.

Pursuant to 19 U.S.C. § 1677(10), the product which is “like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation” is also SC Paper. Accordingly, the product that is like the subject merchandise is SC Paper.
G. Country Of Exportation

The country of origin of the subject SC Paper is Canada. Petitioner has no knowledge of SC Paper produced in Canada being transshipped through any third country to the United States.

H. Producers And Exporters Of Subject Merchandise

There are four Canadian producers of SC Paper.

Port Hawkesbury Paper
120 Pulp Mill Road
PO Box 9500 (mail only)
Port Hawkesbury, NS
B9A 1A1 Canada
Phone (902) 625-2460
www.wlinpco.com

Resolute Forest Products
111 Duke Street, Suite 5000
Montréal, Quebec
H3C 2M1 Canada
Phone (514) 875-2160
info@resolutefp.com

Irving Paper Limited
435 Bayside Drive
P.O. Box 1900
Saint John, New Brunswick
E2L 4K9 Canada
Phone (506) 633-3333
IrvingForestProducts@JD Irving.com

Catalyst Paper Corporation
2nd Floor, 3600 Lysander Lane
Richmond, British Columbia
V7B 1C3 Canada
Phone (604) 247-4400
www.catalystpaper.com
I. Names, Addresses, And Phone Numbers Of Importers Of Subject Merchandise

The names, addresses, phone numbers, and other available contact information of companies that may be U.S. importers of SC Paper are provided in Exhibit I-4.5

J. Proposed Products For Collection Of Pricing Information By The Commission

Petitioner recommends that product-specific pricing information for the preliminary Commission investigation be collected on the following products:

Product 1 – Grade SCA+ supercalendered paper, weighing 36 lb. (53 gsm), in rolls.
Product 2 – Grade SCA+ supercalendered paper, weighing 38 lb. (56 gsm), in rolls.
Product 3 – Grade SCA supercalendered paper, weighing 30 lb. (44 gsm), in rolls.
Product 4 – Grade SCA supercalendered paper, weighing 33 lb. (49 gsm), in rolls.
Product 5 – Grade SCA supercalendered paper, weighing 35 lb. (52 gsm), in rolls.
Product 6 – Grade SCB supercalendered paper, weighing 30 lb. (44 gsm), in rolls.
Product 7 – Grade SCB supercalendered paper, weighing 33 lb. (49 gsm), in rolls.

III. THE DOMESTIC LIKE PRODUCT AND INDUSTRY DEFINITIONS

A. The Domestic Like Product Is SC Paper

The domestic like product is defined as the product that is “like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation.” 19 U.S.C. § 1677(10). The International Trade Commission defines the domestic like product and, in turn, the domestic industry producing the like product. Based on the plain language of the scope, the Commission’s like product analysis, and prior Commission determinations, the domestic like

5 Petitioner certifies that each item of information specified in 19 C.F.R. § 207.1 l(b)(2) that is not included in this petition was not reasonably available to Petitioner. See 19 C.F.R. § 207.11(3).
product should be defined as co-extensive with the scope of investigation. Thus, the domestic 
like product is all SC Paper.

1. Physical characteristics and end uses

All SC Paper shares the same physical characteristics and uses, which differ from other 
paper, such as coated groundwood, coated freesheet, other types of uncoated mechanical, or 
newsprint. Coated papers are more costly to produce than SC Paper as they require an additional 
process step in which the papers are coated on one or both sides with materials used to enhance 
the print quality, ink holdout, and longevity of the paper. Coated and uncoated freesheet paper 
also differ from SC Paper in that they are produced primarily with chemical pulp rather that 
groundwood pulp.

Coated papers also generally have heavier basis weights than SC Paper due to the 
coating. This makes SC Paper more desirable for use in Sunday supplements, certain magazines, 
and certain direct mail materials where weight and mailing costs are a consideration.

SC Paper also differs from other types of uncoated paper, including uncoated freesheet, 
uncoated groundwood, and newsprint. Although it is an uncoated paper, SC Paper has a glossy 
finish that results from the supercalendering that renders it more similar to coated papers than to 
uncoated papers, which have a matte finish. The glossy finish makes SC Paper more desirable 
for printing multicolor graphic materials, particularly photographic material, than uncoated 
papers, which do not lend themselves to these end uses.

SC Paper comes in a continuum of grades: SCA+, SCA, SCB, and SNC, that equate to 
the brightness and smoothness levels of the paper, with SCA+ being the brightest and smoothest, 
and SNC being the least bright and smooth.

SC Paper is sold in reels with widths between 15 and 150 inches. SC Paper is not sold in 
sheets. This stands in contrast to uncoated freesheet and coated freesheet papers which can be
sold in the form of rolls for printing in web offset printing presses, or in the form of sheets, for use in sheet-fed presses.

2. **Interchangeability**

SC Paper is generally not interchangeable with other types of paper. Coated freesheet paper tends to be heavier, stiffer, and has a superior finish to SC Paper, and is therefore the paper of choice for higher-end publications and brochures, calendars, point-of-sale displays, book covers, and direct mail cards, which demand higher-quality print graphics. SC Paper has some limited interchangeability with lighter basis weight coated groundwood papers for some end uses, for example for use in magazines.

Newsprint, uncoated freesheet, and uncoated groundwood papers are not interchangeable with SC Paper. The surface porosity of the newsprint and uncoated papers make them largely unsuitable for printing graphic material, particularly in higher resolutions and in color, as compared to SC Paper.

SC Paper is not interchangeable with any form of sheeted paper, as SC Paper is not sold in the form of sheets.

3. **Channels of distribution**

SC Paper is sold to end users (which can be retailers, catalogers, publishers, or printers) and to merchants/brokers. Over the last three years, sales to merchants/brokers averaged about [ ] of U.S. producer shipments, while sales to end users averaged about [ ] of U.S. producer shipments.

As the Commission has found, coated freesheet paper "is sold directly to users such as magazines, catalogue, and book publishers."6 Uncoated freesheet paper in sheets is sold in a

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variety of channels of distribution, including office superstores, club stores, retailers, paper merchants, and end users, while uncoated freesheet paper in rolls frequently are sold to publishers or advertisers, who contract with printers for printing jobs, or directly to printers. Coated groundwood paper is generally sold to publishers and printers.  

4. **Customer and producer perceptions**

Customers and producers generally view SC Paper as distinct from other types of graphic paper. For example, customers typically regard SC Paper as more suitable than coated papers for weekly advertising in mailers and newspapers because it is lighter and does not need to have the same durability or longevity as other types of graphic papers, given that it is often discarded or recycled after a short period of time. At the same time, SC Paper has better photographic qualities required in advertising that uncoated papers do not possess. Some customers might view lightweight coated groundwood paper as a substitute for SC Paper for some applications, but only when there is a small gap between the price for SC Paper and lightweight coated groundwood paper.

5. **Common manufacturing facilities, production processes, and production employees**

Paper machines used to produce SC Paper are not used to produce other types of paper. SC Paper machines do not have coaters, and thus cannot produce coated papers. Paper machines designed to produce uncoated freesheet papers typically do not have the supercalendering or soft calendaring equipment required to produce SC Paper. Thus, to the extent SC Paper is produced in the same facilities as other types of paper, the production lines are distinct.

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SC Paper is also unlike uncoated and coated freesheet because the pulp used to produce these products differs. Freesheet papers use mainly chemical pulp, while SC Paper uses mainly mechanical pulp. Although coated groundwood and types of uncoated groundwood other than SC Paper are made with mechanical pulp, these papers are not produced with the same type of filler (typically clay, talc, or other mineral additive) which permits the calendering to result in the glossy finish that characterizes SC Paper.

6. Price

Prices for SC Paper have historically been lower than prices for coated freesheet, coated groundwood, and uncoated freesheet papers, but higher than the prices for other types of uncoated groundwood (like directory paper) and newsprint.\(^8\)

B. U.S. Producers Of SC Paper Constitute The Domestic Industry

The statute defines the term “industry” as “the producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.” 19 U.S.C. § 1677(4)(A). The domestic industry is comprised of the U.S. producers of SC Paper.

IV. SUBJECT IMPORTS ARE NOT NEGLIGIBLE

Under the statute, dumped or subsidized imports are "negligible" if they account for less than three percent of the volume of all such merchandise imported into the United States during the most recent 12-month period prior to the filing of the petition. Petitioner has provided this data for the period January-December 2014. See 19 U.S.C. § 1677(24)(A)(i). According to the import data for the HTSUS numbers that include SC Paper, imports from Canada accounted for

\(^8\) RISI, *Paper Trader* (January 2015), contained in Exhibit I-5.
an estimated 88 percent of the total volume of imports during this period. Accordingly, imports from Canada are not negligible.9

V. THE DOMESTIC INDUSTRY IS MATERIALLY INJURED BY REASON OF SUBJECT IMPORTS

Imports of SC Paper from Canada were significant during 2012-2014. Moreover, from 2012-2014, imports of SC Paper from Canada increased absolutely and relative to U.S. consumption and U.S. production. SC Paper is a commodity-like product and sales negotiations are very price sensitive. Canadian SC Paper has gained market share by underselling the U.S. market prices of U.S. producers. Underselling by unfair imports from Canada has caused severe negative price effects, resulting in lost sales and lost revenues to the domestic industry. The loss of revenues on domestic sales caused by unfairly priced imports from Canada has resulted in declining capacity utilization rates, shipments, and employment, and severe negative effects on the financial performance for the domestic industry.

Canadian SC Paper producers are highly export-oriented and focused on the U.S. market. It is believed that Canadian producers export over 75 percent of their production to the U.S. market. The domestic industry is vulnerable to increased imports, and U.S. market demand remains depressed and is decreasing. The threat of material injury to the domestic industry is real and imminent.

A. Conditions of Competition

1. SC Paper is a commodity-like product that competes on the basis of price

SC Paper is sold primarily as paper for newspaper inserts, fliers, catalogs, magazines, and direct mail. SC Paper is a highly standardized product, and this high degree of standardization

9 Subject imports by month for the period January 2014-December 2014 are contained in Exhibit I-6.
makes SC Paper a fungible, price sensitive product regardless of source. Sales of SC Paper are based primarily on price because SC Paper is essentially a commodity product.

2. **Production of SC Paper is capital intensive**

Production of SC Paper is capital intensive. Petitioner estimates that a new paper machine installed in an existing paper mill with supporting pulp production would cost in excess of $600 million. A new greenfield paper mill with mechanical pulp capability would cost about $700 million.

**B. The Volume Of Subject Imports And The Increase In The Volume Of Subject Imports Are Significant**

In evaluating whether there is material injury by reason of subject imports, the Commission must “consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.” ¹⁰ Whether measured on an absolute basis or relative to apparent U.S. consumption and U.S. production, the volume of subject imports is significant. See Table I-1. The increase in subject imports is also significant.

Imports of SC Paper from Canada are significant in absolute terms, and have increased over the presumptive period of investigation, 2012 to 2014. As noted above, until July 2014, imports of SC Paper were included in two basket tariff categories, which included SC Paper and other types of uncoated mechanical paper including book and directory papers. For this reason, official import statistics for the period prior to July 2014 overstate the level of imports of SC Paper into the United States.

The market share held by subject imports is also significant. Using estimates of U.S. consumption that are based on demand data reported by [11], the following table shows estimated U.S. shipments, subject imports, and non-subject imports of SC Paper for the period 2012-2014.

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11 Information regarding [Exhibit I-7].

12 Import data [calculation and source data [Exhibit I-8]. Apparent consumption ] is contained in Exhibit I-9.

13 Exhibit I-10 contains the [ ].
Table I-1: U.S. Shipments and Imports of SC Paper, Apparent Consumption, and Market Shares 2012-2014

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Change 2012 to 2014</th>
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</thead>
<tbody>
<tr>
<td><strong>Shipments and Imports (Short Tons)</strong></td>
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<td></td>
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<tr>
<td>U.S. Industry</td>
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<tr>
<td>Subject Imports</td>
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<tr>
<td>Non-Subject Imports</td>
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<tr>
<td><strong>Apparent Consumption (Short Tons)</strong></td>
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<td></td>
<td></td>
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<tr>
<td>U.S. Industry</td>
<td></td>
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<tr>
<td>Subject Imports</td>
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<td></td>
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<tr>
<td>Non-Subject Imports</td>
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<tr>
<td><strong>Shares of Apparent Consumption (%)</strong></td>
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<td></td>
<td></td>
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<tr>
<td>U.S. Industry</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Subject Imports</td>
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<td></td>
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<tr>
<td>Non-Subject Imports</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: Imports and Apparent Consumption based on data from [ ]. U.S. industry shipments from U.S. producers.

Subject imports also increased relative to domestic producers’ U.S. production, as shown in Table I-2 below:

Table I-2: Ratio Of Subject Imports To U.S. Producers’ Production

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shipments and Imports (Short Tons)</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Subject Imports</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>U.S. Producers’ Production (Short Tons)</strong></td>
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<td></td>
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<tr>
<td>U.S. Producers</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Ratio of Subject Imports to U.S. Producers’ Production</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject Imports</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Imports and Apparent Consumption based on data from [ ]. U.S. producers production from domestic industry.
C. Subject Imports Are Causing Negative Price Effects

1. SC Paper is a price sensitive product

SC Paper is sold primarily on the basis of price. Subject imports and the domestic like product are commercially interchangeable and very good substitutes for one another. Subject imports compete with the domestic like product across the spectrum of market demand, across all grades of SC Paper, and take sales from the domestic industry based on price.

2. Subject imports have undersold the domestic like product by significant margins

Imports of SC Paper from Canada have been priced consistently below the domestic producers’ prices, notwithstanding that the products are highly substitutable. The comparison in Table I-3 below of the average unit values (“AUVs”) of subject imports with the public AUVs for U.S. producers’ commercial shipments demonstrates underselling.¹⁴ Petitioner has been forced to lower prices to maintain sales due to significant and pervasive underselling by subject imports. Note that the level of underselling presented in Table I-3 is understated because the AUVs in the U.S. reported by RISI include import prices from Canada which make up a significant proportion of the sales in the United States.

¹⁴ Petitioner based the AUVs for SC Paper sold by Canadian producers on the average import prices for HTSUS 4802.61.3035, which covers imports of supercalendered paper over 40 gsm. This statistical breakout for supercalendered paper has only existed since July 2014, and for this reason, Petitioner is only able to provide pricing data for July-December 2014.
Table I-3: Price Comparisons of Subject Imports and Public Prices for U.S. Producers’ Shipments

<table>
<thead>
<tr>
<th></th>
<th>Jul-14</th>
<th>Aug-14</th>
<th>Sep-14</th>
<th>Oct-14</th>
<th>Nov-14</th>
<th>Dec-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Unit Value ($/short ton)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>740</td>
<td>730</td>
<td>739</td>
<td>741</td>
<td>746</td>
<td>750</td>
</tr>
<tr>
<td>U.S. Producers</td>
<td>770</td>
<td>770</td>
<td>770</td>
<td>770</td>
<td>770</td>
<td>770</td>
</tr>
</tbody>
</table>

| **Margins of Underselling** | 3.9% | 5.2% | 4.0% | 3.8% | 3.1% | 2.6% |

AUVs for Canada: USITC Dataweb CIF imports for HTSUS 4802.61.3050
U.S. Producers’ AUVs: RISI Pricing Data for 35 lb. SCA

3. **Subject imports significantly depress or suppress prices for the domestic like product**

Subject imports have significantly depressed prices for the domestic like product. The increasing volume and price underselling of subject imports also suppressed the prices of the domestic like product. [ ]

4. **Lost sales and lost revenue**

Petitioner has provided available information regarding lost sales and lost revenues.\(^{15}\)

Lost sales allegations total [ ] and lost revenue allegations total [ ].

D. **Subject Imports Have Had An Adverse Impact On The Domestic Industry**

1. **Capacity, production, capacity utilization, shipment, and employment data indicate material injury**

From 2012 to 2014, the domestic industry’s production and capacity [ ] and [ ].\(^{16}\) From

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\(^{15}\) See Exhibit I-11. In accordance with 19 C.F.R. § 207.1 l(b)(2)(v), Petitioner will submit all lost sales and lost revenue allegations electronically in the manner specified in the Commission’s Handbook on Filing Procedures.
2012 to 2014, the domestic industry’s production related workers ("PRWs") [ ].

2. Financial data indicate material injury

Subject imports have caused a significant decline in domestic industry performance.

From 2012 to 2014, the domestic industry’s sales revenues [ ] From 2012 to 2014, gross profit [ ] From 2012 to 2014, operating income [ ] From 2012 to 2014, cash flow [ ]

The domestic industry’s operating income margin [ ] percent in 2012 to [ ] percent in 2014. From 2012 to 2014, net income [ ] percent in 2012 to [ ] percent in 2014.

VI. SUBJECT IMPORTS THREATEN TO CAUSE FURTHER MATERIAL INJURY

Although the domestic industry’s performance data and the record to be developed by the Commission will strongly support an affirmative preliminary determination of present material injury, imports from Canada also threaten material injury. Imports from Canada are rapidly increasing. Further growth in subject imports is likely because of the significant export-orientation of the Canadian producers and the focus of Canadian exports on the U.S. market. Available information also indicates excess Canadian capacity. Shipments to the U.S. market are also facilitated by subsidies received by Canadian producers.

Imports from Canada are likely to continue to depress and suppress U.S. producers’ prices for the domestic like product. The adverse price effects of the increasing subsidized

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16 Petitioner’s trade data are contained in Exhibit I-12.

17 Id.

18 Petitioner’s financial performance data are provided as Exhibit I-13.
imports will cause the domestic industry to suffer further declines in market share, capacity utilization, employment, revenues, operating income, cash flow, return on investment, and other performance indicators. The highly vulnerable state of the domestic industry increases the threat of material injury.

A. Subject Producers Are Export-Oriented And Are Focused On The U.S. Market

Canadian SC Paper producers are highly export-oriented and focused on the U.S. market. It is believed that Canadian producers export over 75 percent of their production to the U.S. market.

B. Subject Producers Receive Significant Countervailable Subsidies

The Government of Canada and provincial governments have encouraged the establishment and growth of capacity in Canada by providing subsidies to the Canadian producers, including preferential lending, tax benefits, grant programs, government provision of stumpage for less than adequate remuneration, government purchase of land for more than adequate remuneration, energy subsidies, and others. See Volume II: Countervailing Duty Allegations. These countervailable subsidies create a significant likelihood that subsidized imports from Canada will continue their penetration of the U.S. market.

C. Subject Imports Are Likely To Depress Or Suppress U.S. Prices For The Domestic Like Product

SC Paper is a fungible and price sensitive product. The fungible nature of imports from Canada with domestic production and the adverse price effects of imports are documented in the lost sales and lost revenues allegations contained in this petition. Lost sales allegations total [ ] and lost revenue allegations total [ ]. The pattern of underselling and price depression or suppression is likely to continue.
D. The Domestic Industry Is Vulnerable To Subject Imports

The domestic industry experienced a [ ] in its operating margin from 2012 to 2014, to an unsustainable level of only [ ] percent. Moreover, the [ ] in the domestic industry’s operating income is accelerating. These trends and demand conditions make the industry especially vulnerable to the significant and increasing subject imports.

VII. CONCLUSION

As set forth above and in Volume II of this petition, imports of SC Paper are being subsidized and exported to the United States. These unfairly traded imports have materially injured, and threaten to materially injure, the domestic industry producing SC Paper. Petitioner requests that the Department initiate a countervailing duty investigation regarding imports of SC Paper from Canada, that the Department make an affirmative determination of countervailable subsidies with regard to these imports, and that the Commission make an affirmative determination of material injury or threat of material injury by reason of such unfairly traded imports.

Respectfully submitted,

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Craig W. Matney, Consultant

Counsel to Petitioner