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APPEARANCES: (Cont'd.)

In Support of the Imposition of Antidumping and
Countervailing Duties:

Session 1: Domestic Producers' Direct Presentation
(Open to Public):

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Session 2: Respondents' Direct Presentation (Open to Public):

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Session 3: German Respondents' In Camera Presentation
(Closed to Public):

Session 4: Domestic Producers' In Camera Rebuttal
Presentation (Closed to Public):

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1 during the in camera session. Following the in camera
2 presentations, we will resume with public rebuttal and
3 closing remarks.

4 Schedules setting forth the presentation of
5 this hearing, notices of investigation and transcript
6 order forms are available at the public distribution
7 table. All prepared testimony should be given to the
8 Secretary. Please do not place testimony directly on
9 the public distribution table.

10 All witnesses must be sworn in by the
11 Secretary before presenting testimony. I understand
12 that parties are aware of the time allocations. Any
13 questions regarding the time allocations should be
14 directed to the Secretary.

15 Finally, if you will be submitting documents
16 that contain information you wish classified as
17 business confidential your requests should comply with
18 Commission Rule 201.6.

19 Before moving to the first witnesses, I just
20 want to note that we do expect this to be a lengthy
21 hearing. We brought out the extra comfortable seats
22 for all of you today. They are actually the same
23 seats we always use, but I hope they'll be comfortable
24 as we expect this hearing to go rather late.

25 Just for the parties' planning purposes, I

1 should let you know that in the late afternoon we'll
2 assess how long we think the hearing is going to
3 continue, and we may, in addition to the lunch break,
4 take a short dinner break in the evening, so please
5 plan for that.

6 Madam Secretary, are there any preliminary
7 matters?

8 MS. ABBOTT: Madam Chairman, all the
9 witnesses for today's hearing have been sworn.

10 (Witnesses sworn.)

11 MS. ABBOTT: There are no other preliminary
12 matters.

13 CHAIRMAN ARANOFF: Very well. Will you
14 please announce the first congressional witness?

15 MS. ABBOTT: Our first speaker is the
16 Honorable Herb Kohl, United States Senator, State of
17 Wisconsin.

18 CHAIRMAN ARANOFF: Welcome to the
19 Commission, Senator.

20 MR. KOHL: Madam Chairman and fellow
21 Commissioners, I thank you for this opportunity to
22 appear today on behalf of Appleton Papers and their
23 case regarding subsidized imports of lightweight
24 thermal paper from China and dumped imports of
25 lightweight thermal paper from China and also from

1 Germany.

2 Founded in 1907 in Appleton, Wisconsin, as
3 the Appleton Coated Paper Company, Appleton is the
4 world's largest producer of carbonless paper and a
5 leading producer of thermal, security and performance
6 packaging products. Appleton manufactures its
7 products in locations across Wisconsin, Ohio,
8 Pennsylvania, as well as Massachusetts.

9 Today, Appleton's Wisconsin plant employs
10 761 people and produces more than 200,000 tons of
11 carbonless, thermal and specialty-coated paper grades.
12 Of Appleton's 2,400 employees nationwide, many are
13 proud members of the United Steelworkers Local 469.

14 I am pleased to see so many Appleton
15 employees and USW members in the audience today who
16 are supporting this case, and I salute USW's work and
17 help to ensure a fair remedy in this case.

18 I am here today to support our domestic
19 paper industry and to stand up for American workers.
20 The facts in this case are compelling. Imports of
21 lightweight thermal paper from China and Germany rose
22 60 percent from 2000 to 2006, while at the same time
23 domestic producers saw their American share drop
24 sharply.

25 Last week the Department of Commerce ruled

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1 that Chinese producers of lightweight thermal paper
2 are receiving illegal subsidies from the Chinese
3 Government and that Chinese and German producers are
4 selling their products in the United States at prices
5 below market value. In both cases, the Department of
6 Commerce agreed that foreign competitors were acting
7 illegally and imposed duties.

8 So it is now up to the International Trade
9 Commission to make the final determination, and the
10 stakes could not be higher. Last November, NewPage
11 Corporation lost a similar trade case that was before
12 you. Since then, NewPage has closed two Wisconsin
13 paper plants, resulting in 900 good paying jobs being
14 cut.

15 NewPage has told me that they closed the
16 Wisconsin plants because of cheap Chinese paper being
17 dumped onto the U.S. market which undercut NewPage's
18 business. Wisconsin cannot afford to lose another
19 paper company.

20 Today's case on lightweight thermal paper is
21 an opportunity to stem the losses in this sector and
22 send a message to the Germans, the Chinese and others
23 that if they want to do business here then we expect
24 them to abide by the rules.

25 There should be no doubt that trade is vital

1 to our nation's economic future. The debate today is
2 not about whether we should be open to trade. It is
3 about the rules we use to ensure that trade preserves
4 the economic, environmental and social progress of our
5 nation, as well as that of our trading partners.

6 U.S. trade laws are indispensable tools
7 which guarantee a level playing field and fair
8 opportunity for American workers to compete against
9 unfair foreign trade. I know the Appleton workers
10 here today can compete against their counterparts
11 anywhere in the world just as long as the playing
12 field is level.

13 Every day U.S. paper companies are losing
14 market share, American workers are being harmed, and
15 companies are losing sales and profits. It is time
16 that we start leveling the playing field with our
17 foreign competitors. Otherwise we will not have a
18 domestic paper industry to speak of. I respectfully
19 therefore urge the Commission to support the domestic
20 lightweight thermal paper industry.

21 Wisconsin needs your support, the nation
22 needs your support, and I am grateful to be here to
23 share our concerns with you. Thank you very much.

24 CHAIRMAN ARANOFF: Thank you, Senator.

25 Do any Commissioners have questions for the

1 Senator?

2 (No response.)

3 CHAIRMAN ARANOFF: Thank you very much for
4 coming this morning.

5 MS. ABBOTT: Our next speaker is the
6 Honorable Sherrod Brown, United States Senator, State
7 of Ohio.

8 CHAIRMAN ARANOFF: Senator Brown, welcome
9 back.

10 MR. BROWN: Thank you, Madam Chair. It's
11 good to be back. Thank you all for your public
12 service and for standing up for American workers and
13 all that you do. Thank you for the opportunity to
14 provide testimony today.

15 Let me begin by saying that I was very
16 gratified to learn of the Department of Commerce
17 determinations issued last Friday. Those
18 determinations reaffirmed the Department's preliminary
19 finding that imports of thermal paper from Germany are
20 being dumped and imports from China are being both
21 dumped and subsidized and that both the dumping and
22 the subsidies are in fact significant.

23 These anticompetitive practices have
24 undermined the economic health of our only two U.S.
25 producers. Appleton Papers, the Petitioner in this

1 case, has a major mill producing thermal paper in West
2 Carrollton, Ohio, near Dayton in southwest Ohio. This
3 mill has 420 employees, more than half of whom are
4 steelworkers.

5 I am proud of the fact that Appleton decided
6 to locate its new thermal coating machine, which began
7 operations just last month, in our state. I never
8 thought I'd go out of my way to promote the use of
9 thermal paper, the kind used in ATM machines and gas
10 station pumps. Knowing now that this paper is
11 produced in Ohio, I go out of my way to tell people
12 always say yes to the receipt. Keep that thermal
13 paper coming.

14 I'm pleased to see that there are so many
15 steelworker representatives in the audience here
16 today. I appreciate their coming to Washington.
17 Their presence here signals the importance of these
18 cases to all those who work at Appleton.

19 Appleton is a unique company. It is
20 actually 100 percent owned by workers, by those who
21 work there. In 2001, Appleton employees agreed to
22 take part and invested their life savings in this
23 company. They believe in this company. They believe
24 in its mission. In all, they invested \$108 million in
25 the employee stock ownership program, the ESOP, making

1 this one of the largest employee buyouts ever.

2 So you can understand how important these
3 cases are to the employees of the West Carrollton
4 plant, to the local economy and to the communities in
5 which we live. The Miami Valley, where the West
6 Carrollton plant is located, the community around
7 Dayton, the Miami Valley understands the challenges of
8 globalization.

9 Several thousand manufacturing jobs have
10 been lost in Dayton. The threat of DHL laying off
11 8,000 workers in Dayton with Astar and ABX hangs over
12 people's heads. Every week I see a new batch of
13 claims for trade adjustment assistance by Ohio
14 companies and auction notices from Ohio manufacturers
15 going out of business, cannibalizing their equipment,
16 downsizing.

17 Workers will tell you they don't mind
18 competing. They welcome it. They just want a level
19 playing field. That's why we're all here today.
20 While much of the record in this case is confidential,
21 I understand from Appleton that there is considerable
22 evidence of injury.

23 There are large import volumes and
24 significant market share of thermal paper imports.
25 There's underselling and lost sales in a time when

1 demand had been healthy for thermal paper as more and
2 more retailers switch to thermal paper for point of
3 sale receipts.

4 U.S. producers should be reaping the
5 benefits of this healthy demand, but they are not.
6 Even considering the dollar's depreciation helping our
7 export/import balance, helping our companies export
8 more, even with that depreciation the domestic
9 industry is still struggling to stay competitive.

10 Why? The reason is simple. Dumping and
11 subsidies gave German and Chinese producers an unfair
12 advantage, an advantage that would be insurmountable
13 for any producers in any country.

14 As I've noted here before, I strongly
15 believe that U.S. trade remedy laws are indispensable.
16 In the global market it can be particularly difficult
17 to address situations in which free market competition
18 based on price, on quality, on efficiency, gives way
19 to corrupted competition distorted by subsidies,
20 dumping and other anticompetitive practices. These
21 remedies address corrupted markets to help ensure that
22 global trade supports U.S. economic progress rather
23 than fueling U.S. economic decline.

24 I know that you recently considered a case
25 involving another type of paper, Coated Free Sheet.

1 That case ended with a negative injury finding, and
2 within several months the petitioner in that case had
3 to close its converting facilities in Chillicothe,
4 Ohio, a community south of Columbus, leaving workers
5 in my state without jobs.

6 I urge you to consider the ramifications for
7 a negative finding in this case. Absent relief,
8 without relief, there is no question the domestic
9 industry will be threatened with even greater harm.

10 I thank you for your careful consideration
11 of this very important case.

12 CHAIRMAN ARANOFF: Thank you, Senator.

13 Are there any questions for the Senator?

14 (No response.)

15 CHAIRMAN ARANOFF: Thank you very much for
16 coming this morning.

17 MR. BROWN: Thank you.

18 MS. ABBOTT: Our next speaker is the
19 Honorable Jim Doyle, Governor, State of Wisconsin.

20 CHAIRMAN ARANOFF: Good morning, Governor,
21 and welcome to the Commission.

22 MR. DOYLE: Good morning, Madam Chair. I
23 thank you and the members of the Commission for giving
24 me this opportunity to appear here this morning and to
25 be able to speak in support of the domestic

1 lightweight thermal paper industry.

2 We really, truly appreciate the time and
3 focus the Commission has given to the interests of
4 this very important industry, and I appear before you
5 today to urge you to recognize that our domestic
6 lightweight thermal paper industry is at peril as a
7 result of unfair trading practices employed by certain
8 German and Chinese manufacturers.

9 In recent years, the State of Wisconsin,
10 like other states in the country, despite many of our
11 great assets and unique strengths, has witnessed some
12 very serious economic challenges. Certainly that has
13 been true in manufacturing in general and in paper
14 making. We are proud to be the nation's leading paper
15 making state, but it is an industry that has been
16 challenged.

17 To fight these losses, our companies have
18 worked hard to make world class products that can
19 compete globally, and we have encouraged and supported
20 innovation on an unparalleled scale. But no matter
21 how strong and how innovative our companies are,
22 Wisconsin's businesses can only succeed if they are
23 afforded a level playing field.

24 In the domestic paper industry, lightweight
25 thermal paper is one of Wisconsin's great innovations

1 that has proven to be a success and one that is now
2 used worldwide as ATM receipts and receipts from
3 grocery stores and restaurants and gas stations and
4 others.

5 Appleton, the main Petitioner in this case,
6 has helped lead the way. It has been their
7 innovation, their ingenuity, their hard work. They
8 are now producing more than 60 percent of the world's
9 lightweight thermal paper. For more than 100 years
10 since its founding, Appleton has been a cornerstone of
11 the local economy in its region of Wisconsin.

12 Appleton Papers has close to 1,350 Wisconsin
13 employees. All of those employees are also owners of
14 the company. In fact, Appleton's employees purchased
15 the company in 2001 from its prior owners to be able
16 to keep the company and its jobs in Wisconsin.

17 These same workers own 100 percent of
18 Appleton through an ESOP. The investments that
19 Appleton makes are employee investments in their own
20 future, and what happens to the company affects their
21 bottom line. They have been willing to make major
22 investments in modernizing Appleton's processes.

23 To keep the operations state-of-the-art and
24 safe, Appleton's employee owners have invested some
25 \$14 million each year into these Wisconsin facilities.

1 In today's difficult economy, there are not many
2 traditional industries willing or able to make this
3 kind of investment into their long-term health, and it
4 is precisely this kind of company that should not be
5 left to fend for itself against an influx of illegally
6 low-priced imports from foreign competitors.

7 Nearly 700 of Appleton's Wisconsin employee
8 owners are proud members of the United Steelworkers
9 Union and, like the leadership of the USW, many have
10 come today from Wisconsin to demonstrate their support
11 for this petition and to fight for what they have come
12 to depend on: Good paying jobs, retirement security
13 and a way of life.

14 There is truly a lot at stake in this case
15 for Appleton's employee owners, for their communities,
16 for our state, and it is for these workers, their
17 families and their communities that I am here today to
18 ask you for your careful consideration of the facts of
19 this case as you prepare for your upcoming
20 determination in the Lightweight Thermal Paper case.

21 As the Commerce Department noted in its
22 prior finding in favor of the U.S. industry, these
23 goods are being sold in U.S. markets at prices
24 significantly lower than fair market values. There is
25 little doubt that these practices reflect a clear

1 attempt by foreign competitors to grab market share at
2 the expense of the U.S. industry.

3 It would be unfair to allow our
4 manufacturers and their workers to fall prey to the
5 illegal pricing strategies of global competitors who
6 refuse to compete on fair terms.

7 I deeply appreciate that several of you were
8 able to travel to Wisconsin to visit the Appleton
9 plant and the company headquarters. We thank you for
10 how seriously you've taken this petition and your
11 willingness to look at all of the facts and to even go
12 and see the facilities.

13 I hope you saw what I have seen in Appleton
14 on many occasions. These are modern, state-of-the-art
15 facilities which we are very proud to have in our
16 state, and --

17 (Electronic interference.)

18 (Whereupon, a short recess was taken.)

19 MR. DOYLE: I knew that the German and
20 Japanese companies involved didn't want my testimony
21 to go forward, but I didn't think they'd go to this
22 end.

23 (Laughter.)

24 MR. DOYLE: I had indicated that we were
25 very thankful that you took the time and went to

1 Appleton and saw this plant, and I really want to
2 emphasize that this is not the case of an aging
3 industry that is not willing to make the changes and
4 innovations that are needed in order to be
5 competitive.

6 In Wisconsin we understand that for our
7 manufacturers to succeed we have to constantly be
8 getting leaner, we have to become constantly more
9 technologically advanced, we have to be more
10 productive, and we have to do this to compete in a
11 worldwide market.

12 We have worked hard in Wisconsin, and
13 Appleton Papers is a great example with a very serious
14 focus on advanced manufacturing. We believe that our
15 future in manufacturing in our state depends on highly
16 innovative products and processes, and certainly
17 Appleton Paper, the advances that they have made in
18 lightweight thermal paper is an example of a company
19 through innovation finding success.

20 We understand that we have to make large
21 capital investments. Appleton Papers is another good
22 example of that. We have worked as a state to
23 modernize our manufacturing capacity, and other
24 manufacturing and agricultural industries in our state
25 have flourished in recent years with exports growing

1 significantly in many areas.

2 So this is not a case of industry that's
3 looking for some kind of special protection to protect
4 old, outmoded processes and old, outmoded products.
5 Appleton Papers is a great example of a company that's
6 done everything right: Innovative, leaner, more
7 productive, great management and labor/management
8 relations, flexibility. All they are asking is that
9 they have a fair and level playing field on which to
10 play.

11 In Wisconsin, workers like these at Appleton
12 and others across our state have been working very
13 hard to prepare our economy for the long term and to
14 do all that we can to give our businesses the
15 strongest foundation possible for future growth and
16 competition.

17 Given a level playing field, we believe our
18 companies can compete anywhere in the world, but when
19 the facts demonstrate, as they do in this case, that
20 the competition is not fair we must follow our trade
21 laws to remedy the situation and protect our workers,
22 their families and their communities.

23 Truly, one of my greatest fears as governor
24 is seeing this industry fall by the wayside because of
25 temporary pricing strategies employed by overseas

1 competitors to undercut American manufacturers. There
2 has been generations of investments in paper in
3 Wisconsin. There has been major recent investments by
4 Appleton and other paper makers in our state. As I
5 say, our greatest fear is to see that a temporary
6 pricing strategy could undercut that.

7 We cannot let the lightweight thermal paper
8 sector suffer the same fate as what happened to coated
9 free sheet paper. I urge you to help us ensure that
10 another paper producer is not forced to shutter its
11 doors because it cannot compete when one hand is tied
12 behind its back.

13 Madam Chair, to you and the Commission, I
14 hope that as you weigh all the evidence before you,
15 you and your fellow Commissioners will note the
16 damaging rate at which these German and Chinese
17 producers are infiltrating the United States market
18 and that you will vote to stop such dumping.

19 Please know that Wisconsin's workers are
20 counting on you to take action and find that Appleton
21 and the domestic industry are indeed being injured by
22 these practices. We thank you for your consideration.

23 This is really a company that has done such
24 great things in Wisconsin, and we really want to
25 compete and compete fairly, and we will compete with

1 anyone in the world. I ask you to make the requisite
2 findings so that we can have a truly competitive
3 market in which Appleton will be judged on its
4 innovation and productivity and quality of its
5 products rather than on artificial pricing schemes.

6 Thank you very much for the attention that
7 you've given this. I know you have weighed this very
8 seriously, and I know you realize how incredibly
9 important this is to not only Appleton Papers, but to
10 the people of the State of Wisconsin.

11 Thank you.

12 CHAIRMAN ARANOFF: Thank you, Governor.

13 I would ask my fellow Commissioners if they
14 have questions, but our mics aren't working.

15 (No response.)

16 MR. DOYLE: All right. Thank you.

17 CHAIRMAN ARANOFF: Thank you very much.

18 MS. ABBOTT: Our next speaker is the
19 Honorable Thomas E. Petri, United States Congressman,
20 6th District, State of Wisconsin.

21 MR. PETRI: Thank you very much. It's a
22 pleasure to be here, particularly as your mics don't
23 work and mine does.

24 Let me say, I couldn't help but reflect when
25 we saw this glitch that China is investing nine

1 percent of its GNP currently in infrastructure of
2 various sorts. We are spending about two and a half
3 percent, and we should spend a little more on our
4 infrastructure here in this hall.

5 The structure of the paper industry is such
6 that you build one of these huge machines -- and some
7 of you have had the chance to see some of them -- and
8 you can't run at half speed or only partly. You have
9 to run it or not run it basically.

10 China has invested in getting into the paper
11 business and has put up these big machines in excess
12 of what they can currently absorb in their economy,
13 and they're basically dumping the surplus production
14 into our market and driving our people out of work.

15 It's in the structure of the production
16 process in the paper industry that that is what's
17 happening and it's accommodating them, and we're
18 paying the price. It's the very definition of unfair
19 competition. There aren't many other places in the
20 world that allow this sort of thing, so there aren't
21 many other places where they can do that and where the
22 demand exists.

23 In any event, I'm happy to have the
24 opportunity to be here to speak on behalf of Appleton
25 Papers and its employee owned workforce. As has been

1 pointed out by our governor and will be pointed out by
2 my colleague, Mr. Kagen, it's an important employer in
3 Wisconsin's Fox Valley, and it's shown leadership and
4 resolve in challenging dumped imports from China and
5 Germany, as well as the subsidies provided by Chinese
6 producers.

7 The outcome of this case is important
8 because it will affect the lives of my neighbors in
9 central Wisconsin, an area that's fighting to maintain
10 its manufacturing tradition through hard work,
11 innovation and drive to be a world class area that
12 produces paper.

13 Today's case has added significance because
14 Appleton is a paper making company, and Wisconsin has
15 a long tradition of paper making. The paper industry,
16 however, is being endangered by unfair foreign
17 competition that believes market share is all
18 important and has sought to lay claim on our domestic
19 markets by selling their imports below the cost of
20 production.

21 Last month, a few short miles from the
22 Appleton Papers facility in Appleton another paper
23 company closed a mill, putting more than 500
24 experienced paper makers out of work. Unaddressed
25 dumped paper from China was an important factor in the

1 decision to close that mill, the Kimberly mill, and I
2 believe that the aggressive dumping of Chinese and
3 German lightweight thermal paper will have a similar
4 adverse effect on Appleton Papers.

5 Today, Appleton Papers has more than 1,300
6 employees at its Appleton, Wisconsin, facility. Many
7 of these workers are my constituents. These workers
8 enjoy a somewhat unusual distinction within their
9 company. Appleton is wholly owned by its employees
10 through an ESOP.

11 The employee owners of the company will be
12 doubly impacted by allowing dumping to continue
13 without the appropriate response. First, they'll
14 suffer through work reductions or job losses should
15 production cutbacks become a reality. Second, their
16 long-term financial security will be negatively
17 impacted.

18 These workers, these employee owners, have
19 invested their retirement assets in their company,
20 literally staking the future well-being on the success
21 of Appleton Papers. This commitment shows their
22 confidence in the American economy and in their
23 ability to compete head-to-head with the best
24 producers in the world. This dedication should be met
25 with a commensurate commitment on the part of our

1 government to enforce the trade laws which Congress
2 has passed.

3 This case is about protecting a leading
4 American manufacturer under attack by the predatory
5 trade practices of certain foreign competitors.
6 American manufacturing companies, particularly those
7 in Wisconsin, want to compete globally. In fact,
8 manufacturers in our state are anxious to put their
9 products and workmanship up against the best that the
10 world can offer.

11 True competition, however, is undercut when
12 prices are subsidized or products are sold below cost
13 in order to grab market share. Allowing dumping and
14 subsidization to stand can only harm domestic
15 manufacturers, leading to continued adverse conditions
16 in domestic markets and further declines in
17 manufacturing employment.

18 So I urge the Commission to consider
19 carefully the testimony given today and study the
20 record developed by these proceedings. Taking these
21 steps, I believe you will conclude that the dumping
22 and subsidization of lightweight thermal paper that
23 has been substantiated by the United States Department
24 of Congress cannot help but bring material harm to
25 Appleton Papers and its employee owner workforce.

1 Thank you very much for giving me this
2 opportunity.

3 CHAIRMAN ARANOFF: Thank you.

4 MS. ABBOTT: Our next speaker is the
5 Honorable Michael R. Turner, United States
6 Congressman, 3rd District, State of Ohio.

7 MR. TURNER: Good morning. Chairman Aranoff
8 and members of the Commission, I appreciate the
9 opportunity to testify before the Commission today
10 regarding this important investigation concerning the
11 import of lightweight thermal paper from China and
12 Germany.

13 Madam Chairman, I also want to recognize the
14 Appleton employees who have traveled from Ohio to
15 witness today's hearing. Many of these employees,
16 members of the United Steelworkers, traveled to show
17 this Commission their support for a favorable
18 determination on this issue and to show the importance
19 of such a finding on their local economies. These
20 employees have a truly vested interest in today's
21 proceedings not only because they work at Appleton,
22 but because Appleton is 100 percent employee owned.

23 Madam Chairman, Appleton Papers is an
24 important employer in my congressional district, the
25 3rd Congressional District in Ohio. In fact, Appleton

1 employs nearly 500 people -- 471 exactly -- in the
2 State of Ohio mainly at their West Carrollton mill.

3 Today's hearing is of such importance. I
4 wanted to underscore some of the current events that
5 are occurring right now. I truly believe that the
6 financial crisis that is before us, that we're seeing
7 gripping both the House and the Senate and really the
8 national attention, has as its bedrock the issue of
9 unfair trade practices and our ability to try to
10 ensure that we support our manufacturing sectors.
11 This issue today goes straight to our ability to
12 support and to defend our economy from those who are
13 acting unfairly.

14 In August, I had the honor of attending the
15 ribbon cutting for Appleton's new thermal coater at
16 its West Carrollton, Ohio, mill. Appleton's \$125
17 million investment in this upgrade underlines the
18 company's firm commitment to provide the highest
19 quality products to its customers and to producing in
20 the United States. This new investment in the West
21 Carrollton facility promises to bring new jobs to
22 Appleton and further increases Appleton's
23 competitiveness in the global marketplace.

24 The manufacturing economy in Ohio and
25 throughout the midwest is struggling against unfair

1 competition. It has been reported that since 1998,
2 Ohio has lost over 250,000 manufacturing jobs, and
3 unemployment has increased from 3.9 percent in 2000 to
4 6.6 percent in June of this year.

5 Recently, my district lost several Delphi
6 Corporation manufacturing facilities as a result of
7 their bankruptcy, as well as a major General Motors
8 assembly plant that is slated for closure. These
9 plant closures have a ripple effect on our local
10 economy, causing small businesses to close, putting a
11 strain on social services and resulting in a loss of
12 needed tax base for local governments and for our
13 educational institutions.

14 Instead of taking jobs overseas as many
15 companies have done, Appleton has not gone the way of
16 outsourcing and has decided to increase their
17 investment in the United States. This is critical to
18 the economy of Ohio and to my district in particular
19 and I believe the economy of the United States.

20 This new investment is particularly
21 important in light of recent developments with
22 overseas imports of lightweight thermal paper. It's
23 my understanding that the volume of paper imports from
24 China and Germany are very large and continue to grow.
25 Additionally, I have been told that imports from these

1 countries have undersold U.S. producers' prices and
2 that this has resulted in a significant number of lost
3 sales for domestic companies.

4 The Department of Commerce has issued its
5 final determination that paper imports from China and
6 Germany are being dumped in our market; that the
7 Chinese Government is providing significant subsidies
8 to thermal paper product producers in China.

9 It is imperative that the ITC also make a
10 determination that these illegal subsidies cause
11 material harm to the U.S. industry and apply duties
12 accordingly. This will help to offset the unfair
13 advantage that these practices give foreign
14 competitors.

15 Unlike other parts of the paper market, I've
16 been told that the market for thermal paper is growing
17 because of the popularity of using thermal paper for
18 point of sale receipts. Appleton has been at the
19 forefront of developing the coating technology that
20 enables the development of this type of thermal paper.

21 However, unfair imports have prevented
22 Appleton and the other U.S. producer from benefitting
23 from expanding demand and from the innovations they
24 have brought to the market. Without relief from these
25 unfairly subsidized imports, Appleton's investment in

1 West Carrollton is in jeopardy, as well as their
2 presence as a U.S. paper manufacturer.

3 Madam Chairman, our government should be in
4 the position of rewarding innovation, protecting
5 domestic industry from unfair trade practices and
6 fostering businesses like Appleton so that they can
7 continue to be a leader in a global marketplace.

8 Madam Chairman, when the playing field is
9 level, workforces like those at Appleton's facility in
10 West Carrollton can thrive, and companies like
11 Appleton can compete globally. We cannot allow these
12 unfair trade practices to continue, and I urge you to
13 make an affirmative decision in this investigation.

14 Thank you all.

15 CHAIRMAN ARANOFF: Thank you.

16 MS. ABBOTT: Our next speaker is the
17 Honorable Steve L. Kagen, M.D., United States
18 Congressman, 8th District, State of Wisconsin.

19 MR. KAGEN: Well, thank you very much for
20 the kindness of allowing me the opportunity to be with
21 you this morning.

22 My name is Steve Kagen. I am from Appleton,
23 Wisconsin, but I'm a little bit different than my
24 colleagues who came before you because this is not a
25 pleasurable experience because the people's lives that

1 you hold in your hands are the people I grew up with,
2 the people I went to high school with, the patients I
3 have taken care of for nearly a quarter of a century.

4 So before going into any numbers as you've
5 heard already, I want to just put a human face on some
6 of these people who have not just real damages, but
7 real problems. You've been to Appleton. I wish I
8 could have been there to give you the Kagen tour. It
9 would have only taken about two minutes to cover
10 Appleton.

11 Appleton is one of the chain of cities
12 called the Fox Cities. We are all connected, whether
13 it's Kimberly, Little Chute, Kaukauna, Wrightstown,
14 Appleton, Neenah and Menasha. We are fiercely,
15 fiercely proud of our provinciality of thinking to be
16 from Kimberly. I can tell you who's from Kimberly
17 just from looking at them. They're tall, they're
18 blond, and they're very good at playing not just
19 basketball, but volleyball.

20 They are also fiercely proud of where they
21 work. The Kimberly paper makers -- that's the team
22 logo. They're the paper makers, and today, because of
23 some of the decisions of last year, they may become
24 the former paper makers.

25 Kimberly-Clark. You use Kleenex and many

1 other of their products along the years. If you've
2 raised children, you appreciate some of their products
3 as well.

4 So Appleton, Kimberly, Little Chute. These
5 are a chain of cities up to Green Bay. Paper making
6 began in the State of Wisconsin over a century ago,
7 and it found a home in Wisconsin because of our trees,
8 our agriculture product, the trees. We grow timber.

9 Much of our industry is dependent upon
10 paper, the logging industry, and you can understand
11 how crushing an economic blow it has been with the
12 collapse of our housing market on the timber industry
13 and the logging industry and now the paper industry.
14 We lost a plant in Niagara in northern Wisconsin.
15 We've seen the closing of the Kimberly mill, a mill
16 that's been open for more than a century. This is
17 what we do. We make paper.

18 To understand the paper industry, you should
19 understand that as a businessman I look at it as three
20 things. There are three overheads in there. There's
21 raw materials, there's energy and people. Now, how
22 does our corporation, the Appleton corporation or any
23 other paper industry, compete against a foreign
24 industry in China where there's a corporate
25 government, where the corporate government provides

1 the energy, where the corporate government provides
2 the raw material?

3 Put it in your mind that there's this ship
4 from China that sails over to Brazil, picks up the raw
5 materials, all right, takes it back across the ocean
6 to China, puts it on a truck, trucks it on the road to
7 the paper mill that they have. They make the paper,
8 put it back on the truck to the port, back to the
9 ocean and ship it to California for import into our
10 country below our own cost of production.

11 Their energy costs are the same as ours.
12 Their raw material costs should be nearly identical to
13 ours. The difference is the people and the illegal
14 subsidization that China is providing.

15 Now, that's not just a singular case. We
16 saw recently in the Olympics -- we think we saw --
17 competition on a level playing field, no matter how
18 old the gymnastic competition was. We can compete
19 with anybody making paper as long as there's a level
20 playing field, but we have real people and real
21 damages.

22 One of those individuals is the Wendell
23 family, Don Wendell. Now, here what I've got up here
24 in front of you is something I'm going to leave
25 behind. It's a scroll that was signed by over 3,000

1 people from Kimberly and Little Chute and Combined
2 Locks. These are the people that make paper, that
3 survive off of paper for generation after generation.

4 In a book that I'll provide to you, Don
5 Wendell, who worked at the Kimberly mill for 30 years,
6 and his wife, Ann, along with their teenage daughter,
7 Kathleen, and Tony. This is what Don had to say:

8 "Our daughter is a junior in high school,
9 and the thought of paying for college with this
10 uncertain future is daunting. We also need to move to
11 a larger home or add on to ours, and this now needs to
12 be postponed indefinitely. We may have to sell our
13 car we just bought."

14 These are real people with real damages.
15 I'll also provide to you copies of a letter signed by
16 thousands of people in my home town of Appleton and
17 Kimberly and Little Chute and all these towns. Part
18 of it reads:

19 "The main issue at hand is the decision of
20 the ITC to allow the dumping of imports into our great
21 country. The dumping of imports is causing real
22 damage to real people. Even the most intelligent
23 people in the world can make mistakes, but they also
24 are wise enough to realize when a mistake has been
25 made and rectify the mistake.

1 "Please consider your position on the
2 dumping of imports into the USA. We can preserve the
3 American dream and ensure the future of our children
4 and their children."

5 It goes on. I'll leave that for you. These
6 are some of the people. These people have real
7 stories, and they also have numbers behind them.

8 Now, I have never been an attorney. I've
9 never appeared as a judge as you have, but you have to
10 look at the numbers. Behind those numbers are real
11 people. There are numbers to consider. Don Wendell
12 has a number. It's a house number. But his house
13 number might be some day soon XXXX.

14 Or Terry VanGrinzen. She's got a house
15 number. Some day soon it might be XXXX. Todd
16 Terkell, Scott Schneider, Janna Hughes. They may be
17 moving into your neighborhood because they've got
18 nothing else to do. They make paper. What are they
19 going to do? They can't chase their job to China.
20 They can't follow their job anymore when it's been
21 taken overseas.

22 Everyone in our community in Wisconsin is
23 connected. We're connected on Main Street just as
24 we're connected intimately to Wall Street. You see
25 that now in our economic crisis. Everyone has a

1 number, but what we're asking you to do is to look
2 past the numbers and take a look at the real people
3 who will be affected by your decision.

4 Now, when I left my medical practice to
5 enter the world of politics, I learned several
6 important lessons after my victory. The first lesson
7 I learned is that people really will believe a lie
8 when it's presented on television with great skill.
9 The power of the television is enormously important.

10 But the bigger lesson I learned is that it's
11 politicians like me, like our governor, like our
12 senators, like the other representatives from Ohio,
13 and like you who will ultimately determine who lives
14 and who dies because it's really up to you to decide
15 whether or not we're going to have something to
16 manufacture.

17 It's really up to you to decide if we have a
18 level and fair playing field so we can compete in a
19 world and global marketplace. I believe quite
20 strongly that the corporate governments in Asia have a
21 different ethics, a different value system. They have
22 targeted steel for extinction. They have targeted
23 textiles for extinction. If they could, they would
24 target dairy for extinction as they're targeting paper
25 production now.

1 I think it's time to draw a line not in the
2 sand, but here in Appleton, Wisconsin, my hometown.
3 Now, how proud am I of Appleton? Well, Appleton is
4 the home of Joe McCarthy. Now, some here may not
5 appreciate that I'm proud of that fact, but, you know,
6 he made a mistake. If he were here today he'd feel
7 differently. After all, his nephew endorsed me for
8 office and I'm a Democrat, so things can change and
9 turn around.

10 But Appleton is also the home of Harry
11 Houdini, Edna Ferber, Greta Van Susteren, Billy Dafoe,
12 as you might know him Willem Dafoe. We have
13 hardworking people that can play on a level playing
14 field and win, but only when we're given an
15 opportunity to compete.

16 I hope and trust that you'll review the
17 written record and the numbers before you and look
18 past the number and see on it a human face because as
19 Kimberly goes, as Niagara goes, as Appleton goes, so
20 goes this nation.

21 I thank you and will respectfully remain to
22 answer any questions you may have.

23 CHAIRMAN ARANOFF: Any questions?

24 (No response.)

25 CHAIRMAN ARANOFF: If you could announce the

1 opening statements?

2 MR. KAGEN: I appreciate it.

3 MS. ABBOTT: That completes our
4 congressional and state witnesses.

5 Opening statements on behalf of Petitioners
6 will be made by Joseph W. Dorn of King & Spalding.

7 MR. DORN: Good morning. This case is about
8 increasing volumes of unfairly priced imports of
9 lightweight thermal paper from China and Germany.

10 The increasing imports caused the U.S.
11 industry to suffer declining market share, declining
12 prices and abysmal financial results during a period
13 when demand was strong and growing and when U.S.
14 producers gained competitive advantage due to a
15 depreciating dollar and increasing ocean freight
16 rates. The Commerce Department has determined that
17 all such imports were either dumped or subsidized.

18 The evidence of material injury is far
19 stronger in these final investigations than in the
20 preliminary stage. Citing seasonality factors,
21 Respondents urged you last year to pay little
22 attention to declining domestic industry trend in the
23 first half of 2007 based on the preliminary record.

24 Well, now we have full calendar year data
25 for 2007. From 2006 to 2007, import prices declined

1 and import volumes and market share continued to rise.
2 Domestic producers' prices fell as the cost of
3 production increased, resulting in a classic cost/
4 price squeeze.

5 As a result, from 2006 to 2007 the domestic
6 industry's financial condition plummeted. The
7 combined operating losses of coaters and converters
8 jumped from \$645,000 in 2006 to about \$12 million in
9 2007 as shown on Slide 2. Their positive cashflow in
10 2006 turned to negative cashflow of about \$10 million
11 in 2007. Their return on investment declined from
12 zero to negative 5.5 percent.

13 The correlation of rising imports and
14 declining domestic industry performance is just as
15 clear from 2005 to 2007. As shown on Slide 3, the
16 combined operating losses of coaters and converters
17 jumped from \$1.6 million in 2005 to about \$12 million
18 in 2007. Their negative cashflow jumped from \$664,000
19 in 2005 to \$10.1 million in 2007.

20 As correctly stated in your prehearing
21 report, a variance analysis shows that the increase in
22 the operating loss from 2005 to 2007 is attributable
23 to unfavorable variances for both prices and cost.
24 That is, prices declined while the cost of production
25 increased.

1 Now, how could prices decline when the cost
2 of production was increasing? It is undisputed that
3 demand was strong and growing. It is also undisputed
4 that U.S. producers became increasingly competitive
5 versus imports from Germany and China as the dollar
6 depreciated 20 percent against those currencies and
7 the cost of fuel and ocean freight skyrocketed.

8 With those favorable market conditions,
9 domestic coaters should have increased market share
10 and should have increased prices faster than their
11 rising cost of production in order to achieve
12 reasonable levels of profit. The only reason that did
13 not happen is that subject imports used unfair prices
14 to take sales from domestic producers which forced
15 domestic producers to reduce prices to avoid losing
16 more sales.

17 The German Respondents' primary defense is
18 that their admittedly increasing imports were
19 attributable to a product that they say the domestic
20 industry did not produce. That defense, however, is
21 based on the fiction that so-called 48 gram and 55
22 gram products do not compete on the basis of price.

23 The truth is that these products are
24 functionally interchangeable and commercially
25 substitutable. There is nothing special about 48 gram

1 paper. A majority of purchasers of slit rolls told
2 you that they do not even know the basis weight of the
3 products they purchase.

4 The only reason that 48 gram paper from
5 Germany has taken market share is due to its lower
6 prices. Those lower prices cause converters to shift
7 purchases from domestic 55 and 53 gram paper to
8 imported 48 gram paper. Those lower prices forced
9 domestic coaters to reduce prices on 55 and 53 gram
10 paper and prevented domestic coaters from increasing
11 sales of their own 48 gram paper.

12 Dumped imports of 48 gram paper depressed
13 the prices of all lightweight thermal paper in 2007.
14 Imports from China also increased due to lower prices,
15 not due to their basis weight. In fact, China did not
16 even offer a 48 gram product. Imports from Germany
17 and China both increased for the same reason: Lower
18 prices.

19 Respondents' other main defense is the
20 domestic industry cannot be injured because Appleton
21 had the financial wherewithal to obtain bank financing
22 to make an investment to expand capacity in Ohio. As
23 Appleton's chairman will explain in a few minutes,
24 that investment was not funded by Appleton's
25 operations on lightweight thermal paper. Moreover,

1 the evidence shows that increasing imports destroyed
2 Appleton's prices and profits in 2007 after the
3 investment was improved.

4 Appleton's employee owners deserve a chance
5 to earn a reasonable return on that investment in a
6 market that is not depressed by unfairly traded
7 imports. That is why Appleton filed this petition.

8 We request affirmative determinations of
9 material injury for both China and Germany. At the
10 very least, the Commission should find threat of
11 injury. Thank you very much.

12 MS. ABBOTT: Opening remarks on behalf of
13 Respondents will be by William Silverman of Hunton &
14 Williams and Rosa S. Jeong of Greenberg Traurig.

15 MR. SILVERMAN: The key factual development
16 in this case is the growing use of an innovative
17 product that is 48 gram, which has served to expand
18 the demand generally for lightweight thermal paper to
19 the benefit of all suppliers.

20 As the record shows, German producers led
21 the 48 gram innovation, but domestic coaters
22 unfortunately missed the boat. For example, Appleton
23 officials testified at the preliminary conference that
24 Appleton abandoned its lighter weight alternative
25 product because of quality problems such as breaks

1 when the converters did their slitting and a
2 perception by customers that they were being cheated
3 because the rolls were smaller.

4 I cite for you transcript pages 105 and 106
5 where Appleton itself discusses the reasons why it did
6 not promote such a lighter weight paper.

7 By contrast, in 2004 and 2005 German
8 producers introduced the 48 gram product that has been
9 accepted by the purchasers. When purchasers began to
10 use the 48 gram product, domestic coaters had nothing
11 to sell, so it should be no surprise that German
12 imports increased for this 48 gram paper because the
13 coaters couldn't meet that demand.

14 Now, on pricing domestic coaters assert that
15 everything is explained by prices, but unfortunately
16 for them data in the staff report contradict that and
17 tell an entirely different story. For example, see
18 page 5-13 of the staff report and Exhibit 7 of our
19 prehearing brief to see what I mean because I can't
20 discuss it in a public forum.

21 Now, the domestic coaters don't like the
22 results of the pricing analysis in the staff report so
23 they take the Commission on a detour away from those
24 data. They want to change the Commission's normal
25 practice of price comparisons with a clever trick.

1 Instead of comparing Product 1 domestic with
2 Product 1 Germany and Product 2 from the domestic
3 industry and Product 2 from Germany, they have an
4 alternative. They want you to combine Product 1
5 domestic with Product 2 domestic and compare it only
6 to imports from Germany of Product 2.

7 You see, by their logic one plus two equals
8 two. That's a statistical trick that is so
9 transparent and so biased it should not even make it
10 to first base in your analysis.

11 Now regarding Appleton's \$125 million
12 expansion, it is unusual, to say the least, that a
13 company claiming injury from imports is at the same
14 time making a massive expenditure for expansion. In
15 most cases, Petitioners come before you and say
16 they're injured by imports and therefore they can't
17 make any investment and they can't expand or have to
18 cancel expansion.

19 Not in this case. The Petitioner went ahead
20 with a large capital investment, and this is the mark
21 of economic health in a growing market rather than
22 evidence of material injury, causation or threat.

23 We'll discuss this in more detail in the in
24 camera session. We'll discuss these points and the
25 numerous times that Petitioners have changed the data

1 once they see what the staff report or what other data
2 in the record shows.

3 Thank you again for granting the request for
4 the in camera proceeding.

5 MR. JEONG: We heard a lot this morning, a
6 lot of finger pointing with the Chinese imports being
7 blamed for everything from every social ill and the
8 financial crisis that's going on. What's not
9 mentioned this morning is the fact that Chinese
10 imports are very small and have remained small
11 throughout the period of investigation.

12 The U.S. market is dominated by the big
13 coaters like Appleton and Koehler, and Chinese
14 imports, which consist entirely of split rolls, have
15 little to do with what's going on with Appleton or the
16 market as a whole.

17 There are two distinct market segments in
18 the United States, jumbo rolls and slit rolls, which
19 do not compete with each other. There is absolutely
20 no relationship between the condition of domestic
21 coaters or the condition of domestic converters and
22 the Chinese split roll imports.

23 The small volume of Chinese imports is not
24 likely to increase in the foreseeable future. As you
25 will hear later, the overall Chinese capacity is

1 limited to just a few companies and even fewer
2 companies that produce paper with quality that's
3 acceptable to the U.S. market.

4 What's more, a huge part of the market is
5 closed to even those few producers because no Chinese
6 paper is certified by the major printer makers, which
7 is an absolute requirement for large retail customers
8 like WalMart and Kohl's. This means that even under
9 the most optimistic assumptions, Chinese imports have
10 very little room to grow in the U.S. market.

11 Under these facts, the Commission should
12 find that the U.S. industry is neither injured nor
13 threatened with material injury by reason of Chinese
14 imports. Thank you.

15 MS. ABBOTT: The first panel in support of
16 the imposition of antidumping and countervailing
17 duties should come forward.

18 While the panel is being seated, we will do
19 a microphone check of the Commissioner bench.

20 (Whereupon, a short recess was taken.)

21 CHAIRMAN ARANOFF: Madam Secretary, is this
22 actually working?

23 MS. ABBOTT: Madam Chairman, hopefully yes.

24 CHAIRMAN ARANOFF: Can you please call the
25 room to order?

1 MS. ABBOTT: Will the room please come to
2 order?

3 CHAIRMAN ARANOFF: Let's proceed now to the
4 first panel.

5 MR. RICHARDS: My name is Mark Richards. I
6 am the Chairman, President and Chief Executive Officer
7 of Appleton Papers, Inc. I've held that position
8 since April 2005. Before joining Appleton, I held
9 various management positions with other manufacturing
10 and service companies.

11 Appleton is owned entirely by its employees
12 through an employee stock ownership plan or ESOP.
13 This ESOP was put into effect in 2001 when Appleton's
14 workforce invested their retirement savings to acquire
15 it. Today, Appleton is the largest 100 percent
16 employee owned company in the U.S. Appleton's
17 employees depend upon the company for their daily
18 livelihood and retirement.

19 Appleton has been making paper products in
20 Appleton, Wisconsin, and other locations in the U.S.
21 for over 100 years. We maintain a strong commitment
22 to our 2,400 employee owners to continue to produce
23 paper in the United States. We are a global leader in
24 specially coated paper products and successfully
25 compete in international expert markets.

1 We perform extensive ongoing R&D work and
2 invest millions of dollars each year for product
3 innovation. We have patented many of the
4 technological breakthroughs like lightweight thermal
5 paper. Lightweight thermal paper is absolutely
6 essential to Appleton's future. Demand for this
7 product is strong and expected to continue to grow far
8 into the future.

9 Lightweight thermal paper is the largest
10 single market for thermal paper, and Appleton achieves
11 economies of scale by serving it. It is also a
12 stepping stone into the high value added thermal paper
13 market in which Appleton is a leader. Consequently,
14 Appleton needs to continue to grow and defend its
15 position by investing in both the lightweight and high
16 value added market segments as it has done so and will
17 continue to do.

18 Lightweight thermal paper is not a mature
19 product, but a relatively sophisticated product whose
20 best days are yet to come. Accordingly, Appleton is
21 committed to this business for the long term as
22 evidenced by our invention of the products with NCR in
23 the 1960s and its continuous production at our sites
24 for almost 40 years.

25 We are committed through remaining a

1 worldwide technological leader in the lightweight
2 thermal paper market. That is exactly why we invested
3 \$125 million in a new state-of-the-art coater at our
4 West Carrollton plant and certain enhancements to the
5 mill's paper machine, which will supply a significant
6 portion of the base paper used in the new coater. We
7 have also over many years made other significant
8 investment decisions to support our thermal based
9 business.

10 Today, the West Carrollton mill enhancements
11 are complete and the facility is operating. The
12 operation features world class, state-of-the-art
13 technology that exceeds anything else currently in the
14 market.

15 I respectfully disagree with the statement
16 that appeared in the dissenting views in the
17 preliminary determination that, and I quote, "The West
18 Carrollton expansion indicates that the industry has
19 the financial wherewithal to obtain the necessary
20 financing to make such a large investment."

21 As I understand it, the word industry as
22 used in the prior statement means the one making
23 lightweight thermal paper. I wish to clarify and
24 unequivocally state for the record that the financing
25 for this project was not based on the lightweight

1 thermal paper operations of Appleton. Those
2 operations alone would not be able to attract capital
3 for such a large investment.

4 The West Carrollton paper machine upgrade
5 and coater investment was funded by Appleton's
6 retained earnings and cashflow from its high value
7 added thermal and carbonless business operations and
8 from a preexisting line of credit benefitting the
9 entire corporation. Thus, no financial institution
10 was asked to advance new funding for the West
11 Carrollton investment.

12 Instead, Appleton leveraged its profitable
13 business operations to invest in the lightweight
14 thermal paper operation in order to legally solidify
15 its leadership position across all thermal segments,
16 improve its global competitiveness and generate a fair
17 return on capital for its employee owners.

18 An affirmative board decision to invest in
19 our lightweight thermal paper business was made in
20 2006 because we determined that the market for
21 lightweight thermal paper was large and growing.

22 Additionally, as documented by our board of
23 director materials supplied to the Commission, all
24 importers in question were then and still are freight
25 cost disadvantaged as 65 plus percent of lightweight

1 thermal raw materials, including pulp, base paper,
2 chemicals and energy, are virtually identical
3 commodity inputs in all markets, and favorable labor
4 rates cannot offset the freight cost disadvantages.

5 Accordingly, by investing in a world class
6 integrated coating system in the U.S. Appleton would
7 be a legally and fairly advantaged supplier of
8 lightweight thermal paper for North America, which is
9 entirely consistent with our strategy to offer a full
10 line of product in the thermal marketplace

11 On the other hand, foreign manufacturers of
12 lightweight thermal paper recognize the threat such an
13 investment would have on their U.S. market share.
14 Given that lightweight thermal paper is a commodity
15 product that sells on the basis of price, certain
16 foreign manufacturers of lightweight thermal paper
17 engaged in unfair trade practices to damage Appleton's
18 business and undermine our efforts to establish a
19 legal and fair competitive advantage.

20 During the 2006 investment and evaluation
21 process, robust and convincing data existed to
22 demonstrate that reasonable pricing and growing demand
23 would support such an investment. However, once the
24 project became public knowledge the U.S. lightweight
25 thermal paper market was attacked from two directions:

1 By imports of dumped jumbo rolls from Germany and by
2 dumped and subsidized slit rolls from China.

3 This unfair competition has thoroughly
4 undermined the basis for Appleton's investment
5 decision and substantially diminished our ability to
6 earn a reasonable return for employee owners. This
7 unfair competition has deprived all domestic producers
8 of lightweight thermal paper of sales revenue and
9 driven down prices at a time when raw material
10 inflation was running at unprecedented levels, freight
11 costs were hitting record highs and foreign currency
12 had moved strongly in domestic producers' favor.

13 The unfair trade practices of foreign
14 manufacturers have negatively impacted the U.S.
15 lightweight thermal paper market outlook and damaged
16 our business. Imports from China and Germany
17 depressed cashflows that we anticipated would be
18 available to fund the West Carrollton investment.

19 In addition, although we had hoped and
20 expected to lay the groundwork for the West Carrollton
21 expansion by increasing our sales base in 2007, these
22 unfair imports made that impossible, and our sales
23 base actually contracted during that critical time.

24 Accordingly, through no fault of our own, we
25 are well behind where we need to be in order to make

1 this investment pay off. With affirmative
2 determinations in these cases, we are optimistic that
3 we can make a reasonable return on this investment for
4 our employee owners.

5 However, without relief from unfair trade we
6 will be facing the very real prospect that this
7 investment, which is exactly the kind of industry
8 commitment that our trade laws should encourage, will
9 cause Appleton and its workforce to suffer harm going
10 beyond even the considerable damage that has already
11 occurred.

12 We ask you to restore fair trade to the
13 marketplace so that we can compete on a fair and level
14 playing field and can continue to create good American
15 jobs. Thank you.

16 MS. HATFIELD: Good morning. I'm Karen
17 Hatfield. I'm the Executive Director of Thermal
18 Marketing in the Technical Papers Division of Appleton
19 Papers, Inc.

20 Within our thermal paper business segment
21 I'm responsible for the lightweight thermal paper that
22 is the subject of these investigations. My
23 responsibilities include accountability for sales and
24 profits, market intelligence, product development and
25 business planning development execution.

1 The U.S. market for lightweight thermal
2 paper was strong and growing throughout the
3 Commission's period of investigation. Lightweight
4 thermal paper became the product of choice for
5 generating point of sale receipts and has increasingly
6 replaced carbonless paper and impact printer receipts
7 in those applications.

8 There are a number of reasons for this,
9 including the fact that thermal printing produces a
10 receipt quickly and cost effectively with little or no
11 noise, and the lightweight paper itself has high image
12 quality and retention and a coating that resists basic
13 environmental factors such as ultraviolet light, heat,
14 humidity and handling.

15 Consequently, the rate of growth and demand
16 for this product has been well in excess of the rate
17 of growth in the economy, a pace that is universally
18 expected to continue into the foreseeable future.
19 Thus, this business should have performed well for us
20 during the period covered by your investigation.

21 Instead, it performed very poorly as this
22 market was attacked by unfairly traded imports on two
23 fronts, particularly from late 2006 throughout 2007.
24 First, the German producers launched an all-out and
25 very successful effort to seize market share by

1 selling 48 gram paper at below market prices.

2 In the preliminary investigations, German
3 producers told a different story. They acknowledge
4 that they took market share from us, but said this was
5 because 48 gram paper was a new and different product
6 that was attractive to consumers for reasons other
7 than price but was not made by U.S. producers.

8 That's a nice story, but it is just not
9 true. To begin with, the entire notion that a 48 gram
10 paper is significantly different than 55 gram paper is
11 wrong. As my colleague, Mike Friese, will explain
12 shortly, 48 gram paper is not an innovative product.
13 In fact, the 48 gram paper that the German producers
14 are selling in the market is not distinguishable from
15 the 55 gram paper we produce or the 53 gram paper that
16 Kanzaki produces to any meaningful degree.

17 You can also see this by testing those
18 products. We have asked two independent experts to do
19 this, and both have concluded that the 48 gram, 53
20 gram and 55 gram products offered in the market are
21 completely interchangeable from a commercial
22 standpoint. The reports have been submitted to the
23 Commission, and one of these experts, Charles Klass,
24 will talk about his findings in a few minutes.

25 In short, what you've been told is a new and

1 different product isn't new and isn't different. To
2 the extent that any differences exist, they are slight
3 and do not begin to account for the explosive growth
4 in sales of imports from Germany.

5 I'm sure you will hear this afternoon that
6 end users like the 48 gram product because it can be
7 provided in longer slit rolls and this reduces the
8 need for roll changeovers, but in fact very few end
9 users buy 48 gram paper in these longer rolls.

10 Slit rolls are generally sold in the same
11 standard lengths whether the paper is 48, 53 or 55
12 grams. As one of our customers put it, "Dealers do
13 not sell on features and benefits other than our price
14 is cheaper than George's." Consequently, the 48 gram
15 product is fully interchangeable with and competitive
16 with 55 and 53 gram product not just sometimes;
17 always.

18 Moreover, as I believe you know, Appleton
19 introduced a lighter weight product to the market
20 before Koehler did. This product did not sell, and
21 the reason it didn't sell is that we didn't offer it
22 at a price lower than our 55 gram product, yet it had
23 all the same alleged advantages provided by Koehler's
24 48 gram product.

25 So the real difference and the only real

1 difference between the German 48 gram product and our
2 55 gram product is that the German product is lower
3 priced. Our customers have told us this as well. If
4 the price is the same, they will take either the 55
5 gram or the 48 gram product.

6 We have been asked repeatedly to reduce our
7 price on the 55 gram product in order to compete with
8 the German 48 gram product, and on many occasions we
9 have had to do that to keep the business. Price is
10 the only reason why imports of this product from
11 Germany have increased.

12 Price is also the only reason 55 gram
13 product from China has grown in share. In 2007,
14 imports of slit rolls from China were offered at
15 extremely low prices and became a major factor in the
16 market. These prices were so low that they caused
17 many of our converter customers to idle their own
18 slitting equipment and to become in effect marketers
19 of slit rolls from China.

20 This not only caused us to lose sales of
21 jumbo rolls. It also triggered an outright panic in
22 the market and enormous downward pressure on prices.
23 In that environment, no one was willing to listen to
24 us when we told customers that rising costs made it
25 essential for us to increase our prices. Instead,

1 they told us we would have to lower our prices to be
2 competitive with imports from China.

3 Even as we are fighting a two front battle
4 against unfairly traded imports, we continue to
5 experience significant increases in our materials and
6 energy costs. The net result was that in 2007, even
7 though demand was strong, our financial performance
8 deteriorated dramatically. Although I do not want to
9 discuss the specific data in public, you are aware
10 that 2007 was much, much worse for us than 2005 or
11 2006.

12 Finally, I would like to point out that
13 there is no economic justification at all for the
14 increase in imports from China and Germany that has
15 occurred. Like us, producers in these countries have
16 also experienced sharp materials and energy cost
17 increases. In addition, the U.S. dollar has
18 depreciated against the currencies of China and
19 Germany by almost 20 percent since 2005.

20 As has been widely reported recently in the
21 business press, ocean transportation costs have also
22 skyrocketed. All three of these factors should lead
23 to rising subject import prices, yet until these cases
24 were filed the German and Chinese producers continued
25 to drop their prices in this market. This perverse

1 and unjustified market dynamic simply would not be
2 possible without the unfair subsidies and dumping
3 practices that are the basis for this case.

4 Appleton respectfully requests the
5 Commission to put a stop to these practices by making
6 affirmative final injury determinations in these
7 cases. Since the petition was filed and preliminary
8 duties were imposed we have seen some improvement in
9 prices, but we have no illusions. The improvement
10 that we have seen is modest and fragile.

11 If the Commission does not make final
12 affirmative determinations in these cases, there is
13 simply on doubt that the producers in Germany and
14 China will once again attack this market with a
15 vengeance.

16 Thank you.

17 MR. FRIESE: Good morning. My name is Mike
18 Friese. I'm the Director of Technology in Appleton's
19 Technical Papers Research and Technology Department.

20 I have worked at Appleton for 15 years. My
21 responsibilities include the development of coating
22 and process technology and the incorporation of those
23 technologies into Appleton's products.

24 I'm going to further explain why the
25 products referred to here as 48 gram and 55 gram paper

1 are interchangeable and compete on the basis of price.
2 First, 48 gram paper is not a major innovation. It
3 does not satisfy some market need that has not been
4 previously addressed. It is not readily
5 distinguishable from other types of lightweight
6 thermal paper such as 53 gram and 55 gram paper.

7 In fact, 48 gram paper really spans a range
8 of basis weights. Slide 6 shows this based on
9 information from the manufacturers' specification
10 sheets. Koehler's specification sheet states that
11 KT48 is 48 grams per square meter plus or minus five
12 grams. That means the actual basis weight is within a
13 range of 43 to 53 grams.

14 Appleton's Alpha 400-2.1 has a basis weight
15 of 48.2 grams plus or minus 2.4 grams. That means the
16 actual basis weight is within a range of 45.8 to 50.6
17 grams. Similarly, Appleton's and Koehler's 55 gram
18 products are produced within a wide range of basis
19 weights.

20 Second, there is no clear dividing line
21 between 48 gram and 55 gram paper. As shown on the
22 slides, Appleton's 48 gram paper has a basis weight as
23 high as 50.6 grams and our 55 gram paper has a basis
24 weight as low as 50.7, so the high end of the range of
25 the 48 gram paper and the low end of the range of our

1 55 gram paper are essentially identical.

2 Furthermore, the basis weight range of
3 Appleton's products is right in the middle of the
4 range of Koehler's products. The same is true of
5 Kanzaki's P300, which has an average basis weight of
6 53 grams.

7 Third, caliper -- that is, thickness -- is
8 more important to the end use of the product than
9 basis weight. U.S. printers generally specify the
10 caliper, not the weight, of the paper. In addition,
11 just as there is no bright line between the weight of
12 48 gram and 55 gram paper, there is no bright line
13 between their calipers. This is clearly shown in
14 Slide 7.

15 For example, Appleton's 48 gram paper, our
16 Alpha 400-2.1, has a caliper of 53.3 microns plus or
17 minus four microns, which means that the caliper of
18 this product may be as high as 57.3 microns. Our 55
19 gram paper, Alpha 400-2.3, has a caliper of 58 microns
20 plus or minus four microns, which means that the
21 caliper of this product may be as low as 54 microns.
22 Thus, the calipers of our 48 and 55 gram papers
23 overlap.

24 Similarly, the thickness of Koehler's KT48
25 has a caliper range of 48 to 58 microns. That

1 overlaps the caliper ranges of essentially all 55 gram
2 products, including our Alpha 400-2.3, Kanzaki's P300,
3 Mitsubishi's F5041 and Koehler's own KT55, which has a
4 caliper range of 55 to 65 microns.

5 In short, 48 gram and 55 gram papers are not
6 readily distinguishable in terms of their basis weight
7 or, more importantly, their caliper. There is no
8 difference in the coatings used on the products. The
9 only difference is the thickness of the base paper as
10 shown in Slide 8.

11 We have benchmarked our paper against the 48
12 gram paper made by Koehler and Mitsubishi to compare
13 factors that bear on the quality of the product,
14 including the brightness, opacity, stiffness, tear
15 resistance, tensile strength and smoothness of the
16 paper.

17 We have compared these products in terms of
18 the factor that most accurately reflects the
19 performance of the thermal paper in a printer, its
20 dynamic sensitivity. We have also subjected them to
21 numerous kinds of environmental resistance tests.

22 All of these tests have confirmed that these
23 are fully interchangeable products from both a
24 technical and commercial standpoint. Thus, they
25 compete on the basis of price, not performance

1 attributes.

2 Thank you.

3 MR. BLASCZYK: Good morning. I am Steve
4 Blasczyk. I have worked at the Appleton plant for 20
5 years in various positions responsible for
6 engineering, plant maintenance and manufacturing
7 operations. I am currently operations manager of the
8 plant in Appleton, Wisconsin, and my responsibilities
9 include all aspects of production of lightweight
10 thermal paper.

11 As some of you saw on our plant tour,
12 production of lightweight thermal paper involves
13 complex processes, technical expertise and large scale
14 equipment. Given our very large capital investment,
15 we must operate the plant continuously to minimize our
16 costs.

17 Increased imports of lightweight thermal
18 paper from Germany and China have taken orders away
19 from our plant, reduced our capacity utilization,
20 reduced our efficiency and increased our per unit
21 fixed cost on remaining sales.

22 I would like to comment on two statements
23 that appear in the dissenting views in the preliminary
24 determination that I would ask the Commission to
25 reconsider in these final investigations.

1 First, there is a statement that, "The
2 larger increase in the volume of subject imports from
3 Germany in interim 2007 occurred during a period in
4 which the domestic industry experienced production and
5 supply difficulties."

6 As the person in charge of production of
7 lightweight thermal paper for Appleton, I can assure
8 you that we did not have any production or supply
9 problems in the first half of 2007 or at any other
10 time in 2007. In fact, at all times during the period
11 of investigation we had excess production capacity for
12 lightweight thermal paper at the Appleton plant. If
13 we had received more orders, we could have supplied
14 more product.

15 Second, there is a statement that the,
16 "Capacity the industry characterizes as underutilized
17 is in fact antiquated and not available for production
18 on a commercial basis." I strongly disagree with that
19 statement to the extent it was aimed at Appleton.

20 In advance of the verification last week I
21 carefully reviewed and confirmed the capacity numbers
22 that were presented in detail to Ms. Klir. Those
23 numbers do not include capacity from any antiquated
24 equipment. It is all good capacity that we could have
25 fully utilized during the period of investigation if

1 we just had the orders to do so.

2 As you saw on our plant tour, our plant is
3 in no way antiquated. In fact, we are state-of-the-
4 art on many fronts. We operate some equipment that
5 we've had for a long time -- this is typical for paper
6 plants -- but we have invested to upgrade older
7 equipment and to keep all of our equipment efficient.

8 Since early 2002, I've had the pleasure of
9 exercising a great passion of mine, and that is
10 implementing lean manufacturing at the Appleton plant.
11 Lean is all about reducing cost and improving product
12 quality and consistency.

13 To counteract increasing raw material and
14 energy costs, we have improved our operations by
15 achieving substantial reductions in waste materials,
16 equipment down time and changeover costs. We have
17 increased our capacity from existing equipment by
18 improving efficiencies, and we have improved our
19 on-time deliveries and the consistency and quality of
20 our products.

21 In short, as I hope you learned during your
22 visit to Wisconsin, we are proud of our facilities and
23 our skilled workforce. We believe we have done our
24 part in investing our time and life savings to improve
25 our efficiency and our capacity.

1 We ask for your help to restore fair
2 competition to the market. Thank you.

3 CHAIRMAN ARANOFF: Thank you for pausing the
4 panel.

5 We are now going to hear from our final
6 government witness. Madam Secretary, could you please
7 announce the witness?

8 MS. ABBOTT: Our speaker is the Honorable
9 Ted Strickland, Governor, State of Ohio.

10 CHAIRMAN ARANOFF: Governor, welcome to the
11 Commission. Thank you for coming today.

12 MR. STRICKLAND: I'm happy to be here, and
13 thank you for giving me this opportunity. I was a
14 little delayed this morning with my flight, but thanks
15 for the opportunity to be here.

16 Chairman and members of the Commission, I
17 appreciate this opportunity to appear before you
18 today. I've come to Washington to add my voice to
19 those who have sought remedy from the harm inflicted
20 on U.S. lightweight thermal paper manufacturers by
21 dumped and unfairly subsidized German and Chinese
22 imports.

23 The issues here are matters of basic
24 economics, but what's at stake are the lives and the
25 livelihoods of many hardworking Ohioans. Across the

1 midwest, businesses, workers and their families are
2 struggling every day against the national economic
3 downturn, rising energy prices and tightening credit.

4 We are feeling these strains particularly in
5 Ohio, which has been for a long time a manufacturing
6 hub. Of course, goods producing companies are
7 vulnerable to national economic downturns. They
8 suffer first when energy prices rise or when
9 production opportunities abroad make it enticing for
10 companies to relocate from here to regions like Latin
11 America and Asia.

12 But our manufacturing sector is also
13 uniquely vulnerable to the damage that can be caused
14 when overseas competitors employ aggressive, unfair
15 production and sales tactics and use them to dump
16 products in the U.S. market at artificially low
17 prices. Indeed, I would respectfully contend that a
18 significant portion of manufacturing job losses that
19 we have seen in Ohio have come at the hands of
20 anticompetitive trading practices from overseas.

21 Now, some folks may think that Ohio's
22 manufacturing companies have fallen behind on
23 technology and that they haven't invested in new
24 equipment and are left unable to compete in a global
25 economy, but, quite frankly, that is simply not the

1 case and nowhere is this point more evident than in
2 the lightweight thermal paper sector.

3 In fact, while the U.S. lightweight thermal
4 paper industry has been besieged by unfairly traded
5 foreign imports, the principal U.S. manufacturer,
6 which is Appleton, has been making major investments.
7 Appleton has upgraded its technology, it's grown its
8 domestic production, and it has expanded its Ohio job
9 base, which increased by about eight percent just last
10 year.

11 Ohio's Lieutenant Governor Lee Fisher, who
12 also serves as our Director of the Department of
13 Development, led my administration's team working with
14 Appleton's executives on some of the key early details
15 of their \$125 million investment in a new thermal
16 coater which was installed just this summer at the
17 company's West Carrollton mill. That coater is now up
18 and running and helping to position Appleton for
19 tremendous competitive opportunities in the overseas
20 markets.

21 No one is more proud of that investment
22 obviously than Appleton's employees who, as you may be
23 aware, are not just workers, but are in fact owners of
24 100 percent of the company. A number of Appleton's
25 employee owners from West Carrollton and from other

1 Appleton locations, as you know, are here in the
2 hearing room today.

3 Now, when a company is worker owned, the
4 employees have everything on the line. These employee
5 owners are here today because they care about their
6 jobs, of course, and they're also here because they
7 want to protect their investment in Appleton, in its
8 new technology and of course in their own economic
9 security, and they're here because they believe in the
10 American business ethic that says when you make a
11 superior product, you can compete with anyone in the
12 world.

13 We are grateful for the fact that Appleton's
14 employee owners made the decision to keep their
15 investment in Ohio rather than put their new
16 technology and capacity in investments overseas. That
17 is a difficult choice that is made by too many U.S.
18 companies all too often.

19 But when a company is owned by its workers
20 it tends to reinvest in its own backyard, and that
21 makes me even more proud to be here today with the
22 employees representing Appleton and the United
23 Steelworkers Local 266 to do my part in speaking for
24 their futures, for their families and for their
25 communities.

1 But we know that their interests are very
2 much at risk. While the U.S. industry's product costs
3 have risen dramatically, lightweight thermal paper
4 manufacturers have watched their domestic market share
5 erode at the hands of a flood of artificially priced
6 imports which have come from China and Germany.

7 As the Commission is aware, the Commerce
8 Department recently determined the extent to which
9 German and Chinese prices are undercutting the U.S.
10 market. Not only are the numbers themselves alarming;
11 they are more troubling because the lightweight
12 thermal paper sector, like other heavy manufacturers,
13 has historically managed with very razor thin margins,
14 so I need hardly tell you that dumping at margins that
15 may appear to be modest can still have astonishingly
16 grave effects, particularly when they are accompanied
17 by a rising volume of imports like those we have
18 witnessed in this market.

19 No company with so much at stake -- massive
20 new investments in its technology, a highly skilled
21 and well-paid workforce and an unwavering commitment
22 to pursuing market opportunities. No company can
23 sustain the types of losses being dealt to the
24 lightweight thermal paper sector in today's
25 marketplace.

1 Given this, we in Ohio are worried. We are
2 worried because absent direct efforts by the federal
3 government to put a halt to artificially priced
4 imports, Appleton will not have a fair chance to
5 recoup its massive investment in expanding its
6 competitive abilities.

7 We can ill afford to wait and see what
8 further damage could come if we leave Appleton to
9 defend for itself against such illegal competition.

10 In Ohio, we surely cannot afford business
11 contraction and job losses, and we certainly cannot
12 bear more burdens in our paper sector, other segments
13 of which have already declined at the hands of unfair
14 foreign competition.

15 So, on behalf of the State of Ohio, I come
16 here today to respectfully urge this Commission to
17 uphold the dumping and illegal subsidy findings issued
18 last week by the Commerce Department. If Appleton and
19 the domestic industry are to be expected to survive,
20 we must give the employee owners of the company and
21 the community, which increasingly relies upon them, a
22 fair chance to succeed.

23 So we ask that the Commission restate
24 balance in the marketplace so that employee owners who
25 invest their own resources, their own savings to help

1 a company like Appleton stay competitive can be given
2 every reasonable chance to succeed.

3 With concern for Appleton, for Ohio's
4 economy, and for our region's economic future in mind,
5 I ask that you consider the compelling facts of this
6 case, as well as the tremendous cost of inaction. I
7 hope that the Commission will make a resounding,
8 affirmative decision in the final stage of this
9 important investigation.

10 I thank you for letting me come and speak
11 with you this morning. If you have any questions, I
12 would be happy to try to respond.

13 CHAIRMAN ARANOFF: Thank you, Governor, for
14 coming to testify, and you're actually fortunate that
15 you were a little delayed this morning, as your fellow
16 governor experienced our sound system crashing.

17 Does anyone have a question for the
18 governor? Thank you very much.

19 MR. STRICKLAND: Just let me say it's better
20 for the sound system to crash than for the airplane to
21 malfunction.

22 CHAIRMAN ARANOFF: Absolutely.

23 MR. STRICKLAND: So thank you very much.

24 CHAIRMAN ARANOFF: Madam Secretary, I think
25 we're ready to resume the testimony of the first

1 panel.

2 MR. ALLEN: Hello, Ladies and Gentlemen.
3 First, I want and need your utmost attention here
4 today. I'm Jim Allen, only a 41-year employee from
5 the West Carrollton mill of Appleton Papers in West
6 Carrollton, Ohio.

7 I'm real sure I won't speak as eloquently as
8 others have and will today, but you can rest assured,
9 I'm speaking with sincerity and from the depths of my
10 heart.

11 Back home at the mill, I work in our mill's
12 maintenance department as a master journeyman. That's
13 just a fancy title for a millwright. We just repair
14 things and keep the mill running around the clock.

15 I also serve as the president of the United
16 Steelworkers Local Union 266, which represents the
17 hourly workforce at our location.

18 I'm here before each of you today on the
19 most important trip I've ever been on in my life.
20 Jobs of some 2,400 employees and their families are
21 very dependent upon the outcome of this case. Our
22 mill alone, in West Carrollton, Ohio, has provided
23 good-paying jobs for over 60 years.

24 In November of '01, all Appleton employees,
25 company-wide, invested from our life savings accounts

1 and our ESOP and from our 401-K and put into an ESOP
2 trust and used it as a down payment to purchase the
3 paper division from our parent owners, AWA, in Europe.

4 We pooled the 401 savings accounts and came
5 up with about \$108 million, as you've seen on slides
6 earlier. We then borrowed an additional seven to \$800
7 million to complete the deal.

8 We, in West Carrollton and all of Appleton,
9 are certainly dependent upon each other, and, yes, I'm
10 only one of two USW officials speaking here today, but
11 let me assure each of you that I'm speaking on behalf
12 of all of the employees, their families, and many that
13 have come along with us here today.

14 I now want to acknowledge those 40 USW
15 members that are here today from Appleton's West
16 Carrollton mill, Union 266; the Roaring Spring mill,
17 Local 422; the Appleton plant, Local 469. I want to
18 ask those members, my brothers and sisters, to stand
19 up and be recognized.

20 We each, all and every one, respectfully
21 request your support in this urgent matter that is
22 before you. You must help us to keep this field level
23 that we're competing on so that we can compete, stay
24 in business, and continue to have jobs, and, of
25 course, pay taxes. Please don't let this be the

1 beginning of the end for our business and its future.

2 With that, I'll sincerely thank each of you
3 for your time and attention and allowing me to address
4 such a distinguished group.

5 MR. HEFNER: Good morning. My name is Steve
6 Hefner. I am the president and CEO of Kanzaki
7 Specialty Papers, a position that I have held since
8 July of 2003.

9 Kanzaki is a U.S. producer of direct
10 thermal, thermal transfer, and inkjet coated papers
11 and films. We have a modern, state-of-the-art
12 manufacturing facility located in Massachusetts. We
13 have 233 employees, many of whom are represented by
14 the United Steelworkers, Local 708.

15 I have been with Kanzaki for 18 years.
16 Before that, I was the general manager of a subsidiary
17 of Cetone Company that purchased and resold
18 lightweight thermal paper.

19 I have also held positions at Ricoh and IBM.

20 Lightweight thermal paper is Kanzaki's
21 largest business segment. We are fully committed to
22 the lightweight thermal paper market.

23 During the period of your investigation, we
24 have made substantial investments to upgrade our
25 coating and other related equipment. None of our

1 production equipment is antiquated. We have had
2 unused capacity at all times since 2005, and we have
3 had no production or supply disruptions.

4 Up until unfairly imports from Germany and
5 China became so prevalent in the market, lightweight
6 thermal paper was a reliable profit center for the
7 company. But that business has taken a dramatic turn
8 for the worst, as you can clearly see from the
9 confidential financial data that we have submitted.

10 This decline is not due to problems with
11 lagging demand. Instead, the segment has continued to
12 be strong and increasing each and every year. End
13 users have found that lightweight thermal paper
14 provides the most cost-effective solution in
15 generating point-of-sale receipts. As a result,
16 demand has generally grown at rates well in excess of
17 GDP.

18 The problems that Kanzaki's lightweight
19 thermal paper business has experienced are directly
20 attributable to the sharp growth that we have seen in
21 low-priced imports from both Germany and China. We
22 have been tracking this very closely for some time, as
23 you can see from our questionnaire response.

24 We have provided the Commission with copies
25 of internal company documents that show very clearly

1 that our converter customers have been unwilling to
2 pay higher prices for our jumbo rolls because imports
3 from Germany were priced so low.

4 These documents also show that many
5 converters had no choice but to buy finished goods
6 coming from China because they were being offered at
7 prices far below the cost of goods sold.

8 The documents show that some of these
9 converters threatened to buy even more slit rolls from
10 China if we raised our prices.

11 These documents also contain a great deal of
12 information on situations where we were forced to roll
13 back or reduce an announced price increase to a
14 customer or to lower our price to meet a competitive
15 price offered to a customer by a supplier of the
16 subject imports. This has occurred time and time
17 again.

18 I know what the other side is telling you,
19 that imports from Germany increased because German
20 producers introduced this new and unique product, a
21 so-called "48-gram product," not made by the domestic
22 producers. I am here to tell you that that's flat-out
23 wrong.

24 First, we completely disagree with the
25 categorization of paper by basis weight. What matters

1 is caliper and square footage. This is evidenced by
2 the fact that coaters sell and converters buy these
3 products based on area, not weight.

4 Moreover, the OEM specifications for POS
5 thermal printers make clear that the printer
6 manufacturer does not care about weight. They are
7 concerned about the caliper of the paper, since
8 caliper determines the contact with the thermal
9 printhead, which, in turn, determines the imaging of
10 the printed media.

11 Second, Kanzaki has been offering a thinner-
12 caliper product to the market since January of 2004.
13 Although it is not a standard-sensitivity product, it
14 competes with Koehler and Mitsubishi's 48- and 55-gram
15 products. In fact, one of the larger retailers used
16 our thinner-caliper product first, but it switched to
17 Koehler KT48 due to a lower price.

18 We have not introduced a standard-
19 sensitivity, 48-gram paper because it costs no less to
20 make a thinner-caliper paper.

21 Our P300 product is fully interchangeable
22 with KT48, and we could not meet the dumped prices
23 from Germany with a thinner-caliper, standard-
24 sensitivity product.

25 Third, the Germans are not selling a better

1 product. They are selling the same product for a
2 dumped price. They make a product that is very
3 similar in caliper to our P300, but they choose just
4 to sell it at a lower price, and the sole attraction
5 to Koehler's 48-gram paper to the customer is its
6 lower price.

7 Let me elaborate. Not too long ago, I was
8 asked by one of our larger converter customers, "What
9 is Kanzaki going to do to compete with the 48-gram
10 commodity thermal paper?"

11 I answered, "What do you mean, what are we
12 going to do? Do you mean how are we going to make our
13 own 48-gram, standard-sensitivity paper, or do you
14 mean how are we going to match the price being offered
15 by Koehler on their 48-gram paper? Do you want a
16 lower basis weight, or do you want a lower equal price
17 to that of Koehler's 48-gram paper? If we could offer
18 you a 53-gram or a 55-gram thermal, commodity paper at
19 the same price that you are being offered for the
20 German 48-gram paper, would that work for you?" The
21 answer was, "Absolutely."

22 The converter customer told me that they did
23 not care whether the basis weight was 48, 53, or 55;
24 he only cared about the price. He told me that
25 Kanzaki needed to remain competitive with the 48-gram

1 paper being offered from Koehler because price
2 determines what they buy.

3 In fact, he admitted to me that Kanzaki's
4 P300, 53-gram runs better across their slitters than
5 the Koehler KT48 paper, but he said he needed to stay
6 competitive in the price arena since the product is a
7 commodity.

8 The converter customer went on to say that
9 he is now trying to convert all of his end-user
10 customers to 48-gram paper by telling them that 48-
11 gram paper offers them the most economical receipt
12 roll, especially because retailers are now looking to
13 cut costs everywhere, with the soft retail
14 environment.

15 So I asked, "What would happen if we offered
16 P300 53-gram paper at a lower price than the German
17 48-gram paper?" I said, "What would you tell your
18 end-user customers? Could you recant your story of
19 the merits of 48-gram paper after spending so much
20 time convincing them, the customer, that that was the
21 way to go?"

22 The converter customer said, "That's easy.
23 We would just tell the end-user customer that this is
24 a lower-priced product, and they should go for the
25 lower price."

1 Fourth, as you consider whether 48-gram
2 paper is a product that customers are clamoring for,
3 you should ask yourself, why? If it is true, do the
4 German producers sell virtually none of that product
5 in their home market in Europe? We understand the 48-
6 gram paper accounts for less than five percent of the
7 lightweight thermal paper that German producers sell
8 in the European Union.

9 It also is our understanding that they sell
10 that product, when they sell it at all, only in the
11 United Kingdom and Italy.

12 Finally, the Commission should know that the
13 imports from China have also presented an enormous
14 problem for our business, even though their market
15 share is not as high as German producers. These
16 imports have been priced so low as to cause converters
17 to buy slit rolls from China for resale rather than
18 jumbo rolls to be processed on their own equipment.
19 This was the only way that get or keep certain
20 business. We have lost sales of jumbo rolls that
21 would have otherwise been made to these converters.

22 Imports from China have also played a major
23 role in suppressing jumbo roll prices. Our converter
24 customers have cited the availability of low-priced
25 slit rolls from China as the reason for refusing to

1 pay the prices that we've been asking for.

2 On behalf of Kanzaki and its 233 employees,
3 I respectfully ask you to please return this
4 competition in the lightweight thermal paper market to
5 a level playing field. Thank you.

6 MR. GEENEN: Good morning. My name is Jon
7 Geenen, and I'm an international vice president in
8 charge of the paper sector of the United Steelworkers.

9 The USW is the largest industrial union in
10 North America, with 850,000 active members. In
11 addition to the steel industry, we represent workers
12 in paper, forestry, rubber, and petrochemical
13 industry, as well as in other sectors of our economy.
14 The paper and forestry sector is the second-largest
15 sector of our union, with over 200,000 members, and
16 many of them are engaged in the manufacture of
17 lightweight coated paper.

18 American paper workers are in the fight of
19 their lives. Despite the fact that U.S. paper
20 companies have become the most efficient producers in
21 the world, the U.S. market has become the dumping
22 ground for foreign paper. This is particularly true
23 of lightweight thermal paper.

24 German and Chinese producers are taking a
25 large share of the U.S. market through unfair pricing,

1 and this problem is compounded by Chinese producers
2 that also have a tremendous unfair advantage because
3 of subsidies they get from the Chinese government.

4 The USW is the dominant union in the United
5 States paper industry. All of the lightweight thermal
6 paper-making capacity in the U.S. is unionized. The
7 USW represents paper workers at Appleton Papers and at
8 Kanzaki. In short, thousands of good-paying jobs are
9 tied to the thermal paper industry.

10 My own life's work started in the paper
11 industry in 1977 at Thilmany Pulp and Paper in
12 Kaukauna, Wisconsin, just a few miles down the road
13 from Appleton Paper's plant. I have a number of close
14 friends and relatives that work at that plant. My
15 wife worked there for 25 years, as did two of my
16 daughters, as summer help, to help finance their
17 college educations.

18 My career in representing workers in the
19 paper industry started on the shop floor and
20 eventually led me to the position that I am in today,
21 and this responsibility weighs heavily on me, given
22 the crisis the paper industry is facing, like no other
23 in its history.

24 Over my 30-year career in the paper
25 industry, I've seen tremendous, and often positive, if

1 difficult, changes. Growing global competition has
2 made U.S. paper workers and the industry become more
3 efficient and productive. Today, in many paper mills,
4 paper is produced in flexible, self-directed, and
5 high-performance work systems that focus on lean
6 manufacturing where workers are problem solvers and
7 have extensive decision-making responsibility.

8 The result of this has been improved
9 productivity and reduced costs, and the union
10 workforce has been at the vanguard of these advances.

11 While we understand that such gains have
12 come at a cost, namely, large reductions in
13 employment, we believed, overall, it was worth the
14 cost until now. Instead of reaping the benefits of
15 our dedication and sacrifice to ensure the industry's
16 future, all of our difficult efforts are being undone
17 by unfair foreign competition.

18 In Wisconsin alone, 20 percent of the
19 industry has been lost in seven short years, and this
20 trend is mirrored by losses across the entire country.
21 While it is one thing to lose jobs due to inefficient
22 and outdated equipment, it is painful to watch workers
23 suffer the loss of high-quality jobs on state-of-the-
24 art equipment because of unfair advantage.

25 This is a terrifying reality for our USW

1 members and the community. From 2001 through 2007, a
2 total of 118,000 jobs have been lost in the paper
3 industry. This year alone, 20 paper machines have
4 been shut down, and, last evening, there was an
5 announcement of another machine to add to that tally.

6 These are good-paying and technically
7 skilled jobs that support middle-class families and
8 provide hope for the future. The average wage rate of
9 a worker in this industry is \$23 per hour, and that
10 excludes benefits.

11 The paper industry is on a knife's edge. It
12 is very sensitive to unfair trade, and my members will
13 bear the burden of any harm. Thermal paper workers
14 enjoy tremendous advantage, abundant access to fiber,
15 large water supplies, proximity to customers, and a
16 highly skilled and dedicated workforce, and yet these
17 advantages are of no use when thermal paper products
18 are dumped and subsidized, keeping prices low and
19 eroding the gains that we have worked so hard to
20 achieve.

21 Your investigation makes clear that thermal
22 paper imports from Germany and China are causing
23 injury to our domestic market. Imports are up, and
24 the market share of German and Chinese producers is
25 high. These imports have had an adverse impact on

1 U.S. producers' productions, shipments, and capacity-
2 utilization rates, and on U.S. producers' financial
3 performance.

4 Our workers are well trained, and our
5 institutions of higher education, like Wisconsin's
6 technical college system, provide support and
7 infrastructure for the industry through apprenticeship
8 programs, basic and advanced educational offerings,
9 and now even high-end programs are being built around
10 opportunities that accompany renewable energy
11 applications in the paper industry so that we can
12 continue to produce highly technical products, like
13 thermal paper, in an energy-efficient and cost-
14 efficient manner.

15 Today, we have the skilled paper workers we
16 need for the U.S. to compete effectively in the global
17 economy. What we need are the jobs. These aren't
18 jobs of the past; these are the jobs of the future.
19 These are jobs worth fighting for, and so I'm here
20 today seeking your help to stop unfair competition
21 from destroying the jobs and ruining the lives of
22 great American workers' families and communities.
23 Thank you.

24 MR. RAPIER: Good morning. I'm Mike Rapier,
25 president of Liberty Paper Products. I've been

1 president of Liberty since 2001. Prior to that, I was
2 the general manager for Maxwell Paper.

3 Liberty is a converter in Phoenix, Arizona,
4 that manufactures, converts, and distributes point-of-
5 sale products all over the country. Most of our
6 business is lightweight thermal paper.

7 We began to see imports of slit rolls from
8 China in late 2005 and early 2006. They were priced
9 below prevailing market prices.

10 Following that, prices for slit rolls in the
11 overall market began dropping to compete with Chinese
12 imports.

13 When we provided our current price to one of
14 our long-term customers, we were told that we were no
15 longer in the ball park.

16 In order to stay competitive, we placed a
17 bid quoting the price of Chinese paper. We imported
18 slit rolls from China because that was cheaper than
19 buying jumbo rolls and slitting them ourselves.
20 Although this is not something we wanted to do because
21 we could not use our own equipment, we were forced to
22 in order to compete.

23 The quality of slit rolls from China we
24 shipped was quite adequate. In fact, it was actually
25 Koehler's KT55 product that was slit in China.

1 We have also experienced adverse impacts
2 from German imports. In the past, we sourced jumbo
3 rolls from both domestic and German sources. In our
4 experience, imports from Germany have generally been
5 priced lower than comparable domestic products. In
6 fact, we have been able to use lower prices from
7 Germany as leverage to force our domestic suppliers to
8 lower their prices.

9 While any supplier may have intermittent
10 quality or delivery issues, on balance, we have found
11 the domestic suppliers' quality to be equal to, or
12 better than, that from German imports and that
13 domestic suppliers' on-time deliveries have been more
14 reliable than German imports.

15 Lightweight thermal paper is a commodity
16 product sold largely on the basis of price. A good
17 indication of that fact is the prevalence of reverse
18 Internet auctions where products from China and
19 Germany, including the 48-gram product, compete
20 directly with domestic 55-gram product. Large retail
21 accounts solicit the lowest-possible price.

22 For example, in 2006, we won an auction for
23 a large retailer that had a small number of bidders
24 involved. In late 2007, just before the petition was
25 filed, the retailer held a reverse Internet auction,

1 with over 20 converters participating. The price fell
2 15 to 20 percent, and we lost the customer.

3 For larger retailers, reverse Internet
4 auctions have become the most prevalent way to sell
5 your product. In some cases, the retailers do not
6 even know the identities of the converters bidding, as
7 there are reverse auction companies that solicit
8 converters on behalf of the retailers.

9 The so-called "48- and 55-gram products" are
10 functionally the same. The only reason to purchase 48
11 gram is price. The retail customer that we lost in
12 the reverse Internet auction allowed bids on both 55-
13 gram and 48-gram products and ended up with 48 gram
14 because it was cheaper. Some converters may argue
15 that the 48-gram product is better because it can be
16 sold in longer lengths, and there are lower freight
17 costs, but both of these points really go to price and
18 not to the quality of the sheet.

19 In any event, it is our understanding that
20 48-gram product is being sold in the same standard
21 lengths as the 55-gram product. The claim that
22 freight cost is less for 48-gram product goes to
23 price, since both products are sold on a delivered
24 basis. In fact, the quality is inherently better in
25 55-gram than the 48-gram product because of its

1 slightly thicker caliper. The 55-gram product is
2 sturdier and will break less in slitting machines and
3 thermal printers.

4 In reality, though, the claimed difference
5 between 48 gram and 55 gram is a myth. For example,
6 we have purchased 55 gram that actually had the same
7 caliper as 48-gram product. The lower prices of 48-
8 gram imports have had adverse effects on the prices
9 and sales of 55-gram product.

10 If I'm competing with my 55-gram slit rolls
11 against another converter's low-priced, 48-gram slit
12 rolls, I have to go back to my supplier of jumbo rolls
13 to ask for a concession to compete. Thus, the prices
14 of 48-gram paper affect the prices of all lightweight
15 thermal paper, not just the price of 48-gram paper.

16 Increased imports of slit rolls from China
17 and jumbo rolls from Germany have combined to depress
18 the prices of jumbo rolls in the U.S. market. In
19 2007, for example, we were competing against Koehler's
20 KT48 being slit in the United States and Koehler's
21 KT55 being slit in China. Both products were forcing
22 products down in the United States.

23 The adverse impact of the pricing of 55-gram
24 slit rolls from China and 48-gram jumbo rolls from
25 Germany persuaded us not to buy a new slurry rewinder

1 for our facility in 2007. However, since the petition
2 was filed and the preliminary duties were imposed,
3 some of our customers that were buying slit rolls from
4 China have started calling again.

5 We ask that you make an affirmative finding
6 of injury so that we can compete fairly and make new
7 investments in our plant in the future. Thank you.

8 MR. MOSBY: My name is Greg Mosby. I'm the
9 president of Greenleaf Paper in Phoenix, Arizona.

10 We are a paper converter that started in
11 1987, when we had three employees. We now employ 60
12 people and sell converted lightweight thermal paper
13 primarily in the United States and also in Mexico and
14 Canada. Our U.S. sales are concentrated in the 11
15 most-western states.

16 I'm here today because of what has been
17 happening in the market as a result of low-priced
18 imports that have created a very serious problem.
19 When slit rolls from China first entered the market,
20 they were at a price at the level of our total cost of
21 production. Then we heard from our customers that
22 their prices have dropped below the level of our cost
23 for raw materials alone.

24 The Chinese first penetrated the market by
25 selling to other converters who reaped a substantial

1 benefit by buying from them. Then they started
2 selling directly to our customers. I don't know
3 exactly how much Chinese product came in before the
4 preliminary duties were imposed, but I do know that it
5 was quite a large amount, especially on the West
6 Coast, and whatever the amount was, it was a large,
7 negative effect on prices.

8 I've been in the paper industry for over 35
9 years and am familiar with the costs of pulp,
10 transportation, and other manufacturing costs. The
11 prices of Chinese product were well below the total of
12 these input costs.

13 Customers were using below-cost Chinese
14 prices as leverage against us and other U.S.
15 converters.

16 Most sales in the industry are made on a
17 delivered-price basis. Despite this, Chinese product
18 is sold as much as 500 miles inland from the West
19 Coast at the same price as at the West Coast, despite
20 the additional shipping cost. How can this happen in
21 a rational pricing system?

22 We have some very loyal customers, and, for
23 a while, we provided a level of service that allowed
24 us to hold onto them, but as prices moved lower and
25 lower, even that became impossible.

1 Initially, there were some problems with
2 Chinese quality, but the Chinese product is now
3 acceptable and comparable in quality to what we see
4 from other suppliers.

5 Another factor that has affected the market
6 is the introduction of 48-gram product, which is
7 interchangeable with the 55-gram product. This
8 product had no advantage and no differences from the
9 55-gram product except price. In fact, we learned
10 that some of our customers were buying the product
11 from other suppliers without even knowing it was 48-
12 gram paper, and they were upset and felt deceived.

13 We would take out the calipers at their
14 warehouse and show them it was 48-gram paper. This
15 recently happened in a major fast-food chain in our
16 area.

17 In addition, at least one supplier sold the
18 48-gram product with the same item numbers as they had
19 previously sold their 55 gram. They did not identify
20 any changes to the product; it was just a question of
21 price, and the 48-gram product was cheaper.

22 The market price has firmed up since the
23 preliminary duties went on the books. We lost several
24 customers to Chinese imports that we have now been
25 able to recapture. Customers that had moved to slit

1 rolls from China are coming back to American
2 manufacturers.

3 I'm here because I believe we have to
4 protect American businesses and jobs from unfair
5 competition. I truly believe we can compete with
6 anybody when we're on a level playing field. Thank
7 you very much for your time.

8 MR. KLASS: Good morning. My name is
9 Charles Klass of Klass Associates. I consult for the
10 pulp paper industry primarily on paper-making and
11 coating.

12 CHAIRMAN ARANOFF: Mr. Klass, can you come a
13 little closer to your microphone, please?

14 MR. KLASS: Yes, I could. Thank you. My
15 name is Charles Klass. I'm a paper industry
16 consultant and also, with 40 years of experience in
17 the industry and am also an adjunct professor of paper
18 engineering and imaging at Western Michigan
19 University.

20 I did an independent, objective study on a
21 number of lightweight thermal paper products. The
22 results of my study are contained in Exhibit 5 to the
23 prehearing brief submitted by Appleton and Kanzaki.
24 The results of my study can be briefly summarized as
25 follows.

1 First, there really are no significant
2 quality or other differences between lightweight
3 thermal paper made in Germany and lightweight thermal
4 paper made in the United States.

5 From the point of view of the user, the most
6 important property of thermal imaging paper as point-
7 of-sale receipts is providing a readable image. My
8 studies showed that all of the samples from the four
9 U.S. and German producers provided adequate thermal-
10 imaging performance in the energy application range
11 typical of commercial point-of-sale printers. There
12 were no significant differences in imaging
13 performance.

14 I really found very few differences in
15 environmental resistance.

16 For these reasons, it is my professional
17 opinion that the U.S. and German products tested are
18 equivalent and substitutable for point-of-sale
19 applications. Thus, competition on these products
20 would be based solely on price.

21 Second, as there are no significant quality
22 or other differences between the German and U.S.
23 products I tested, there are no significant
24 differences among the 48-gram products made by those
25 suppliers and the 55-gram products made by those

1 suppliers.

2 These are totally interchangeable products.
3 The differences between lightweight paper and heavier-
4 weight paper can be detected only through
5 sophisticated testing equipment, and, even then, there
6 are no differences worth noting.

7 Third, and finally, there is no basis for
8 any claim that the 48-gram paper made by German
9 producer, Koehler, and Mitsubishi is superior to the
10 48-gram product made by Appleton or the 53-gram paper
11 product made by Kanzaki. There are no meaningful
12 differences to speak of among these products. Thank
13 you.

14 MR. DORN: Madam Chairman, that completes
15 our public presentation.

16 CHAIRMAN ARANOFF: Thank you very much.
17 Thank you to all of the witnesses who have traveled to
18 be here with us today. It will be a long morning and
19 a good chunk of the afternoon and maybe some of the
20 evening before we finish, but we appreciate your being
21 here because we always learn a lot from having the
22 people who really know the business come and talk to
23 us about what you do.

24 I also want to welcome all of the union
25 members who have joined us today and traveled so far

1 to be here. I hope you find this a worthwhile
2 experience in seeing our agency at work. We welcome
3 you here.

4 We are going to begin the questioning this
5 morning -- it is still morning, yes -- with
6 Commissioner Okun.

7 COMMISSIONER OKUN: Thank you, Madam
8 Chairman, and I also want to add my words of welcome,
9 both to the panel that's here before us and also to
10 the workers who have traveled here. As the Chairman
11 notes, it's very helpful to have you here, and I also
12 want to note that I appreciate very much the
13 information that's been submitted in the briefs,
14 including the business plan that was submitted.

15 I find that very helpful in many cases but,
16 particularly, here, where there has been an investment
17 made, to help us better understand how the company
18 sees its market and a document made not in the context
19 of litigation I usually find can be particularly
20 probative. So I very much appreciate that you have
21 shared that with us.

22 I also would just note, I know a lot of you
23 we met while you were on our tour. Your electronics
24 work better than ours, in touring the plant, so we can
25 learn something from that.

1 So I'm going to follow up. I know you
2 provided a lot of information during that tour, some
3 of which I heard this morning and some of which I may
4 ask you to provide answers that I think I heard when
5 we were there, but I'm not sure I heard them yet
6 today. So they may also be in the briefs, but I may
7 cover some of the same ground.

8 Let me start, I think, on a few questions
9 about capacity in the industry, and I know that you've
10 touched on this, several of you, several times, and I
11 wanted to start, first, kind of with the big picture,
12 which is, if I look at the data on apparent
13 consumption in the markets, or the amount of
14 consumption in the market, as we would normally look
15 at it, and then I look at capacity of the industry
16 during the period of investigation, not taking into
17 account the West Carrollton, the capacity that's come
18 online, just help me understand better.

19 When you say, when we're looking at your
20 capacity utilization in that context, we would look at
21 the capacity and the apparent consumption and say
22 there would have been imports in the market during the
23 period of investigation because you couldn't supply
24 the jumbo rolls sufficient to meet apparent
25 consumption.

1 I just want to make sure. Do you disagree
2 with that, that I should be looking at something
3 different when I'm saying there would be imports in
4 this market, during the period of investigation, just
5 based on the capacity of the industry?

6 MR. DORN: Commissioner, let me just state
7 the obvious, that your record is not before the
8 witnesses because it's a confidential record with
9 respect to capacity.

10 COMMISSIONER OKUN: Right.

11 MR. DORN: So it's a difficult issue to
12 address, in terms of where they could have supplied
13 all of the capacity. Of course, part of it depends on
14 what the market signals would have been. If there had
15 been no imports, would they have increased, bought
16 more equipment sooner than they did?

17 But assuming no changes in equipment, the
18 testimony is, and your record indicates, there was
19 excess capacity during all periods of the
20 investigation. Now, whether it could have satisfied
21 all consumption, to me, is a confidential question
22 because that's not information for these industry
23 witnesses.

24 COMMISSIONER OKUN: Maybe it's about market
25 signals, then, Mr. Dorn, because, again -- Mr.

1 Richards, maybe I'll try it this way because I think
2 something you said, I thought, was interesting in
3 talking about the investment by Appleton in the
4 coating facility, which is, as I understand the
5 record, in looking at it, German imports were in the
6 market before the case was filed. Is that a fair,
7 accurate statement?

8 MS. HATFIELD: This is Karen Hatfield. Yes,
9 that's accurate.

10 COMMISSIONER OKUN: Okay. So, just again,
11 if I'm looking at distinctions between the subject
12 imports, German imports versus Chinese imports behave
13 differently, or their presence in the market is
14 different, and if I'm looking at the period of
15 investigation.

16 MS. HATFIELD: Karen Hatfield again. Yes,
17 that's accurate that the German imports have been here
18 longer than the Chinese imports.

19 COMMISSIONER OKUN: Okay. Then, Mr.
20 Richards, when you were discussing how the company was
21 looking at its additional investments, and I
22 appreciate a number of things you said in there, and
23 some we can't cover in open session, but one of the
24 things you said, and I'm paraphrasing here, I think,
25 what I heard, that you saw that the investment by

1 Appleton, the subject imports, and producers in
2 subject countries saw that as a threat to their market
3 share in the United States and responded accordingly,
4 and you talked about that in terms of that's when the
5 Germans came in with a lower-priced, 48-gram product,
6 and you talked about the Chinese.

7 So I want to have you expand on that a
8 little bit, in terms of what you saw them specifically
9 do. Is it just the 48-gram for the Germans? Let's
10 start with the Germans. Tell me a little bit more of
11 how you saw them respond to this additional investment
12 and what I might look to of what you've submitted.

13 MR. RICHARDS: This is Mark Richards. I
14 think that's more of a marketing question, if you want
15 to talk about markets and specific competition, as
16 opposed to the investment decision itself.

17 COMMISSIONER OKUN: All right. I'll turn it
18 to Ms. Hatfield.

19 MR. RICHARDS: Thank you.

20 MS. HATFIELD: (Mike off.)

21 COMMISSIONER OKUN: Right, and, again, I may
22 have. I think they want to make sure your microphone
23 is on because we're not sure we're hearing you. There
24 you go.

25 MS. HATFIELD: Sorry. Thank you.

1 COMMISSIONER OKUN: Also, I might ask, when
2 you're responding, to repeat your name because there
3 are so many witnesses here. It helps us, and it helps
4 the court reporter here as well.

5 Yes, just kind of following up on what Mr.
6 Richards had said in his testimony, that there was a
7 response that he characterized it, as I think I heard
8 him saying, that the producers in these subject
9 countries saw a threat to their market share and
10 responded. So I just wanted to hear a little bit more
11 of your perception of how they responded, specifically
12 during the period of investigation that I'm looking
13 at.

14 MS. HATFIELD: Sure. Well, we announced our
15 investment publicly in January of 2007, after the
16 board made their decision in December of 2006.
17 Shortly after that, being within the same quarter, we
18 saw prices go down dramatically in the marketplace,
19 and that continued throughout the first several
20 quarters of 2007, and, in particular, a push with the
21 48-gram product at a discount versus the other 55-gram
22 and 53-gram products.

23 That price gap widened, and we saw an
24 additional push for our customers to move to that 48-
25 gram product at the lower price.

1 COMMISSIONER OKUN: Okay. And then, in
2 terms of how -- I'll put this both to you, Ms.
3 Hatfield and also to Mr. Hefner from Kanzaki, which
4 is, describe for me, then, the company's response.
5 You see this 48-gram product on the market. You see
6 losses, I guess, sales being threatened by that. How
7 did the company look at that, and how did the company
8 respond, in terms of there has been some discussion
9 of, do you lower your 55?

10 I should put it into context. There is this
11 argument by the Germans, by both sides, really, of
12 which products we should be comparing for price
13 purposes, and so I'm trying to better understand how
14 you look at the products and what your response was to
15 what you perceived as lower-priced 48 gram in the
16 market.

17 MS. HATFIELD: Karen Hatfield, Appleton.
18 What we did in 2007, we were already well into
19 development of our Alpha 400-2.1 product, which is the
20 lower-caliber product. We had been in 2006 as well.
21 So, in terms of competing with the 48-gram product,
22 the so-called "48 gram," what we were seeing from our
23 customers was a push for a lower-priced product, and
24 we actually addressed that in a couple of ways.

25 One was to lower prices on our 55-gram

1 product in order to more directly compete with the 48-
2 gram product. When I say "55 gram," I'm really
3 talking about our Alpha 400-2.3 product. We express
4 our products based on caliper, not on basis weight.

5 But, at the same time, we were also working
6 to develop and roll out into the market the Alpha 400-
7 2.1-caliper product to more directly compete with the
8 48-gram product.

9 We're not seeing the same kind of cost
10 benefit between those two products, actually producing
11 those, compared to the relative price differential
12 that we were seeing in the market, but, nevertheless,
13 we felt we needed to have the full portfolio in order
14 to address that for our customers who were asking for
15 it.

16 So the response was lower price on 55-gram,
17 our 2.3 product, as well as have the 2.1 product out
18 in the market in order to compete.

19 COMMISSIONER OKUN: Can I ask Mr. Hefner to
20 respond to that as well?

21 MR. HEFNER: Sure. Steve Hefner. Since we
22 make a 53-gram paper, we actually compete with both
23 the 48- and 55-gram paper coming in from overseas, so,
24 during the period of investigation, we responded with
25 more imports at lower prices by lowering our prices to

1 maintain some level of manufacturing.

2 COMMISSIONER OKUN: Okay. I see my yellow
3 light is on, so, instead of turning to this next
4 question, which I think will take some time, I'll wait
5 for my next round. Thank you, Madam Chairman.

6 CHAIRMAN ARANOFF: Commissioner Lane?

7 COMMISSIONER LANE: Thank you. I guess I
8 didn't mean to -- I was just worried about my
9 microphone. I wasn't worried about, I was going to
10 drop all of my papers.

11 Good morning to all of you, and thank you
12 for coming, and I, too, appreciate your coming because
13 I didn't get to go on the plant tour, and I'm very
14 sorry that I didn't. So I might have some questions
15 that would have been answered, had I been there.

16 But, first, I want to talk about the
17 Appleton ESOP. I'm going to have questions for the
18 in-camera session, but I would like to know what the
19 circumstances were in 2001 that led to the ESOP, and
20 what were the alternatives to the employee acquisition
21 of the company? Perhaps, Mr. Richards, you could
22 answer that.

23 MR. RICHARDS: Yes. Hi. Mark Richards.
24 Certainly. In 2001, the business was owned by Arjo
25 Wiggins, which is a French company, and they had

1 determined that they were going to divest themselves
2 of the Appleton Paper business, and, to my knowledge,
3 that the business -- I wasn't there at the time --
4 that the business was put up for sale and that
5 numerous alternative investors looked at the business,
6 and, at the time, the employees also put up a bid with
7 the former CEO for the business, and they ultimately
8 won that process, and the mechanism they used was an
9 employee buyout using the ESOP, the Employee Stock
10 Ownership Plan.

11 The employees put up roughly 100-and-some-
12 million dollars of their retirement funds that were
13 essentially in their 401-K accounts, and then they
14 borrowed money for the rest of the purchase price, and
15 then they were off and running, and that is how the
16 ESOP got started.

17 So our employees are the owners of the
18 company. I'm an owner of the company, and so is all
19 of the staff.

20 COMMISSIONER LANE: Now, I noticed in the
21 report that, at some of the Appleton facilities, more
22 products are made than just the one that is the
23 subject of this investigation, so does the ESOP
24 include all of the Appleton operations?

25 MR. RICHARDS: Yes. In North America, all

1 of our operations on all of our sites are able to
2 participate in the ESOP, and, yes, they do. They
3 participate in the ESOP. So that would be Spring
4 mill, our Roaring Spring, Pennsylvania, facility; our
5 West Carrollton facility; our Appleton site; our
6 Portage sites, yes.

7 COMMISSIONER LANE: Okay. Thank you. Now,
8 I want to understand exactly sort of the supply chain
9 here because I got a little confused when I was
10 reading the report.

11 You've got coaters, and that's Appleton and
12 Kanzaki, and then that product is sold to converters,
13 and the converters then do further work and then sell
14 the product. Now, are there converters who are also
15 distributors?

16 MS. HATFIELD: Yes. There are converters
17 that distribute directly to end users.

18 COMMISSIONER LANE: Okay. And so do those
19 converters/distributors sell both domestic and subject
20 slit rolls?

21 MS. HATFIELD: Yes. Karen Hatfield again.
22 Yes. A number of converters sell products that are a
23 mix of imports and domestic product.

24 COMMISSIONER LANE: Okay. I'll stay with
25 you. We've heard all of this differences about the 48

1 and the 55. If the 48 is perceived to be better, or
2 whatever, why are you still producing the 55, and what
3 are the advantages to producing the 55 as opposed to
4 the 48?

5 MS. HATFIELD: Karen Hatfield again. I
6 would argue that 48 gram isn't better; it is something
7 that is strictly a lower price, which is why it's been
8 so attractive in the marketplace.

9 The difference really is in the thickness of
10 the product, so it's a question of how big the
11 diameter of the roll ultimately gets, so that's
12 ultimately the difference between the two.

13 We consider ourselves a full-portfolio
14 provider, so there are still customers that prefer and
15 have more comfort with running the 55-gram product,
16 our 2.3 product. Some prefer the 2.1 product, and
17 it's just, you know, a matter of which one they choose
18 to use. Some of them switch back and forth between
19 them. So they are interchangeable, in the end users'
20 eyes, and a number of our converters also interchange
21 them pretty readily.

22 MR. HEFNER: Excuse me. This is Steve
23 Hefner. Just to further that, the 48-gram is not
24 better. There is no difference, as you can see from
25 the slide demonstration, the overlap is they are the

1 same, so there is not a better product.

2 COMMISSIONER LANE: I think I used the words
3 that they were "perceived to be better."

4 MR. HEFNER: Steve Hefner again. The
5 perception that you have doesn't hold true because
6 they overlap, in many cases, both in caliper and basis
7 weight.

8 COMMISSIONER LANE: Okay. I guess the
9 question I have is, do customers perceive that the 48
10 is better?

11 MR. HEFNER: Steve Hefner. As I mentioned
12 in my testimony, the customers perceive that price is
13 the dominant factor. They don't perceive either one
14 of them as better, unless one has a lower price.

15 COMMISSIONER LANE: Okay. Yes, sir. I'm
16 sorry, I can't see your --

17 MR. RAPIER: That's okay. Mike Rapier with
18 Liberty Paper. We sell slit rolls to end users and to
19 distributors, and people buy the 48 gram on price, not
20 because of a better-quality product.

21 COMMISSIONER LANE: Okay. And in your
22 testimony, you said that you started buying the
23 Chinese slit rolls because of the price, and you had
24 customers who wanted to buy the slit rolls from China
25 because of price rather than the jumbo rolls and

1 slitting them.

2 MR. RAPIER: Mike Rapier again. To one
3 certain large customer that we have had a relationship
4 with for over eight years, we quoted them a price
5 based on us buying jumbo rolls from our suppliers and
6 then slitting them, and, in the past, we had been
7 competitive in that instance.

8 But in 2005-2006, we were told that our
9 price was not good enough because the price had
10 fallen, and, at that time, we solicited a quote for
11 Chinese slit rolls which allowed us to maintain the
12 relationship with the customer.

13 COMMISSIONER LANE: And, in the post-
14 hearing, could you provide us the amount or the size
15 of that order?

16 MR. RAPIER: Sure.

17 COMMISSIONER LANE: Okay. Thank you.

18 Now, Ms. Hatfield, I want to go back to
19 something that you said in your direct testimony. You
20 said that people who use the paper in their different
21 machines, that they could use either 48 or 55, that it
22 really didn't matter. Is that true pretty much across
23 the board?

24 MS. HATFIELD: Karen Hatfield. Yes, those
25 products are interchangeable in the machines.

1 COMMISSIONER LANE: Okay. Thank you.

2 MR. DORN: Commissioner Lane, could I just
3 add one thing? I know you did not make the visit to
4 Appleton, and while the other commissioners were
5 there, we handed up some 2.1 caliper and 2.3 caliper,
6 the so-called "48" and the so-called "55." I wonder
7 if I could just show you these samples.

8 COMMISSIONER LANE: Yes. That would be
9 fine, and I forget which one of our congressional
10 people said that we should always ask for receipts,
11 and I'm one of those people that always asks for the
12 receipt, so I've probably seen all of these, so thank
13 you.

14 MS. HATFIELD: Thank you for that.

15 COMMISSIONER LANE: Okay. Madam Chairman,
16 I'll wait until my next round.

17 CHAIRMAN ARANOFF: Commissioner Williamson?

18 COMMISSIONER WILLIAMSON: Thank you, Mr.
19 Chairman. I also want to thank the witnesses for
20 coming here today and giving their testimony.

21 I, first, want to get a better feel for who
22 are the people who make the decisions about whether or
23 not they are going to purchase 48- or 55-gram paper
24 because most of us probably have never gone out and
25 bought any since it's the point of sale, the

1 restaurant, or, I assume, companies like WalMart and
2 Target do it centrally.

3 But I'm trying to figure out, the person who
4 maybe owns one little restaurant may buy paper every
5 six months. Do they sort of say, "I want 48 or 55?"
6 Who are the people who make these decisions, and how
7 are they marketed to?

8 MR. RAPIER: Mike Rapier, Liberty Paper. A
9 small user is actually going to ask for a lightweight
10 thermal paper and not specify 55 or 48 gram. They are
11 going to buy product that they can get for the best
12 cost.

13 COMMISSIONER WILLIAMSON: What about the
14 larger users? Characterize them for me. Does, say,
15 WalMart have a lightweight thermal paper purchasing
16 person, and that's what they do all of the time?

17 MR. RAPIER: Mike Rapier again. I don't do
18 business with WalMart. They are actually too big for
19 me, but they would be probably more involved in the
20 specification of the paper, but I'm not involved in
21 that.

22 COMMISSIONER WILLIAMSON: Does anyone else
23 want to add to that?

24 MS. HATFIELD: This is Karen Hatfield. What
25 we've seen is that the larger users, in particular,

1 will typically offer -- they don't necessarily specify
2 the specific basis weight or caliper. They may
3 specify a range, depending on their level of
4 understanding of the different products that are out
5 there, but, typically, it's characterized as standard,
6 lightweight, point-of-sale receipt paper. It's
7 something along those lines.

8 We have seen some Internet auctions
9 recently, reverse Internet auctions, that have asked
10 them to bid on 55- and 48-gram products, so we're
11 seeing that interchangeability occurring at the end
12 user level.

13 COMMISSIONER WILLIAMSON: Is that a growing
14 trend? I think one of the other witnesses had talked
15 about that.

16 MS. HATFIELD: Karen Hatfield again. Are
17 you asking, is it a growing trend to ask for either
18 or, to specify?

19 COMMISSIONER WILLIAMSON: To specify and
20 also to maybe do it through Internet auction. That's
21 a more sophisticated purchaser than the rest of the
22 people.

23 MS. HATFIELD: I'll let Mike Rapier answer
24 on the reverse auctions.

25 MR. RAPIER: Mike Rapier. The advent of

1 reverse auctions in the thermal paper business really
2 started about maybe 2004-2005 and have steadily grown
3 as the overwhelming way for larger corporations to buy
4 thermal paper.

5 Typically, although not all users will
6 specify the paper the same way, it could range
7 anywhere from an acceptable lightweight thermal paper
8 to a caliper range to a product for a single user that
9 may have some certification by an OEM printer.

10 Typically, with that, however, even when
11 asking for the certification, they will also add the
12 line that if you have an alternative grade, that you
13 can submit it.

14 COMMISSIONER WILLIAMSON: Thank you.

15 MR. HEFNER: This is Steve Hefner from
16 Kanzaki. Typically, it's my understanding that the
17 large retailers, especially when entertaining reverse
18 Internet auctions, they ask for a grade name or
19 equivalent in their auction. The most important thing
20 is their price and that it performs in their
21 mechanism.

22 COMMISSIONER WILLIAMSON: Okay. Does anyone
23 have any idea about what percentage of end users do
24 not require paper that is certified by printer
25 manufacturers?

1 MR. RAPIER: Excuse me. Mike Rapier. In my
2 business, I would say that 95 percent of my customers
3 do not request or ask for OEM certification on thermal
4 paper.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. DORN: Commissioner Williamson, I might
7 just add to that, it's our understanding that Koehler
8 first certified its KT48, its 48-gram paper, in
9 January of 2008, and you can look at the data in your
10 record and see the increase in imports of 48-gram
11 paper in 2006 and 2007, before Koehler had any
12 certification.

13 COMMISSIONER WILLIAMSON: Thank you.

14 MR. NARKIN: Just to add to that briefly,
15 the other side, the German producers, said in their
16 brief that "many purchasers said that, you know,
17 approval by printer manufacturers is important," but
18 the staff report gives you the information on that,
19 and there are six that said it was important, there
20 were another six who said they placed little
21 importance on printer certification, and there were
22 six that said it wasn't important at all.

23 COMMISSIONER WILLIAMSON: Thank you. Mr.
24 Rapier, I believe you said that you encountered an
25 incident where a Chinese exporter or supplier was

1 importing Koehler paper into China, slitting it there,
2 and shipping it here. Is that a very common thing?

3 MR. RAPIER: Mike Rapier. I don't know if
4 it's common. It's just through our research, what
5 we've found, and it was really through three ways, as
6 it was represented to us, number one.

7 Number two, Koehler was listed on the
8 converters website as a partner; and, number three,
9 probably unintentionally by the converter, KT55 labels
10 were attached to the bottom of pallets that were
11 shipped into the United States.

12 COMMISSIONER WILLIAMSON: Okay. Thank you.

13 I was just wondering. I think some of you
14 stated that converters can pass along cost increases
15 for jumbo rolls. If converters are simply able to
16 pass along their input costs and maintain profitable
17 operations, why would they be motivated to reduce
18 these costs by purchasing slit rolls from China? Mr.
19 Rapier?

20 MR. RAPIER: Could you repeat the question,
21 please?

22 COMMISSIONER WILLIAMSON: Okay. If
23 converters can pass along cost increases for jumbo
24 rolls, which, I think, has been stated by the
25 Petitioners, if converters are simply able to pass

1 along their input costs and still maintain profitable
2 operations, why would they be motivated to reduce
3 these costs by purchasing slit rolls from China?

4 MR. RAPIER: In the last few years, we've
5 actually seen downward pricing pressure to the end
6 user and to distributors. In actuality, with fuel,
7 energy, and so forth, our costs have gone up, and
8 margins have been squeezed.

9 So, as any business, we're trying to
10 recapture some of that profitability.

11 MR. SETH KAPLAN: Commissioner, a converter
12 --

13 COMMISSIONER WILLIAMSON: Can you identify
14 yourself, please?

15 MR. SETH KAPLAN: Seth Kaplan. A converter
16 is faced with the decision of whether to make or buy,
17 and they are looking to see if it's less expensive to
18 purchase a slit roll or to purchase a jumbo roll and
19 then do the conversion themselves. If they find that
20 the prices of the imported Chinese product are below
21 their costs of buying the jumbo roll and converting
22 it, they may decide that it is more profitable for
23 them to buy the imported dumped product, subsidized
24 product, and then resell it rather than buy a jumbo
25 roll and convert it themselves.

1 That's why there is competition between the
2 Chinese slit rolls, the German jumbo rolls, and the
3 U.S. jumbo rolls.

4 In fact, given the fact that the Chinese
5 slit rolls are dumped and the German jumbo rolls are
6 dumped, a converter's decision might be deciding
7 whether to convert dumped German jumbo rolls or to
8 purchase and resell Chinese-dumped-and-subsidized slit
9 rolls.

10 COMMISSIONER WILLIAMSON: Thank you.

11 MR. DORN: And, Commissioner Williamson,
12 during the staff conference in the preliminary phase,
13 a witness for Rite-Made, who was testifying for the
14 Respondents, talked about the issue you raised, but it
15 was in the context, I think, just of jumbo rolls. If
16 all converters are getting jumbo rolls at the same
17 prices, and prices go up or down, what he was saying
18 was that you can basically pass through the costs.

19 So if everybody is getting the jumbo rolls
20 for the same price, all of his competing converters
21 are getting it for the same price, yes, he would
22 generally just pass through. It wouldn't matter
23 whether he was starting from a low base or a high
24 base.

25 COMMISSIONER WILLIAMSON: Okay. Thank you.

1 My red light is on. Thank you for those
2 answers.

3 CHAIRMAN ARANOFF: Commissioner Pinkert?

4 COMMISSIONER PINKERT: Thank you, Madam
5 Chairman, and I would like to thank the panel for
6 coming here today and helping us to understand the
7 industry.

8 I want to begin with the company witnesses
9 for Appleton and Kanzaki and ask you to give me some
10 sense of where there has been more of a change in the
11 market in the last few years. Has it been with
12 respect to the imports of the jumbo rolls or with
13 respect to the imports of the slit rolls, just in the
14 last couple of years?

15 MS. HATFIELD: This is Karen Hatfield.
16 Quite honestly, it's hard to separate between the two
17 because of the kind of competition that, actually, Mr.
18 Kaplan was just talking about, because we such
19 interaction between the aggressive pricing on the
20 Chinese imports of slit rolls that also then puts
21 extreme price pressure on the jumbo rolls that has
22 driven down prices led by both the German competitors,
23 as well as the Chinese competitors.

24 It's hard to separate those two because they
25 have had such a dramatic impact, both on the

1 producers, as well as the converters, in the market.

2 COMMISSIONER PINKERT: I recognize that the
3 position that you stated is that the impact is
4 similar, but I'm just trying to ask questions about
5 the trend in the marketplace, in terms of where you've
6 seen more of the change in the pattern of trade. Has
7 there been more of a change with respect to the jumbo
8 rolls or the slit rolls, leaving aside impact? I
9 understand that you regard the impact as similar.

10 MS. HATFIELD: Karen Hatfield again. I just
11 want to make sure I'm understanding your questions.
12 Are you asking which one is the larger volume?

13 COMMISSIONER PINKERT: Where you've seen
14 more of a change in the activity; that is, the import
15 activity. Has it been more on the side of the jumbo
16 rolls or the slit rolls?

17 MS. HATFIELD: The greater volume has been
18 on the side of the jumbo rolls, and, again, that's a
19 competitor that's been in the market for a few years
20 now.

21 The Chinese volume has been a smaller amount
22 of volume in the total marketplace, but the reaction
23 that it has caused on the converter level, I think,
24 just makes it seem bigger than it necessarily would be
25 reflected by the volume. I'm having a hard time

1 separating the impact from the trends. Have I
2 answered your question?

3 COMMISSIONER PINKERT: Yes. I think we're
4 getting at it. In other words, you know, you may have
5 had a level of imports for a long time with respect to
6 one of the two, and you may be seeing a change more
7 with respect to the other of the two, and I'm trying
8 to get at where you've seen the change.

9 MS. HATFIELD: Karen Hatfield again. We
10 have seen increases on both sides, both in terms of
11 the German imports coming into the U.S. market, as
12 well as the Chinese imports coming into the U.S.
13 market.

14 Given that the German market is coming off
15 of a larger base, the percent increase is not as
16 dramatic as what you see from China, but the magnitude
17 of the difference -- Germany is a pretty significant
18 player in the North American market, so it's a large
19 base of business.

20 COMMISSIONER PINKERT: Okay. For the
21 purposes of this answer, you're treating my question
22 about slit roll versus jumbo roll as a question about
23 China versus Germany.

24 MS. HATFIELD: Karen Hatfield again. The
25 imports coming in from Germany are all the jumbo

1 rolls. The imports coming in from China have all been
2 on the slit rolls.

3 COMMISSIONER PINKERT: Okay. Thank you.

4 Now, Kanzaki?

5 MR. HEFNER: Steve Hefner, Kanzaki. We've
6 seen change in both the imports from China, as well as
7 the imports from Germany. The trend has been upward
8 during the period of investigation, "upward" being
9 increased volumes of imports coming into the United
10 States in slit-roll form from China, in jumbo-roll
11 form from Germany. We see more specific change in
12 slit rolls from China on the western side of the
13 United States.

14 COMMISSIONER PINKERT: Thank you. Now, I
15 would like to go back to some testimony that Mr.
16 Richards gave earlier. I understood your testimony
17 about how the \$125 million transaction was financed,
18 but I'm wondering, how did the lenders take into
19 account, if at all, the production of the lightweight
20 thermal paper of your company?

21 MR. RICHARDS: This is Mark Richards. The
22 lenders were not involved in that decision because we
23 were using preexisting lines of credit. So we weren't
24 out shopping to place this investment with a banker,
25 so there were no bankers involved in the process. It

1 was a business decision.

2 COMMISSIONER PINKERT: So there was no
3 communication about how the lightweight thermal paper
4 was doing.

5 MR. RICHARDS: With our lenders?

6 COMMISSIONER PINKERT: Yes.

7 MR. RICHARDS: No. When we talked to our
8 lenders on our preexisting lines of credit that are in
9 place, we were talking to them about the entire
10 business, not one particular segment or another, and
11 they are looking at the total cash flow of the
12 business, not at a particular segment.

13 COMMISSIONER PINKERT: So, to the extent
14 that there would have been any impact of the
15 lightweight thermal business, it would have been
16 because of its impact on the company's fortunes as a
17 whole. Is that what you're saying?

18 MR. RICHARDS: The impact on the lightweight
19 thermal business; obviously, we were harmed from the
20 dumping from Germany and China, and that had a
21 negative impact on our thermal business, and, as I
22 said before, we've been in the business for 40 years,
23 producing a full line of thermal products, and the
24 lightweight thermal segment is the largest segment in
25 there. So, as a full-line supplier, we do, obviously,

1 provide and focus on investment in that area as well.

2 So, in the lightweight segment, obviously,
3 it was being impacted, but our high-value-added
4 segment was performing, and so was our carbonless
5 business. So we talk about those segments, but they
6 don't specifically look to that, as far as from a
7 lending standpoint, since it was a preexisting line,
8 as I said.

9 COMMISSIONER PINKERT: Thank you. Now, back
10 to the issue of converting jumbo rolls in the United
11 States versus selling the slit rolls in the United
12 States, do the customers have any preference between
13 the product that is slit in the United States versus
14 the product that is imported slit?

15 MR. MOSBY: Greg Mosby with Greenleaf Paper.
16 We're West Coast, and so we were impacted pretty
17 heavily by the imported slit product. The overall
18 market pricing was driven down by the Chinese product.

19 On the other side, they would rather buy
20 from converters, such as ourself, because of the
21 service levels, but the product itself was not the
22 discernable or that different.

23 COMMISSIONER PINKERT: Any other testimony
24 on customer preferences?

25 MR. RAPIER: Mike Rapier, Liberty Paper. I

1 would just add to that that, ultimately, a customer,
2 as long as they know the paper works, and this is kind
3 of the crux of our business -- you have to have good
4 service, you have to have good quality, and you have
5 to have the lowest price -- that's how, ultimately,
6 the decision is made.

7 COMMISSIONER PINKERT: What about customer
8 preferences as between the Chinese and the German
9 products? Any information that you can give me
10 regarding how they view those two products?

11 MR. FRIESE: This is Mike Friese. We have
12 done, internally within our technical department,
13 we've done extensive testing. We commonly and
14 consistently bench mark products across the board from
15 multiple vendors, and our testing has shown that the
16 performance of those products is very comparable in
17 all aspects, including the Chinese. We've tested the
18 Chinese product.

19 COMMISSIONER PINKERT: Thank you. Thank
20 you, Madam Chairman.

21 CHAIRMAN ARANOFF: Let me continue on with
22 questions about the 48- versus 55-gram product, which
23 I know this issue was important to me in the
24 preliminary phase, and the more I hear, the more I
25 think there are some gaps in the information that we

1 have on the record.

2 In particular, Mr. Friese, you testified
3 that, from the point of view of the users, the two
4 products are indistinguishable, that they can run in
5 the same printers with an acceptable operating
6 performance, thickness, and whatever other qualities
7 that allow for a readable image that lasts as long as
8 the user wants it to.

9 Taking that point, I guess, you seem to go
10 straight from that point to the idea that, therefore,
11 there is no reason why these products should sell at a
12 different price, and, I guess, my question is, isn't
13 that based on the unspoken assumption that the cost of
14 production is exactly the same because, otherwise,
15 even if they did perform exactly the same way, you
16 might expect the one that cost less to make to be
17 priced a little less?

18 So looking at it, it seems to me that if
19 you're making a paper that's a little more lightweight
20 but performs the same, it should cost less. It's got
21 less pulp in it, and maybe less of other things as
22 well. Could you address the cost-of-production issue
23 for me?

24 MR. FRIESE: This is Mike Friese. My
25 testimony was based on the perspective of the end

1 user, in terms of the performance of the products in
2 the end use, and they are very comparable, in terms of
3 their performance.

4 The other thing I did testify is that the
5 main difference is in the difference in the thickness
6 of the sheet, and our record, I think, shows that the
7 cost to produce is the same.

8 MS. HATFIELD: This is Karen Hatfield again.
9 We will respond to this also in the confidential
10 record. I don't want to get into details here in this
11 forum, but, in general, on a per-ton basis, the
12 lighter-basis-weight paper is actually more expensive
13 than the higher-basis-weight paper.

14 Then, on an area basis, it's more
15 comparable, but we certainly don't see the differences
16 that would warrant a price differential that we're
17 seeing in the marketplace.

18 CHAIRMAN ARANOFF: Okay. I would like to
19 see that information put on the record so that we can
20 really take a look at where the different cost
21 elements are and why they are, or are not, different
22 for the two different products. I would also invite
23 the German producers to do the same thing.

24 MR. HEFNER: This is Steve Hefner from
25 Kanzaki. The cost to manufacture lower-caliper paper

1 is more expensive, as Karen said, on a ton basis, but,
2 on the surface-area basis, which the customer is
3 buying, it's more expensive.

4 So for us to offer a more expensive-to-
5 produce product at a lower price flies in the face of
6 economics, and we can give you more information
7 confidentially on that.

8 CHAIRMAN ARANOFF: Okay. Let's see. We've
9 got two hands up in the back, one in the third row and
10 one in the fourth row, so let's start with Mr. Rapier,
11 and then we will go back to Mr. Kaplan.

12 MR. RAPIER: Mike Rapier. Just a general
13 comment that, as a converter, I understand that you
14 can have different caliper products with the same
15 amount of pulp in them, and that is just built into
16 the manufacturing process, that a thicker paper with
17 the same amount of pulp would essentially have more
18 air in the sheet.

19 CHAIRMAN ARANOFF: Okay. All right. Dr.
20 Kaplan?

21 MR. SETH KAPLAN: Seth Kaplan.

22 CHAIRMAN ARANOFF: Could you get closer to
23 the microphone?

24 MR. SETH KAPLAN: Yes. This mike is a tough
25 one.

1 There is information, on the confidential
2 record, regarding profitability that I think is very
3 important going to this point, and if you would like
4 to return to that in the confidential session, I would
5 be happy to address it there.

6 CHAIRMAN ARANOFF: Okay. I understand --
7 pulp was one example that I gave, but I understand
8 that there are, obviously, a number of costs that go
9 into the production of this product, and so the
10 question doesn't only go to pulp costs, but I think
11 you understood that.

12 I want to ask some questions about reverse
13 Internet auctions. In particular, I think the
14 testimony was that this is a growing practice,
15 particularly among large retailers who use a lot of
16 this product.

17 I think Mr. Rapier said that the retailers
18 don't always know who the bidders are in the auction
19 because there are intermediaries, and so I guess my
20 question is, what kinds of specifications do the
21 purchasers put in in these auctions? Do they, for
22 example, generally specify that they only want product
23 that's been certified by the printer OEMs?

24 MR. RAPIER: Mike Rapier. It can vary from
25 auction to auction. Generally speaking, the

1 specification is for lightweight thermal paper. In
2 some cases, the retailer will ask for a sheet that has
3 been approved by their OEM printer manufacturer but
4 not always, and typically that line is followed with
5 you can bring to the table an alternative sheet.

6 CHAIRMAN ARANOFF: Okay, I think we've been
7 told, and I guess it's been by the Respondents, that
8 purchasing paper that's certified by the manufacturer
9 of the printer is very important, the implication
10 being that if you don't and something goes wrong, your
11 machine isn't under warranty because you've put this
12 on the certified paper and it -- Is there anybody on
13 the panel who's familiar with warranty terms for
14 printers? For thermal printers? Okay it doesn't
15 sound like we have any experts on that on the panel.
16 If there's any way that we can get some information
17 posthearing on what the typical terms are for thermal
18 printer warranties, so we can understand whether or
19 not it voids the warranty if you use noncertified
20 paper, and how long the warranty usually lasts
21 relative to the life of the printer so maybe it would
22 void the warranty for a year but after that you don't
23 care because you don't have a warranty any more. That
24 would be very helpful because I don't think we have
25 enough information right now to judge the extent to

1 which it's important to have a certified product.

2 I'd also like to ask Mr. Rapier and anyone
3 else, any of the other purchasers or distributors who
4 might testify on either panel if you've been involved
5 in reverse auctions if you could provide us,
6 confidentially in the posthearing submission, with the
7 names of the retailers who are using reverse auctions
8 and anything you know about the volume of product
9 that's involved. I think we would like to have a
10 sense of how much of the purchases in the market are
11 going through this kind of process. I don't know if
12 there's anything anyone wants to comment on right now.

13 MR. MOSBY: I would like to comment on the
14 printer -- Gregg Mosby, I'm sorry. I'd like to
15 comment on the printer warranty. I do not have
16 specifications on what that is, but we've been in
17 business for 21 years and we have yet to ever have a
18 claim that our paper, and we've used several of the
19 manufacturers, and we have never had a claim on print
20 heads.

21 CHAIRMAN ARANOFF: You mean you've never had
22 a claim that the paper has done damage to the print
23 head?

24 MR. MOSBY: Gregg Mosby, yes, ma'am.

25 CHAIRMAN ARANOFF: Okay, thank you.

1 MR. RAPIER: Excuse me, Mike Rapier. I
2 would be happy to get you what reverse auction
3 information that I have.

4 CHAIRMAN ARANOFF: Thank you. I appreciate
5 that. Okay, My yellow light is on so I'm not going to
6 go to another complicated question and we'll turn to
7 Vice Chairman Pearson.

8 VICE CHAIRMAN PEARSON: Thank you Madam
9 Chairman. Good afternoon. Permit me to add my
10 welcome to all of you on this panel. I'd like to
11 learn a little bit more about demand in the
12 marketplace and in our staff report we refer to it as
13 apparent consumption. Our data are confidential so
14 there's not much that I can say about the demand
15 picture. However you could tell me whatever you think
16 about it that you're willing to say in public. So I'd
17 be curious to know how you see the demand for thermal
18 paper in the United States over the period of
19 investigation and then looking ahead.

20 KAREN HATFIELD: Karen Hatfield. We have
21 seen through the period of investigation and
22 forecasting into the future that the demand for
23 lightweight thermal paper continues to increase. You
24 see end users like Best Buy, where they're printing
25 not only the main receipt but your rebate receipt and,

1 you know, the warranty receipt and everything else you
2 might need along with it. You go to CVS and you get
3 coupons at the end of your regular receipt. So there
4 are a lot of things pushing for increased consumption
5 of lightweight thermal paper. There are some things
6 that offset it, as well. You have the option to
7 refuse a receipt, in many applications. Things like
8 that. But overall, we do see, through the period of
9 investigation and looking forward, we do see it
10 growing in North America and on a global basis as
11 well. Though globally -- you know region by region
12 you'd see differences but on a total global picture we
13 see it increasing.

14 VICE CHAIRMAN PEARSON: Mr. Hefner?

15 MR. HEFNER: Yes, Steve Hefner. During the
16 period of investigation, you would have seen
17 lightweight thermal paper grow as the global economy,
18 moreover the United States economy, expanded. That
19 should be part of the record that you have available
20 to you. Going forward, with the economic crisis that
21 we're in, I'm not sure we're going to see the same
22 imminent growth immediately, but we do see expanding
23 applications for lightweight thermal paper happening.
24 It's difficult for us to give you an exact growth rate
25 in light of what's going on in today's economy. But

1 we do see expanding applications. Moreover, the
2 impact printer, which the thermal printer has replaced
3 in most point-of-sale applications, are no longer
4 being manufactured by the OEM's. They have replaced
5 them with thermal printers. So those people who need
6 to upgrade or replace their printer mechanism, in a
7 point-of-sale application, will be replacing it with
8 an alternative technology and most likely that will be
9 direct thermal lightweight paper.

10 VICE CHAIRMAN PEARSON: Okay so if we
11 consider that potential increases in U.S. demand to be
12 based on two possibilities -- either shifting from the
13 older type of contact paper to the thermal paper, or
14 else printing more coupons, you know, greater use from
15 existing printers -- which of those two factors do you
16 think might be the larger in terms of building demand
17 in the United States?

18 MR. HEFNER: This is Steve Hefner. I think
19 that that's difficult to discern because, as I sit
20 here today, the expanding applications pop up
21 overnight. As Karen illustrated to you the use of
22 printing coupons on demand through a thermal printer
23 or sending a message through a thermal print
24 mechanism, is expanding only by the marketing people
25 in their imaginations. Yet we have not seen a full

1 saturation of the direct thermal POS receipts on a
2 changeover from old technology to new technology.

3 MS. HATFIELD: Karen Hatfield. I would
4 agree with that. Also, on Mr. Hefner's earlier point
5 about the softening in the economy more recently, we
6 certainly do expect that to have an impact at least in
7 the short term on the growth rates that we're seeing
8 in lightweight thermal paper, even though you know
9 there are upward pushes for the total demand in terms
10 of the different applications.

11 VICE CHAIRMAN PEARSON: Okay. So, during
12 the period of investigation, did you perceive the rate
13 of increase in demand to be relatively constant or was
14 it starting to level off a bit relative to some
15 partial saturation of the marketplace? Or was it
16 still increasing, the rate of change, was it
17 increasing in response to the demand-pushers that
18 we've been talking about?

19 MR. HEFNER: This is Steve Hefner. During
20 the period of investigation, although I can't tell you
21 an exact growth rate, but it continued steadily to
22 increase during the period of investigation for both
23 reasons: the changeover technology as well as an
24 expanding economy.

25 VICE CHAIRMAN PEARSON: Mr. Rapier.

1 MR. RAPIER: Mike Rapier. As a converter,
2 we have seen, since 2006, that the same retail
3 customer, the same customer that's doing business with
4 us today that was doing business with us two years
5 ago, that their sales have actually -- especially
6 those tied to holiday sales -- have actually declined.
7 So what we're looking for are those uses where new
8 technology is being brought into marketplace for a new
9 use for a lightweight thermal paper, or a situation
10 where a customer has gotten rid of an impact printer
11 and invested in thermal printers.

12 VICE CHAIRMAN PEARSON: Okay, but in a
13 portion of your customer base you're seeing a bit of a
14 decline in the demand, or at least a reduction in the
15 rate of increase.

16 MR. RAPIER: Yes.

17 VICE CHAIRMAN PEARSON: Okay. If you can
18 provide any more specificity in the posthearing, I
19 would be glad to see it. I understand we've got two
20 domestic firms here who are producers of the jumbo
21 rolls, and there are significant constraints on what
22 you ought to say in public. I appreciate the dialogue
23 that we have had. But to the extent that you can for
24 the purposes of the posthearing, I'd be interested to
25 know what both firms have thought about demand during

1 the POI and looking forward.

2 Mr. Richards, at the rate of growth, and
3 this may or may not be something you can answer
4 publicly, but at the rate of growth that you had
5 perceived in the marketplace, at the time you decided
6 to build the West Carrollton facility, how many years
7 did you believe it would take to absorb that increase
8 in capacity?

9 MR. RICHARDS: Mark Richards. I would
10 respectfully ask that we address those questions in a
11 posthearing brief. It's confidential information.

12 VICE CHAIRMAN PEARSON: And I understand.
13 I'm not aware of everything that your firm might have
14 put in public over time, so I go ahead and ask the
15 question.

16 MR. RICHARDS: Of course.

17 VICE CHAIRMAN PEARSON: Because I don't know
18 whether it was in a press release a year ago, but I
19 absolutely respect the privacy of the response. Now,
20 continuing with you, Mr. Richards, the West Carrollton
21 facility represents a significant expansion of
22 domestic production capacity, relative to domestic
23 consumption. When the decision was made to add this
24 capacity, was it planned that a meaningful portion of
25 the output would be exported?

1 MR. RICHARDS: This is Mark Richards.
2 Again, with respect, the discussions around where we
3 would be selling that product and how we'd go about
4 selling that product is confidential and would again
5 respectfully ask to submit that in a posthearing
6 brief. I believe it is in some of the information
7 that was provided before through some of the board
8 slides.

9 VICE CHAIRMAN PEARSON: Okay. Not a
10 problem.

11 MR. RICHARDS: But we'll make sure if it
12 isn't, that you get the information.

13 VICE CHAIRMAN PEARSON: And it may be there,
14 I just didn't find it as I was trying to get ready.
15 Then another question that very likely is for the
16 posthearing: was it planned that the increase in
17 production at West Carrollton would require the
18 shutdown, either temporarily or permanently, of all or
19 part of the paper production for Appleton in Appleton,
20 Wisconsin?

21 MR. SCHONFELD: Commissioner Pearson, this
22 is Walter Schonfeld. That's a confidential matter but
23 I believe if you look in the Board of Directors'
24 presentation which was submitted to you
25 confidentially, you'll find that information included

1 in that Board presentation.

2 VICE CHAIRMAN PEARSON: Okay, thank you very
3 much. I recognize these questions are sensitive, and
4 yet for purposes of having a full record I wanted to
5 make sure that they were addressed. My light is
6 changing, Madam Chairman, so I will pass. Thanks.

7 CHAIRMAN ARANOFF: Commissioner Okun.

8 COMMISSIONER OKUN: Thank you, Madam
9 Chairman. And thanks again for all the responses
10 we've heard thus far. I think in response to Chairman
11 Aranoff with respect to the cost of production of the
12 48 versus the 55, that was one of the things that I
13 think we had discussed during the plant tour that I
14 also was interested in. So maybe we'll see that, for
15 purposes of the posthearing, I'll be interested in
16 seeing that as well. Then just a couple of follow-
17 ups. I think these are things you touched on, I just
18 want to make sure I understand it because again the
19 German Respondents have argued this and I assume we'll
20 hear it this afternoon from some of their witnesses as
21 well. So just so I'm very clear on this, in terms of
22 the length of the rolls of a 48 versus a 55, is there
23 a standard length, does it matter at all, in terms of
24 for purchasers? And tell me what that length is.

25 MS. HATFIELD: This is Karen Hatfield. In

1 terms of the slit rolls that are sold to the end
2 users, there are standard lengths: 220 feet, 230
3 feet, and 273 feet. And those are standard lengths
4 regardless of what the basis weight or caliper of the
5 paper is.

6 COMMISSIONER OKUN: Okay. So the same for -
7 - and I know, Mr. Hefner, I think you were shaking
8 your head, and I have one of the converters back there
9 as well.

10 MR. HEFNER: Well, yes, I agree there are
11 standard lengths. And part of the reason there are
12 standard lengths is that the cavity in any printer
13 precludes larger lengths than the certain size because
14 the cavity can't hold larger lengths.

15 COMMISSIONER OKUN: Okay. And Mr. Mosby?

16 MR. MOSBY: Thank you. Gregg Mosby. We
17 manufacture both 48 and the heavier and the lighter
18 caliper material. We manufacture both to the exact
19 same lengths and on rare occasions someone might want
20 to have a longer length roll but 99 percent of what we
21 manufacture is the same length no matter which
22 product.

23 COMMISSIONER OKUN: Okay. Then my next
24 question on that, and I think one of the other
25 commissioners raised, and obviously it will be

1 something we'll be asked, would probably be asking
2 the Respondents this afternoon, is that, to the extent
3 that there is information on the record indicating
4 that purchasers have called it a superior product --
5 and I understand the responses you've given and placed
6 on the record here -- you know I will be asking why,
7 whether it should command a higher price if that were
8 the case. But for you I guess my question for the
9 producers would be if they're the same product and if,
10 as you've said, the cost of production don't differ, a
11 48 wouldn't mean you could sell it for a lower price
12 because costs of production are less -- why are you
13 offering a 48, then? In other words, I scratch my
14 head about that a little bit. If that's the case, why
15 not keep doing what you do?

16 MS. HATFIELD: Karen Hatfield, here. We
17 introduced the 48 gram product in order to have a full
18 portfolio of products. We recognize that -- we don't
19 see any substantial difference between the 2.1 and the
20 2.3 products, and certainly on a cost basis, it's a
21 wash. What we were getting from our customers is some
22 of them have moved to a 48 gram or a 2.1 caliber
23 product. Some of them wanted to stay in the 55 gram,
24 2.3. We wanted to be able to offer the full
25 portfolio. So, even while we don't see the difference

1 in that, again, we consider ourselves a full portfolio
2 provider and felt that it was important for us to be
3 able to offer both to our customers.

4 COMMISSIONER OKUN: And I think you, oh yes,
5 Mr. Narkin.

6 MR. NARKIN: Yes, just to supplement that
7 briefly, and refer you to the purchaser questionnaire
8 data. If you look at your Table 2-1 of the prehearing
9 report, which gives you a compilation of the factors
10 that purchasers identified as among the three most
11 important purchase factors, you've got price, quality,
12 and availability. And they're the top three. And
13 then there's a category for 'Other.' And then there's
14 a footnote to that. And if you go through that, you
15 see that there was one purchaser cited availability of
16 40-gram paper as among the three most important
17 purchase factors. You see none citing caliper or
18 basis weight. So I think that helps you put in
19 context this whole notion that the people in the
20 market are really clamoring for 48-gram paper and are
21 choosing to buy that in preference to 55-gram paper
22 for that reason and not for price.

23 COMMISSIONER OKUN: Mr. Narkin, I may be
24 wrong on this and I need to go back to it, but to the
25 extent that also in a staff report on the allegations

1 of supply shortages, that I believe there was more
2 than one person referencing the weight as being an
3 issue in that. Could you address that as well, and I
4 assume that would require some confidential
5 information but it seemed, when I read it, and I don't
6 want to characterize it, it seemed like there might be
7 more in that section than in the chart you're
8 referring to, the table.

9 MR. NARKIN: Sure, I mean to the extent
10 there's anecdotal stuff in the lost sales and lost
11 revenue section that would be confidential and we will
12 talk about that in the posthearing.

13 COMMISSIONER OKUN: I'm sorry, I'm talking
14 about not in lost sales and lost revenue which may
15 have occurred, but in the supply shortage section in
16 chapter 2.

17 MR. NARKIN: Okay.

18 COMMISSIONER OKUN: If you can look at that
19 and help me with that. Yes, Mr. Hefner?

20 MR. HEFNER: Yes to answer your original
21 question. Kanzaki Specialty Papers does not offer a
22 48-gram as I put in my testimony, because we offer a
23 product that's right in the sweet spot and fits the
24 market completely. And our sales continue to be okay
25 based on that.

1 COMMISSIONER OKUN: Okay. And I recognize
2 there's a difference there in the producers. But Ms.
3 Hatfield, I want to go back to you because I think you
4 had said something about it and I want to make sure I
5 understand it. When Appleton describes itself as
6 providing a full portfolio of products, tell me what
7 the rest of the portfolio would be. In other words,
8 if you're saying we're going to offer this 48 because
9 we want to say we can offer anything, someone comes to
10 us, we're not going to turn it down and say we can't
11 make that. What would be the other part of the
12 portfolio that maybe Kanzaki doesn't offer but you do
13 that would be something purchasers would want?

14 MS. HATFIELD: In terms of a full portfolio,
15 you know, we obviously offer a full range of thermal
16 products for different applications specifically
17 within the POS, the point of sale receipt realm,
18 lightweight thermal paper. We have some that we offer
19 in different colors, higher sensitivities for
20 different applications based on needs of specific
21 customers or specific applications. We have some
22 nuances within that.

23 COMMISSIONER OKUN: Okay, but the only one
24 where the difference in grams, other than the 44 that
25 was introduced and then was not successful, the 48

1 versus 55 would be the difference in the portfolio on
2 that alone, not the other specifications?

3 MS. HATFIELD: Karen Hatfield, again. If
4 I'm understanding your question, are you saying that
5 the only difference between 48 and 55 is the caliper?

6 COMMISSIONER OKUN: No, I'm just trying to
7 figure out when you're talking about the portfolio, if
8 someone was coming, saying we want a product for this
9 specific application, is that also a different, is it
10 sold in different lengths, or anything that would
11 differentiate in terms of the portfolio?

12 MS. HATFIELD: Karen Hatfield, again. The
13 different products that we talked about in the
14 portfolio, depending on the application, there may be
15 requests for different lengths. In terms of the
16 differences in how we produce it, I mean there are a
17 lot of similarities between those products. But when
18 we look at commodity POS products, the lightweight
19 thermal paper we're primarily talking about the 2.3
20 and 2.1 and the 55/48 gram product. Does that answer
21 your question?

22 COMMISSIONER OKUN: Yes, that does.

23 MR. DORN: And Commissioner, can I add
24 something to your earlier question about why you might
25 offer a 48. And, it's my understanding there are some

1 converters who don't like to carry both 48 and 55
2 because of packaging concerns. Because they're
3 selling to standard lengths and so if you put the 48
4 on it's going to have a smaller diameter and it would
5 roll around the boxes so you've got a change of
6 packaging system. So if you're a converter that
7 decides to make the shift from 55 to 48 because of a
8 lower price, that you've got a price incentive to make
9 that shift in your packaging and so forth, what's it
10 going to take for Appleton to get that customer back
11 who's moved over to 48? You've got two choices:
12 either you try to undercut the 48 significantly to
13 give them an incentive to go back to 55, or you try to
14 match the 48's, so it gives the customer, you know,
15 has an incentive just to keep selling that. So that's
16 another reason, as I understand, that Appleton decided
17 that he would offer a 48, to have that option.

18 COMMISSIONER OKUN: And that reminds me -- I
19 know that it had come up before about the packaging is
20 different because it takes up less room and some
21 customers I think you had indicated didn't like that
22 or thought they were getting less for their money.
23 And this question obviously I'll put to the
24 Respondents but just wanted to get your reaction which
25 is, in terms of a freight advantage at the 48, do any

1 of you have any knowledge of whether they are shipping
2 in different packages so that they don't have that
3 problem? In other words, if they have a weight
4 advantage on the 48 for shipping purposes, can they
5 put it in a small -- a different size container so
6 they're not paying for size of container? I don't
7 know if that matters or not.

8 MR. HEFNER: Excuse me, this is Steve Hefner
9 from Kanzaki. Before we move on to the freight
10 advantage, I want to address, Kanzaki does offer a
11 full portfolio of products. We offer those portfolio
12 for the people that would like to pay for the product.
13 So if they would like a lower basis weight product, we
14 could offer it. But it would have to be commensurate
15 with the cost-price relationship. And I wanted to let
16 you know that. A different thing is also that KSP's
17 product would fit into either packaging for either 55
18 or 48 gram, so we've created a universal set to allow
19 us to be able to diminish the packaging differential
20 and be able to offer a product that would
21 substantially work in either case.

22 COMMISSIONER OKUN: Okay. Oh, my red
23 light's come on so I'll come back to my question about
24 freight on my next round. Thank you Madam Chairman.

25 CHAIRMAN ARANOFF: Commissioner Lane.

1 COMMISSIONER LANE: Thank you. I guess my
2 first question is probably for Mr. Dorn or Mr. Narkin.
3 In thermal transfer ribbons from Japan, we found that
4 the primary cost in converting jumbo rolls into TTR
5 was not capital investment but direct cost of labor.
6 Do you agree that the same is true in this case?

7 MR. DORN: This is Joe Dorn. I hope Mr.
8 Narkin can answer that because I don't remember the
9 point. I'd have to go back and look at that case.
10 I'm not sure I understand the issue.

11 COMMISSIONER OKUN: Well the issue is that
12 if you're talking about converters being part of the
13 industry, the argument is made that there has to be a
14 substantial capital investment in order for the
15 converters to be part of the industry. And in thermal
16 transfer ribbons, we said that it was more labor
17 intensive than capital investment and we still found
18 them to be part of the industry. And I just wondered
19 if you agreed with that analysis or did you want to
20 say anything about that? Because that is one of the
21 issues in this case as to whether or not the
22 converters are part of the industry.

23 MR. DORN: Of course, Commissioner, in the
24 preliminary determination, the Petitioner did take the
25 position that the converters were not part of the

1 industry, and we've decided not to revisit that issue
2 for the final investigation. But we will take a look
3 at your question and respond to it in the posthearing
4 brief.

5 COMMISSIONER LANE: Okay, thank you. Okay
6 we'll just stick with you, then, or someone else.
7 Could you explain how you view the question of whether
8 slit rolls compete with jumbo rolls of lightweight
9 thermal paper within the context of the cumulation
10 issue?

11 MR. NARKIN: Commissioner Lane, this is
12 Steve Narkin. I'd like to say a few things on that.
13 Starting off with the part of your question that asks
14 how these products compete, because we think that's
15 really at the heart of the matter, here. As I think
16 you know, as I'm sure you know, the statute says that
17 the test is whether imports compete with one another
18 and with the domestic-like product. It doesn't say
19 that physical fungibility is required. The focus is
20 on competition. Now it's true that fungibility is
21 among the four factors that the Commission's always
22 looked at for cumulation. But all along, including up
23 to the present day, the Commission has emphasized that
24 those four factors are not, and this is the operative
25 language, and exclusive list of considerations. so

1 the Commission hasn't precluded the possibility that
2 it would find the competition that's needed based on
3 other considerations. Now, we submit to you that this
4 is an unusual case, and we think probably an
5 unprecedented case, that does call for you to take
6 other factors into account in determining whether
7 there's competition among these products. In this
8 case you have the Commission determining that a semi-
9 finished product and a finished product are both part
10 of the domestic-like product. Here you have pretty
11 much just the semi-finish coming from one country,
12 Germany, that's in fact all there is coming from
13 Germany and we think probably all, or just about all
14 of the Chinese product is the finished product, which
15 is the slit rolls. And the third and final thing is,
16 here you have evidence that shows that imports of both
17 the semi-finish product and the finish product are
18 competing for the business of the same customers, the
19 converters. And we don't think that's ever come up
20 before. And the last thing I'd like to say is, on
21 this question of are imports of slit rolls from China
22 competing with jumbo rolls, whether they're made in
23 the United States or whether they're made in Germany.
24 As you've heard the testimony, from several witnesses
25 so far, there's no question that there are converters

1 who see themselves in a make or buy situation where
2 they're forced to decide whether they will make slit
3 rolls, using their own slitting equipment from U.S. or
4 German-made jumbo rolls, or whether instead the only
5 way they can get business or keep business is to buy
6 slit rolls from China. And that's direct competition
7 between slit rolls and jumbo rolls. And the
8 Commission, in talking about the issue of threat from
9 China, in the preliminary investigation, that's pretty
10 much exactly what you said. The Commission
11 collectively, that is. You recognize that there was
12 competition between slit rolls and jumbo rolls. And
13 that's the essence of the matter. If there's
14 competition among these products, the statute says you
15 should cumulate the products. And thanks for bearing
16 with me with that long answer.

17 MR. DORN: And could I just add on further
18 point? And it goes back to your preliminary views in
19 the preliminary determination, Commissioner Lane,
20 where you did address fungibility. And we also agree
21 with the fact that if you're going to look at
22 fungibility, that factor, which we don't think is
23 really called for in the statute, but if you're going
24 to look at it in the context of finished and semi-
25 finish product, as you did, you said that the sheet is

1 the same. The sheet of the jumbo roll and the sheet
2 of the slit roll is the same. And that should satisfy
3 any fungibility test with respect to whether the
4 products compete. Because the only difference is the
5 size and the packaging of the products.

6 COMMISSIONER LANE: Okay, thank you. Have
7 you ever been advised directly by any customers that
8 they require more favorable terms, price or otherwise,
9 on jumbo rolls from any source because of competitive
10 pressure from imported slit rolls? And if so, what
11 has been your reaction to those competitive pressures?

12 MS. HATFIELD: This is Karen Hatfield at
13 Appleton and yes, we've had a number of converter
14 customers coming to us asking us to lower our prices
15 to them so that they can more directly compete with
16 the slit rolls from China; asking what's Appleton
17 going to do about this. And that, in particular,
18 escalated in late 2006 and early 2007. And, in many
19 cases, we did reduce our price in order to help our
20 converters compete, because ultimately that was our
21 business as well. If our converter didn't get that
22 business, we weren't getting it either. So, yes,
23 there was direct competition. A lot of feedback from
24 many different converters on the Chinese imports and
25 the aggressively low prices that they were coming into

1 the market. And that was what initiated our
2 investigation in the first place, to pursue this type
3 of petition.

4 MR. HEFNER: This is Steve Hefner from
5 Kanzaki Specialty. We have been directly asked by
6 converters to give them special prices to compete with
7 slit rolls coming from China. And we'll be happy to
8 give you complete details of that in the posthearing
9 brief.

10 COMMISSIONER LANE: That's what I was going
11 to ask, if it's not already in the record, could we
12 have that in the posthearing brief? That would be
13 very helpful. Thank you. Now the German Respondents
14 argue that because the domestic coaters must purchase
15 the majority of their base paper, rather than
16 producing their own base paper, that the quality and
17 consistency of the base paper cannot be controlled.
18 Could you describe the sources for the base paper that
19 you coat and please indicate whether you have quality
20 or consistency problems with your base paper supply?

21 MR. FRIESE: This is Mike Friese. We do
22 rigorous work to set specifications with our suppliers
23 to ensure that we get the quality that we need. So we
24 set our specifications and then monitor their
25 performance. All our base paper suppliers send us

1 regularly production data that shows they're
2 performing to our specifications. So we monitor that.
3 And we believe that allows us to provide a consistent
4 product. And, without detailed data, it's hard to do
5 a direct comparison, but I think the data that I
6 showed in Slide 6 and 7, the argument that their
7 product is more consistent is hard to understand with
8 the fact that their specifications for basis weight
9 and caliper are actually wider than our. So the
10 specifications that they have are actually wider, yet
11 they would claim that their product is more
12 consistent. When we set our specifications, we use a
13 six-segment methodology to look at our process
14 capabilities and analyze our data and set
15 specifications within a limit that we can control.

16 COMMISSIONER LANE: Okay, thank you. Madam
17 Chairman, that's all I have.

18 CHAIRMAN ARANOFF: Commissioner Williamson.

19 COMMISSIONER WILLIAMSON: Thank you, Madam
20 Chairman. I think the Respondents have argued that we
21 should look at the delivery prices. And I was
22 wondering, why should the Commission depart from its
23 standard practice of comparing FOB prices, and, are
24 the inland freight costs high enough here to warrant
25 using delivery prices?

1 MR. DORN: Commissioner Williamson, I would
2 suggest you talk to Ms. Klir about her verification of
3 Appleton, and the effort that was made to try to get
4 from delivered price, which is, you know, that's what
5 they sell on, the basis of a delivered price. That's
6 what's easily captured from the accounting system. To
7 make the deductions to get back to FOB. Our first
8 argument is that the delivered prices are much more
9 accurate because that is the way that the data is kept
10 by the players in the marketplace. It's also more
11 telling, in comparing prices of importers and domestic
12 producers, because that's how they go to the customer.
13 The customer doesn't care what the FOB price is. The
14 customer cares about delivered price. That's where
15 the competition takes place. And so we think that you
16 should use delivered prices in this case. And it's
17 not true that the prehearing report reflects the
18 Commission's standard practice with respect to FOB
19 values. In all the recent cases I've been involved
20 in, including the preliminary investigation here, when
21 the Commission collected FOB prices it did it FOB
22 point of shipment, that is, either from the plant or
23 from the distribution terminal. Here, for some
24 reason, there's a switch to have it just FOB plant. So
25 this is not the standard practice of FOB, and we think

1 the delivered price, in any event, is more accurate
2 and more telling for your price comparisons.

3 COMMISSIONER WILLIAMSON: Okay. Thank you
4 for that explanation. Going back to the 55/48 issue,
5 I don't know where you buy point-of-sale printers, but
6 suppose I own a restaurant and I go into one and I buy
7 a new point-of-sale printer. Is that box going to
8 tell me to use 55 or 48 or use a certain caliper? In
9 other words, do the manufacturers usually give any
10 guidance on this?

11 MR. HEFNER: This is Steve Hefner. When a
12 printer manufacturer like IBM, SEICO, EPSON, sell
13 their printers, they usually sell it with a book of
14 instructions as well as some specifications and --

15 (Electronic interference.)

16 CHAIRMAN ARANOFF: Let's bring a different
17 microphone over. If someone else could pull theirs
18 over, because the court reporter can't hear you
19 without a microphone unfortunately even if you have a
20 really loud voice. I apologize for the inconvenience.

21 MR. HEFNER: Which I do. Inside that book
22 of specifications, it includes the parameters of what
23 they expect in the specification of the finished roll
24 going into the printer. It includes the size of the
25 roll and width, because you wouldn't want it to be

1 wider because it would jam the printer. It includes
2 the desired length, because it's based on the cavity.
3 It actually names products often that are or have been
4 approved products. But it also includes the caliper.
5 It sometimes, but rarely, includes the basis weight.
6 But it does include the caliper, and it does include
7 the width, and it does include the estimated roll
8 length based on the cavity size.

9 COMMISSIONER WILLIAMSON: Okay so when it
10 does the caliper -- do you usually say, okay I'll get
11 48 because that caliper is more often than 2.1, or, in
12 other words, are the manufacturers pushing the use to
13 48 or are they pushing you to 55 or are they
14 completely neutral on this?

15 MR. HEFNER: For the most part, the
16 manufacturers tend to be neutral because they do not
17 want to alienate the end customer, who may have a
18 preference, either A or B, but he does want to make
19 certain that the caliper range works within their
20 printer because as I mentioned in my testimony, they
21 want to make sure that the contact point, with the
22 thermal print head, enables the printer to demonstrate
23 good output print media. Otherwise the print
24 mechanism may be blamed for poor output quality. So
25 they want to make certain that there's good contact.

1 COMMISSIONER WILLIAMSON: Mr. Rapier?

2 MR. RAPIER: A lot of times an OEM spec for
3 a printer can spec caliper in a range from, for
4 example, from a 1.8 mil to a 3.6 mil for the same
5 printer.

6 COMMISSIONER WILLIAMSON: Right. Okay.
7 Yes.

8 MR. SCHONFELD: Commissioner, the reason for
9 that is also the fact that if you look at the
10 specifications for some of our competitor's products
11 and our products, they're fairly wide. These printers
12 are made to handle a reasonably wide range of caliper
13 paper mainly because just the normal variation in the
14 paper itself as Mike Friese presented in his
15 presentation suggests that it's going to need to be
16 wide anyway. So there is no distinguishing feature
17 within the OEM specifications that I am aware of that
18 would make any difference between a 48-, 55-, or 53-
19 rim or 2.1- or 2.3-caliper paper.

20 COMMISSIONER WILLIAMSON: Okay.

21 MR. HEFNER: This is Steve Hefner again.
22 We'd be happy in the posthearing brief to supply you
23 some samples of OEM specifications that would normally
24 come with the printer.

25 COMMISSIONER WILLIAMSON: Okay. Thank you,

1 that makes it sound like you -- it doesn't really
2 matter, any of your products you want to do. Mr.
3 Hefner, now you mentioned something about that I guess
4 that German manufacturers actually don't sell much 48-
5 in Europe outside of a few places. Could you clarify
6 on that and what conclusions you would draw from that?

7 MR. HEFNER: It is our understanding from
8 some of our sources in Europe that 55-gram paper is
9 the desired product and it's not sold very often in
10 Europe at all. And the locations that desire it if at
11 all would be in the United Kingdom and in Italy.
12 Forty eight. Right, 48-grams.

13 COMMISSIONER WILLIAMSON: Okay. Thank you.

14 Okay. Mr. Richards, these are, and are
15 probably in posthearing, since you made the investment
16 in the West Carrollton plant using the retained
17 earnings and an existing line of credit, I assume you
18 still had to look at the question of what alternate
19 use of funds you might have made with that money. And
20 I think you indicated that some of your other lines
21 are probably more profitable than the lightweight
22 thermal paper. So I was just wondering how you
23 factored that question of alternate use for those
24 funds.

25 MR. RICHARDS: Commissioner, Mark Richards,

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1 I think part of the discussion around the lightweight
2 thermal investment would be best handled in the
3 posthearing brief, and it is in the record with the
4 board presentation where we look at alternatives to
5 making investments.

6 COMMISSIONER WILLIAMSON: Okay.

7 MR. RICHARDS: So you'll see it in there and
8 if not, we can certainly provide that.

9 COMMISSIONER WILLIAMSON: Okay. Thank you.

10 MR. SCHONFELD: Just one other point,
11 Commissioner, if I could.

12 COMMISSIONER WILLIAMSON: Yes.

13 MR. SCHONFELD: I don't want you to be, or
14 any of the other commissioners to leave with the
15 impression that this investment in any way meant that
16 we also weren't making investments in other parts of
17 our product lines either. It wasn't in a binary
18 either/or for us as a company. So please understand
19 there were continued investments in other parts of our
20 business as well, and we'll talk about the
21 confidential components of the lightweight thermal
22 paper investment separately, but please do understand
23 we did make investments in the Appleton plant and in
24 our other facilities as well in addition to the
25 particular investment that you were talking about

1 before. So I just don't want anyone to leave with the
2 impression that it was this or something else and that
3 something else might not have gotten done necessarily
4 that was a good return particularly because of this
5 investment.

6 COMMISSIONER WILLIAMSON: Okay. Thank you.
7 In thinking about investments, Mr. Allen, I was
8 wondering might you address, I don't know to what
9 extent you know about the competitiveness of workers
10 and your overseas competitors, how competitive those
11 workers are compared to the investments that may have
12 been made in the workers in the U.S.

13 MR. ALLEN: Jim Allen. No, sir, I don't
14 know anything about the work ethic overseas. I've
15 never been out of the country. But I can tell you
16 that the workers here in our homeland, if the
17 competitive field is level, we can, will, we will
18 train, we will do whatever is necessary, we come in
19 early, we stay late, and we will do whatever it takes
20 to produce good quality products here in America.

21 COMMISSIONER WILLIAMSON: Okay. Thank you.

22 MR. HEFNER: This is Steve Hefner. As a
23 subsidiary of a Japanese parent company, we have
24 sister companies both in Japan and Germany, and we
25 benchmark our competitiveness against both of them,

1 and we are equally if not more competitive than both
2 Japan and Germany.

3 COMMISSIONER WILLIAMSON: Thank you for that
4 answer.

5 MR. BLASCZYK: This is Steve Blasczyk. I
6 would like to comment on that. When I took you all,
7 or most of you through the tour of the plant and I
8 showed you how involved the employees were, that is a
9 huge part of our effort to reduce waste, and some
10 significant progress over the last few years.

11 COMMISSIONER WILLIAMSON: Thank you for
12 those answers. What time is it? Sorry.

13 COMMISSIONER PINKERT: Mr. Blasczyk, do you
14 want to give us a little more detail about some of
15 that progress? I know you talked about it during the
16 plant tour, but for the benefit of all the
17 commissioners.

18 MR. BLASCZYK: Sure. Steve Blasczyk here.
19 One of our initiatives is a push on lean
20 manufacturing, and really that's getting all the
21 employees engaged in the decision making, empowering
22 them. So what we're looking at is, what they do every
23 day is constantly adding value for our customers. So
24 rather than just watching, you know, a machine run
25 when things are going well, there are other things

1 that they can do to add value, reduce our waste,
2 things like that. So we've got a whole bunch of tools
3 that we've employed in the last several years and
4 people have stepped up to the plate tremendous pride
5 in continuous improvement, and they understand that
6 it's a very competitive environment, and they've all
7 really stepped up to the plate.

8 COMMISSIONER PINKERT: And has there been
9 some modification or change with regard to flexibility
10 of work assignment within the plant?

11 MR. BLASCZYK: Absolutely. We have an
12 effort that we call workforce redesign where our
13 employees have all taken on additional
14 responsibilities besides just operating their machine.
15 And they are, we talk about flowing to the work.
16 Wherever the demand is, they flow to the work. So we
17 are utilizing them as efficiently as possible. And
18 there is extensive training that goes along with that,
19 we've got the competency based training system, we
20 move people around based upon their competencies and
21 their readiness for a particular assignment.

22 COMMISSIONER PINKERT: And with regard to
23 Kanzaki, has there been a similar evolution in terms
24 of the way that plant efficiencies are obtained?

25 MR. HEFNER: Steve Hefner from Kanzaki. It

1 may not be similar, it may not be the same, it
2 depends, I don't know enough about Appleton's process.
3 But the company's only a 22-year old company. It's
4 built on lean manufacturing, it's a U.S. manufacturer
5 but a subsidiary of a Japanese parent. It practices
6 Kaizen lean manufacturing as well as Six Sigma, so
7 it's done all the processes to improve to become the
8 best output processor it possibly could.

9 COMMISSIONER PINKERT: Thank you. Now
10 turning to Mr. Dorn for a second, and perhaps Mr.
11 Horlick as well, in the past where the subject
12 merchandise has included both semifinished and
13 finished product, how has the commission looked at the
14 question of fungibility?

15 MR. DORN: I think Mr. Narkin can answer
16 that.

17 MR. NARKIN: Commissioner Pinkert, this is
18 Steve Narkin. We've taken a long hard look at this,
19 and to be honest, you know we have not really seen
20 cases like this one, as I said, you know, in my
21 response to a question from Commissioner Lane earlier.
22 Why you have a number of cases where you have a
23 semifinished product and a finished product as part of
24 a like product, usually, and as far as we can tell
25 pretty much always, you have some of both coming in

1 from each of the countries. So the Commission has
2 never been put in a position where they've had to say,
3 you know, gee are these product fungible because just
4 the semifinished is coming in from one and the
5 finished coming in from the other. I'm not sure if
6 that answers your question.

7 COMMISSIONER PINKERT: Well, to the extent
8 that we may have made statements about fungibility
9 even in the context of the kinds of cases that you're
10 talking about, I'd appreciate some analysis for the
11 posthearing that goes through that issue.

12 MR. NARKIN: Certainly will do that.

13 MR. DORN: And just to make it clear, our
14 argument on cumulation is not based on economic
15 effects, it's based on applying the plain language of
16 the statute which talks about competition between the
17 imports from the subject countries and the domestic
18 like product, and I don't know how we can better
19 explain competition than from the testimony we've had
20 from converters that there is competition at their
21 level of trade between jumbo rolls from the United
22 States, jumbo rolls from Germany, and slit rolls from
23 China. That is competition, and I don't see how you
24 can construe the statute other than to require
25 cumulation on that set of facts.

1 COMMISSIONER PINKERT: And that's a good
2 lead-in to my next question which is, for the
3 converters, did somebody else have a comment on that
4 last?

5 MR. HORLICK: Yeah, just to add, and it goes
6 to the question Commissioner Lane posed which we'll be
7 answering in the posthearing brief of specific
8 instances of converters asking for lower prices for
9 the jumbo rolls because of imports of slit rolls.

10 COMMISSIONER PINKERT: Thank you. Now,
11 turning to converters, I want to get a better
12 understanding of exactly how you decide whether to
13 make or buy when you are in a make or buy situation.
14 What are the criteria that you use to make that
15 decision?

16 MR. RAPIER: Mike Rapier. First of all,
17 criteria would be the size of the order. If it's five
18 cases, I'm probably not going to buy five cases from
19 China. But if it's more in the ballpark of container
20 load quantities that a customer would purchase and I
21 can't get the product to the customer in a profitable
22 way give the prices that that customer is putting in
23 front of me, then I would, then I did indeed look at
24 Chinese paper as a way to curtail that, and thus sold
25 them Chinese paper and did not place them, in prior

1 years I would have placed an order from jumbo rolls to
2 slit that paper and then ship that product.

3 COMMISSIONER PINKERT: Thank you.

4 MR. MOSBY: Greg Mosby. We purchased one
5 container from China to evaluate how it worked. We
6 fought through this and missed several orders because
7 we could not be competitive. And as I stated earlier
8 that, the product was sold mostly through very large
9 converters that maybe didn't have operations out west.
10 As well as it was sold directly to distributors that
11 sold product through the internet or very large
12 distributors that could buy in full containers, and
13 that was most of the competition.

14 COMMISSIONER PINKERT: Thank you. Now
15 turning back to Appleton for a moment, I'm wondering
16 given the situation with the 48-gram product and the
17 testimony you've already given on that product, are
18 you trying to increase your production and sale of 48-
19 gram product presently?

20 MS. HATFIELD: Karen Hatfield. We are, we
21 offer both in the portfolio. We have not pushed one
22 over the other, so it's really based on the demand
23 from our customers, but we are increasing sales on
24 both.

25 COMMISSIONER PINKERT: And is it your

1 company's sense that it has more difficulty in
2 supplying the one than the other? In other words, are
3 there more capacity constraints with the 48-gram
4 product?

5 MS. HATFIELD: We are able to produce both
6 products, it's more just a question of the balance of
7 the mix. As we mentioned, we just started our new
8 coater within the last, well I guess we had our grand
9 opening in early August. That machine is currently
10 producing both 48- and 55- product, our 2.1 and 2.3
11 product. So we don't have any constraints on those.

12 COMMISSIONER PINKERT: And what are you
13 hearing just in terms of your conversations with
14 customers? Is there a shift in terms of their
15 preferences or has it been pretty steady in respect to
16 the 48 versus the 55?

17 MS. HATFIELD: Karen Hatfield again. We have
18 seen more converters taking an interest in 48-gram
19 product, our 2.1 product, across the market. Driven
20 by price. They predominantly are looking for a lower
21 price that will compete with the 48-gram product from
22 Germany.

23 COMMISSIONER PINKERT: All right. Well I
24 see that my yellow light is on so I thank you and wait
25 until my next round.

1 COMMISSIONER WILLIAMSON: Hard to believe,
2 but I still haven't run out of questions about the
3 product differences. One thing that I'm not sure that
4 we've covered yet, though correct me if I'm wrong, is
5 that one of the arguments that the Respondents raise
6 is that converters prefer jumbo rolls that are 53.5
7 inches wide because that width allows them to minimize
8 trim loss and that German producers are able to supply
9 that product all the time but domestic producers are
10 not. Can anyone respond to the importance of jumbo
11 rolls being 53.5 inches wide.

12 MR. RAPIER: Mike Rapier. As a converter,
13 we want to maximize the width of the web of the
14 machine. The standard product in the marketplace is 3
15 1/8-inch thermal. And machines are typically 54
16 inches wide. So to put a 53.5-inch mill roll on the
17 machine, you would maximize your productivity by
18 getting 17 cuts and you would minimize the trim loss.
19 I only buy 53.5-inch from Appleton, it's never been an
20 issue. I buy 53.5-inch mill rolls from Kanzaki as
21 well.

22 COMMISSIONER WILLIAMSON: Okay. And have
23 you ever been asked to purchase another width?

24 MR. RAPIER: There have been cases when I'm
25 not running a standard product. Maybe I'm running a

1 cut that's 4 17/64 so it's a little bit odd, and so it
2 doesn't fit the trim of their machine exactly so what
3 I will do is I will buy from them in a set one wider
4 roll and one narrower roll to minimize the waste and
5 maximize production.

6 COMMISSIONER WILLIAMSON: Okay. So it has
7 not been your experience, because the Respondents have
8 argued that converters have been required to take
9 53.5-inch and narrower rolls together in a bundle by
10 domestic producers, that has not been your experience?

11 MR. RAPIER: That has not been my
12 experience. Especially with 3 1/8-inch thermal which
13 is, you know in some estimates, 70 percent of the
14 marketplace.

15 COMMISSIONER WILLIAMSON: Okay. What about
16 Mr. Mosby?

17 MR. MOSBY: Greg Mosby. And that has not
18 been my experience either.

19 COMMISSIONER WILLIAMSON: Do you also buy
20 only 53.5-inch except when you're making some unusual
21 product?

22 MR. MOSBY: There are other products, but
23 that's the 53.5 is our major product size. We do run
24 there's 2 1/4 and various other sizes of thermal.
25 Also, we have a 36-inch printer that requires 36-inch

1 wide. One of our printers is 36 wide. So we have to
2 buy some product there, and they've always accommodate
3 that also.

4 COMMISSIONER WILLIAMSON: Okay. Thank you.
5 I think Commissioner Okun had started into this
6 question in her last round but then kind of got
7 diverted in a slightly different direction so I wanted
8 to circle back on the question of, between the 48- and
9 the 55-grams, there was the consistent argument made
10 by this panel that these rolls are made to the same
11 length regardless of which paper is in them, the
12 result being that the 48-gram ones would weigh a
13 little bit less. So then the question was raise, and
14 I'm not sure if it was ever answered, what effect does
15 that have on shipping costs either from the coater to
16 the converter or from the converter to the next
17 customer?

18 MR. RAPIER: From the Coater to the
19 converter, all the paper that we buy includes freight
20 and is delivered to us with freight included. If we
21 were to make a 55-gram product to 220 feet and a 48-
22 gram product to 220 feet, there would be, and perhaps
23 shipped one case UPS, there would be a slight freight
24 advantage to the 48-gram. And we actually have looked
25 at it because we wanted to know, and I think the 55-

1 gram to ship from one zone to another UPS was \$8 and
2 change and the 48-gram was \$.65 less. If you run the
3 two products to the same diameter and perhaps you
4 would have a 220-foot 55-gram roll and a 260-foot 48-
5 gram roll, there would be no freight advantage.

6 COMMISSIONER WILLIAMSON: All right. Walk
7 me through that part again.

8 MR. RAPIER: Yes. If you run the 55-gram
9 to, say a 3-inch diameter and you get 220 feet on the
10 roll, and you run the 48-gram to a 3-inch diameter,
11 you may get 255 or 260 feet on the roll. And at that
12 point there is not freight advantage.

13 COMMISSIONER WILLIAMSON: Right. No, I
14 understand that but I guess I'm a little mystified
15 here because I have Respondents telling me that the
16 48-gram because it's lighter is routinely run in
17 longer rolls so they would be the same weight but
18 they'd still fit into the printer because they're
19 thinner so you could get, you know, you wouldn't have
20 to change it as often. And then I'm told no, by this
21 panel I'm told, no actually everybody buys the same
22 standard lengths regardless of which weight or caliper
23 of paper it is. So now I'm a little confused by your
24 answer. You're telling me if you ran them to the same
25 weight there would be no freight advantage, right?

1 MR. RAPIER: That's correct. And I'm just
2 stating what a converter's option would be, but in
3 truth most of the competition that we see are running
4 the footage in not two diameter. So a 220-foot, 55-
5 gram roll would compete against a 220-foot, 48-gram
6 roll, and when I talk about freight I'm talking about
7 the freight of a box, not as, you know, typically a
8 customer does not look at price-per-foot, they look at
9 what does the carton cost them.

10 COMMISSIONER WILLIAMSON: Right. Now do
11 your customers buy by the carton or by the truck load?
12 Because it seems to me that \$.65 difference per carton
13 if you're buying a truckload or by the ton or
14 something, that's a lot of money.

15 MR. RAPIER: True. We sell by the
16 truckload, we sell by the pallet, or multiple pallets
17 which we refer to as LTL shipments, less than
18 truckload, we will ship one case at a time via UPS.
19 So if you're selling a truckload of the product, you
20 would pay for that load no matter how much you put in
21 it. If you're going to take the whole container,
22 you're going to pay for the container.

23 COMMISSIONER WILLIAMSON: Okay. And would
24 you pass on that, I mean that freight differential,
25 that would benefit your customer if they were buying a

1 truckload of 48 versus a truckload of 55?

2 MR. RAPIER: If it was by the truckload, it
3 would cost me the same.

4 COMMISSIONER WILLIAMSON: But they'd be
5 getting more rolls.

6 MR. RAPIER: Well, not if I'm shipping -- I
7 could put up to 44, typically 44,000 pounds of paper
8 into the truckload.

9 COMMISSIONER WILLIAMSON: Okay. I'm going
10 to think about that and come back to it. I still find
11 this a little bit confusing that a 55 and a 48 roll
12 made to the same width and the same length, the 48
13 should weigh less, so it should either fit in a
14 smaller truck, same number of rolls and cost less, or
15 you should be able to fit more in the truck and the
16 per-roll shipping cost would be less.

17 MR. HEFNER: This is Steve Hefner from
18 Kanzaki. Mike refers to the shipping by truck. A
19 truckload from here to New York city might be \$1,000.
20 It really doesn't matter how much you put on it it's
21 going to cost \$1,000. You are not dictated by how
22 much you can put on there, you are dictated by the
23 roads. U.S. roads don't allow you to have
24 transportation for more than 80,000 pounds of which
25 about half of it goes to the tractor trailer. So when

1 you buy the truckload, you get a truckload price. So
2 we can't fill the truckload full because we reach the
3 maximum amount of weight before we obtain a full
4 truckload, so a truckload equals a truckload. And I
5 realize that this is quite complex, and I think we'll
6 try to address this as best we can in the posthearing.

7 COMMISSIONER WILLIAMSON: Okay. I
8 appreciate that and, you know, I apologize for
9 belaboring the point, but obviously these are very
10 important issues that have been raised in the case and
11 I want to make sure that we have as complete a record
12 as possible. And Mr. Rapier did you have another
13 short comment that you wanted to make?

14 MR. RAPIER: Mike Rapier. I just wanted to
15 -- what you're saying is because a roll at the same
16 footage is, a 48 and 55 is a smaller roll, that it
17 takes up less space and it weighs less, you may be
18 able to get more of those into that container. And
19 although that container cost, you are correct, is the
20 same, there would be more units in the container, but
21 for us that really goes to price. That would be just
22 one more way to knock down the price.

23 COMMISSIONER WILLIAMSON: Okay. My light
24 has turned red so I will see if there's anything else
25 that I want to revisit on this in my next round. Vice

1 Chairman Pearson.

2 VICE CHAIRMAN PEARSON: Thank you, Madam
3 Chairman. Mr. Richards, a couple more questions for
4 you that may have to be dealt with in the posthearing.
5 The first one is a question of timing. Why the
6 decision to build the plant at West Carrollton at a
7 time when industry earnings were not terribly robust?

8 MR. RICHARDS: This is Mark Richards. I
9 think during the 2006 period when we were
10 investigating or looking at the investment, there was
11 reasonable pricing and growing demand in the market
12 for thermal paper. But having said that, to expound
13 any further and to talk in more detail about the board
14 presentations and slides around some of the analytics,
15 I think it would be best to discuss that in a
16 posthearing brief and to review those slides with you.

17 VICE CHAIRMAN PEARSON: Fair enough.

18 MR. RICHARDS: Thank you.

19 VICE CHAIRMAN PEARSON: Then the related
20 question, as a practical matter, was the decision to
21 build West Carrollton a decision to cross-subsidize
22 various business units within the company using some
23 earnings of more profitable product lines to help
24 construct a facility for one that was perhaps not as
25 profitable?

1 MR. RICHARDS: No. Actually from that
2 standpoint, we export 25 to 30 percent of our product
3 today. And when we have a level and fair playing
4 field, no problems. We export into Latin America,
5 Africa, Middle East, from all our sites and we do so
6 very nicely. So there's not an issue of having to
7 subsidize one or another. As I said earlier in my
8 testimony, we offer a full line of product in our
9 thermal business, and those products we look at it as
10 a portfolio and having been in the business since its
11 inception, we look to invest in those over time as
12 needed to continue to maintain our position and our
13 competitiveness.

14 VICE CHAIRMAN PEARSON: Okay. Thank you.
15 If you have anything further for the posthearing I'd
16 be glad to read it.

17 MR. RICHARDS: Certainly. Thank you.

18 VICE CHAIRMAN PEARSON: Mr. Hefner, are you
19 more concerned about competing with subject imports or
20 competing with your domestic competitor, Appleton?
21 You may not be able to say everything that's on your
22 mind here in the public.

23 MR. HEFNER: I'm not sure that's a fair
24 question. I'd like to address that in a posthearing
25 brief.

1 VICE CHAIRMAN PEARSON: That would be fine.
2 Thank you. Now German Respondents contend that an
3 alternative cause of injury to the domestic industry
4 is interindustry competition. This follows up on what
5 I was just asking. Can anyone in the panel address
6 that or will that have to be in the posthearing also?
7 Mr. Dorn.

8 MR. DORN: Well, I think that's a very, very
9 old argument that's, you know, used in steel cases.
10 You remember the integrated mills part of the industry
11 and the mini mills part of the industry and the
12 Respondents would always come in and say, well, it's
13 not imports that's hurting the integrated producers,
14 it's the mini mills.

15 VICE CHAIRMAN PEARSON: Yes, but those cases
16 were before my time. Perhaps not before yours.

17 (Laughter.)

18 MR. DORN: Well, but the Commission has
19 always looked at the industry as a whole. Of course,
20 our system promotes competition, vigorous competition
21 among domestic competitors, which we have in this
22 industry. That's a given. And the question is, given
23 that competitive environment, what's the impact of
24 increasing imports of unfairly priced product?
25 That's, I would suggest, is your role to determine

1 that impact, but you cannot say that the industry is
2 being hurt by its competition among itself because
3 that's part of our capitalist system. That's free
4 market system. That's not a factor that the Congress
5 asked you to look at in assessing these cases.

6 VICE CHAIRMAN PEARSON: Sure, but what I
7 think that the German Respondents have argued in their
8 brief, and I may learn more later, I think I learned
9 more this evening, is there an alternate cause that we
10 might ignore at our peril if we didn't consider intra-
11 industry competition?

12 MR. DORN: The short answer is no and I'll
13 give you the long answer in the confidential session.

14 VICE CHAIRMAN PEARSON: Now, another
15 alternative cause of injury that German Respondents
16 have suggested is perhaps some inefficiency of the
17 coding facility at Appleton, Wisconsin that was in
18 operation during the period of investigation. How do
19 you respond to that? And I ask that in the context
20 that the decision by Appleton to build a new plant at
21 West Carrollton might be seen by some as kind of an
22 admission that there were shortcomings in the Appleton
23 facility that could be overcome by construction of a
24 new facility.

25 MR. DORN: From a legal perspective I see

1 that as a very very odd argument that the German
2 Respondents are making. I mean, why would this
3 Commission hold it against the domestic industry for
4 investing to increase efficiency? I mean that's no
5 reason to go negative in a case. You should be
6 applauding an industry that's always trying to invest
7 to increase efficiency. And your role, I would
8 suggest, is to determine, you know, given whatever
9 state of the industry is, you're in the POI.

10 There are going to be some firms in every
11 industry that are more efficient and less efficient
12 than their competitors. But your role is to determine
13 the impact of unfairly priced imports on the industry
14 as it is. It's sort of the old, you know, lawyers
15 talking about the thick skull thin skull rule in tort
16 law, you know? I mean, the tort perpetrator doesn't
17 get off the hook because the person he injured
18 happened to have a thin skull.

19 VICE CHAIRMAN PEARSON: Okay. Well, I
20 understand that you were likely to take a different
21 view of this issue than the German Respondents, but I
22 wanted to provide you the opportunity to address it in
23 public session. Mr. Kaplan.

24 MR. KAPLAN: Yes I think there are a series
25 of economic analyses you could do to see if you could

1 distinguish between the various effects you're talking
2 about. So for example, are the two domestic producers
3 experiencing similar trends from the effects of dumps
4 and subsidized imports, that might help you answer
5 your question. I think in the closed session I'd like
6 to go through a series of these examples which could
7 show you how to distinguish between the causes and
8 determine where the injury is coming from.

9 VICE CHAIRMAN PEARSON: Okay. Well I will
10 look forward to that. Mr. Schonfeld.

11 MR. SCHONFELD: Yes, Mr. Commissioner. A
12 couple of other points just to keep in mind, there has
13 been an assertion that this is all about one factor or
14 another. Realize there's several reasons why a
15 manufacturing operation might choose to expand
16 including the fact that it has expansion capabilities
17 future years as demand increases, which is an
18 anticipation every company should take into account.
19 Secondly, we have never publicly stated the exact
20 reason for the expansion if you look at our documents
21 will be provided to you in private brief.

22 But there could be the need for us to expand
23 into another facility frankly because we have other
24 products to put on those machines or potentially
25 growth in other segments. So an assertion by the

1 Germans that this is purely a cost position, even
2 though I agree with Mr. Dorn's argument about why it
3 shouldn't matter even if it were, realize that there
4 are other considerations that a company like Appleton
5 should take into account and has taken into account,
6 and I think in some of the confidential material we've
7 provided you, you'll see some evidence that there are
8 other factors besides just unit cost production behind
9 our desire to expand our capacity.

10 VICE CHAIRMAN PEARSON: Okay. Fair enough.
11 Another question. There's been a lot of discussion
12 about 48-gram versus 55-gram, I've not weighted into
13 it until right now, but the question that I have, I
14 understand that there is an overlap in specifications
15 apparently for all the manufacturers between what they
16 consider 48-gram and what they consider 55-gram. What
17 I'm curious to know, and perhaps you can provide this
18 by firm in the posthearing, would be what percentage
19 of your actual shipments fall into that area where you
20 really could call it either 48 or 55 and meet the
21 specs? Because I'm wondering as a practical matter
22 how much overlap is there? Anything that could be
23 said about that now?

24 MR. HEFNER: Steven Hefner. We could
25 provide that to you in a posthearing brief. Yes.

1 VICE CHAIRMAN PEARSON: Okay. Because that
2 would give me a better sense of whether the overlap is
3 just kind of theoretical or whether it's actually
4 something that exists in the marketplace day by day.
5 With that, Madam Chairman, my light is changing.

6 CHAIRMAN ARANOFF: Commissioner Okun.

7 COMMISSIONER OKUN: Thank you, Madam
8 Chairman. Let's see, I'm glad the Chairman went back
9 to the, that's a great question that I had that I got
10 diverted from so I appreciate the responses that I
11 heard, although I'm still trying to decipher the last
12 response from Mr. Rapier back there in terms of trying
13 to figure out if it isn't still an advantage to be
14 shipping a 48 at the end of the day if you're the
15 customer on the other side. So maybe you wanted to
16 expand on that so I better understand it.

17 MR. RAPIER: Thank you. Mike Rapier. I
18 guess if a customer were to call me and tell me to put
19 44,000 pounds of paper into a truck, I could do that.
20 But that's not how it works. I would get an order for
21 maybe 1,000 cases of paper whether it be 48- or 55-
22 gram. And once I cube that truck and I've taken up
23 the space by having 20 pallets of 50 cases, the load
24 may have a difference of weight but I am being charged
25 the same bill of lading cost for that load.

1 COMMISSIONER OKUN: Okay. So I'm now
2 understanding you are saying that since you're just
3 responding to the customer first, the customer makes
4 the request first of the specifics of how much they
5 want, that then the freight is just shipping whatever
6 that is and that's the \$1,000 whatever the truckload
7 would be the same.

8 MR. RAPIER: Correct.

9 COMMISSIONER OKUN: Okay. And, I can't
10 remember I think you had said you don't deal with the
11 really really large orders, I'm not sure if that's
12 exactly what you said, but if either you or --

13 MR. RAPIER: A truckload is large for us.

14 COMMISSIONER OKUN: That's right. Okay. So
15 I don't know if you or Mr. Mosby could respond. If
16 we're talking about a larger customer, the IBMs the
17 Epsos of the world, is there any distinction we
18 should be aware of that on the freight side of things
19 in terms of this line of questioning we had?

20 MR. MOSBY: Well, you know our customer base
21 is people that are buying 50 cases, 100 cases, 250
22 cases, 500 cases, 1,000 cases. Very seldom do we get,
23 even what we would call a truckload order that they
24 never order so that they can max out the weight of the
25 truck. And some trucks can only carry 42,000 pounds

1 and some trucks can carry 46,000 pounds based on the
2 overall weight of the truck itself because in our
3 trading area you can only put 80,000 pounds on the
4 three. On the other side, what zone you're shipping
5 into, what your negotiated freight is, we sell, we
6 move product in certain markets by the pallet. Weight
7 isn't considered part of that. Where we've negotiated
8 freight and they charge us by the pallet. So zone and
9 your location has more to do with the freight than if
10 you save a pound or two.

11 COMMISSIONER OKUN: Okay. I appreciate
12 those further answers and clarifying that. I intend
13 to ask the Respondents this afternoon, but I don't
14 know if there's anything this panel could add or the
15 converters with respect to ocean freight for the jumbo
16 rolls. If the Germans are shipping the 48, again
17 getting to this issue of the weight of it, would there
18 be any advantage on that in the 48 versus the 55 for
19 the Germans if you're doing ocean freight? Can anyone
20 on this panel add anything to that or help me in how I
21 should phrase my questions this afternoon, this
22 evening, whenever it comes up? Mr. Dorn or Mr.
23 Narkin? I mean, is there anything in terms of that
24 argument that --

25 MR. DORN: I guess we can listen to the

1 discussion this afternoon and address it in our
2 posthearing, but it's not something that I have any
3 data on or response to right now.

4 COMMISSIONER OKUN: Okay. Okay. I
5 appreciate that. Okay. Let's see. The next question
6 I will make for posthearing because it does go to that
7 capacity and some of the capacity questions we've had.
8 And I'm not sure, Mr. Kaplan or Mr. Klass if maybe you
9 should both be responding to this, but it goes to the
10 Exhibit 6 of the prehearing brief where you talk about
11 an amount by which domestic shipments of jumbo rolls
12 would have increased in 2007 if the subject imports
13 had held to their 2005 market share, and I just wanted
14 you to address that looking at table 3-2 of the staff
15 report, and both the capacity reported in table 3-2 of
16 the staff report and the inventory levels indicated in
17 table 3-11 of that report. And you can do that in
18 posthearing, okay? I think that's all my questions
19 right at this point. I may come back there is one
20 legal issue I may want you address, Mr. Dorn, but and
21 then a couple and obviously a lot for the closed
22 sessions. So with that, Madam Chairman, I'm going to
23 stop there.

24 CHAIRMAN ARANOFF: Commissioner Lane.

25 COMMISSIONER LANE: I just have a couple

1 questions. We're talking about the end use of this
2 product as new technology or something like that. How
3 much of the industry had gone to the lightweight
4 thermal paper as opposed to using the old technology?

5 MS. HATFIELD: This is Karen Hatfield. I
6 will look up the exact statistics for you on
7 penetration, but it is the vast majority of the POS
8 printers that are using the thermal paper.

9 COMMISSIONER LANE: Okay. Thank you. The
10 other question I have is we heard a lot of testimony
11 this morning from our Congressional and governors et
12 cetera, and perhaps in the opening remarks about the
13 closing of the NewPage facility at Kimberly,
14 Wisconsin. Have there been any opportunities with the
15 expansion of the Appleton facilities for those NewPage
16 employees to get new employment?

17 MR. SCHONFELD: Madam Commissioner, the
18 Appleton plant is a flex plant. It's employment moves
19 up and down based on demand. And so there have been
20 short periods of time, as a matter of fact we're
21 coming to the end of one of those periods of time, in
22 which we have hired up to 20 of those employees, but
23 it's never been more than 20 and to the best of my
24 knowledge we've never hired them for more than one
25 month at a time because they tend to be temporary

1 workers who come in to fill specific demand
2 requirements. So to the best of my knowledge, none of
3 them have found permanent employment at Appleton, they
4 have only been able to find temporary employment for
5 very short periods of time.

6 COMMISSIONER LANE: Yes, Mr. Richards.

7 MR. RICHARDS: Yes. Mark Richards. I can
8 talk to this personally. My children go to school in
9 Appleton, and I've had workers from the NewPage mill
10 come up to both my wife and myself and ask if Appleton
11 was hiring or if they knew where they could find work.
12 And my experience from those interactions is there's
13 not a lot of work to be found in Appleton and people
14 are having to look to perhaps leave the area, which
15 they don't want to do because people who live in
16 Appleton they've been born and raised there and they
17 want to stay there and raise their family. So it is
18 not a good situation in Appleton today.

19 COMMISSIONER LANE: Okay. Now the
20 investment at the West Carrollton facility, will that
21 require new employees and additional employees?

22 MR. RICHARDS: I'll let Walter Schonfeld
23 address that.

24 MR. SCHONFELD: Yeah, this is Walter
25 Schonfeld, Madame Commissioner. We have hired 35

1 additional employees at the West Carrollton mill to
2 operate that machinery. So we have actually increased
3 our employment at West Carrollton.

4 COMMISSIONER LANE: Okay. And then one more
5 question. Somebody in the testimony talked about some
6 machinery that was closed or announced yesterday that
7 it was closing. Could you be more specific as to what
8 facility that was and where it's located?

9 MR. GEENEN: John Geenen from the
10 Steelworkers. The facility that was identified
11 yesterday was in the Pacific Northwest specifically,
12 and it's related to the brown paper market, but I can
13 tell you that tomorrow morning, on Friday morning
14 there's going to be, on Friday morning there's going
15 to be an announcement of ten additional paper
16 converting facilities that are going to be shut down
17 as a result of a recent merger and acquisition between
18 International Paper and Warehouse. And some of those
19 will be in the Ohio Indiana area, as well as Michigan.

20 COMMISSIONER LANE: Okay thank you. Madame
21 Chairman, I have no further questions.

22 CHAIRMAN ARANOFF: Commissioner Williamson.

23 COMMISSIONER WILLIAMSON: Thank you, Madame
24 Chairman. Just a couple more questions, and this is
25 probably for posthearing. There's a difference

1 between the financial performance of the domestic
2 coaters in interim 07 and interim 08. There's a
3 change there. And there's also been a change in the
4 subject import's market share between those two years.
5 And I was wondering if in posthearing you can address
6 the lack of correlation in those numbers.

7 MR. DORN: We'll take a look at that. Thank
8 you.

9 COMMISSIONER WILLIAMSON: Okay. Thank you.
10 And particularly what does that say about or not say
11 about injury caused by imported imports.

12 MR. DORN: We understand, thank you.

13 COMMISSIONER WILLIAMSON: Okay. And lastly,
14 do you agree with the Commission's finding in
15 preliminary that there is some seasonality in demand,
16 and if so can the domestic industry reasonably expect
17 to have 100 percent faster utilization given that?

18 MS. HATFIELD: This is Karen Hatfield. Yes
19 there is some seasonality in the demand. In
20 particular, there as retailers at the back half of the
21 year see increases in sales for, you know, the holiday
22 season, back to school before that. So yes there is
23 some seasonality to that, and we build that into our
24 overall production plans to be able to address the
25 fluctuation in needs over time. So I think, you know,

1 we plan as effectively as we can in order to operate
2 that equipment as efficiently as possible.

3 COMMISSIONER WILLIAMSON: Okay. Thank you.

4 MR. HEFNER: I'd like to further that, as
5 Karen said, there is seasonality, but two things we'd
6 like to point out is one that we still have open
7 capacity available to feed that seasonality, and
8 number two is that the market has slowed recently due
9 to the overall economy, which we are approaching the
10 height of the highest season.

11 COMMISSIONER WILLIAMSON: Okay. Thank you.
12 Madame Chairman, I have no further questions. I want
13 to thank the witnesses for their testimony.

14 CHAIRMAN ARANOFF: Commissioner Pinkert.

15 COMMISSIONER PINKERT: Thank you, Madam
16 Chairman. I just have a couple of questions. Mr.
17 Kaplan, have you noticed a greater impact of the
18 Chinese slit rolls on the west coast than the rest of
19 the United States?

20 MR. KAPLAN: I'd like to address that in the
21 posthearing.

22 COMMISSIONER PINKERT: Thank you. And also
23 if in fact the answer to that is in the affirmative,
24 if you would also address how that impact in one part
25 of the country is felt in other parts of the country,

1 I'd appreciate that as well.

2 MR. KAPLAN: Yes I will, thank you.

3 COMMISSIONER PINKERT: Thank you. And with
4 that I have no further questions.

5 CHAIRMAN ARANOFF: This panel has argued and
6 Appleton argues in its brief that improvements in the
7 condition of the domestic industry and in the U.S.
8 market since the filing of the petition are evidence
9 of injury by reason of subject imports during the
10 period of investigation. If that's so, and certainly
11 that's a conclusion that the Commission draws in many
12 cases, can you explain on the record in this case why
13 prices for slit rolls did not rise in 2008 despite
14 significant declines in the volume of Chinese imports
15 and why the financial performance of domestic coaters
16 didn't improve?

17 MR. DORN: We'll be happy to address that on
18 the confidential record.

19 CHAIRMAN ARANOFF: Okay. I have another
20 question for a confidential response in the
21 posthearing. On page 30 to 31 of their prehearing
22 brief, the German Respondents attempt to compare
23 pricing for domestic 55-gram product and German 48-
24 gram product, and they claim that their analysis which
25 reflects confidential information disproves

1 Petitioner's claim that domestic 55-gram and German
2 48-gram product compete on price. In your posthearing
3 brief, can you comment on the reasonableness of the
4 comparison methodology that is used by the German
5 Respondents?

6 MR. DORN: We will be pleased to do so.

7 CHAIRMAN ARANOFF: Let me ask the two
8 converters who are here on this panel, can you compare
9 your practice at the beginning of the period of
10 investigation and in later parts with regard to
11 whether or not you have multiple suppliers for the
12 jumbo rolls that you purchase? Have you had a
13 consistent practice in that area or has it changed
14 over the period that we're looking at?

15 MR. MOSBY: Greg Mosby. We have purchased
16 product that was the same caliper from both of the,
17 not Kanzaki excuse me, with Koehler and from Appleton,
18 and we have had other suppliers also prior to the 48
19 being introduced. We really hadn't bought 48 until
20 they were no longer making 48 or at least bringing 48-
21 gram into the U.S. market. And then we were getting
22 pressure and our customers were telling us that they
23 weren't using 48, and I would be ashamed to tell you
24 it took us a while to figure out that they were. But
25 that's when we changed.

1 CHAIRMAN ARANOFF: Okay. But actually, I
2 appreciate that, but what this question was actually
3 going to for once coming from me was not a 48 versus
4 55 question, but the question was more like, do you
5 have multiple suppliers for jumbo rolls and if so, why
6 and has that changed over the period?

7 MR. RAPIER: Mike Rapier, Liberty Paper.
8 Traditionally we have had multiple suppliers of jumbo
9 rolls, including Appleton and Kanzaki. And we do that
10 for both relationship reasons and price reasons that,
11 you know, if we just did business with one we may not
12 always know if we're staying competitive.

13 CHAIRMAN ARANOFF: Okay. To what extent has
14 security of supply and timeliness of supply been an
15 issue for both of you gentlemen during this period?

16 MR. MOSBY: Greg Mosby. Well, we would, you
17 know, there are some other products that tie in with
18 this from both suppliers that are not in contention
19 here that we use. But we have some concern about, at
20 the docks there are times when that has been delayed
21 there, particularly after 9/11, although that's
22 improved. But I think at the size we are, it's
23 important that we have multiple suppliers.

24 CHAIRMAN ARANOFF: Mr. Rapier, did you have
25 something to add to that?

1 MR. RAPIER: Could you repeat that, please?

2 CHAIRMAN ARANOFF: Has the issue of security
3 of supply been an issue with respect to how you choose
4 which suppliers and how many suppliers you have for
5 jumbo rolls?

6 MR. RAPIER: That is a part of it. And
7 although it's -- it typically does not come into play.
8 I mean, we kind of consider it a safety net. If there
9 was an interruption in service we would already have a
10 relationship in place with another jumbo roll
11 manufacturer.

12 CHAIRMAN ARANOFF: Okay. In response to our
13 questionnaire, a number of purchasers, or converters
14 or purchasers of jumbo rolls complained of shortages
15 of jumbo rolls or refusals on the part of domestic
16 producers to accept orders at various points during
17 the period for quality issues that led to supply
18 interruptions. And I will ask the next panel about
19 this, but for the two converters who are here, is that
20 consistent with your own experience? Have there been
21 shortages or extended lead times or quality issues
22 that affected the availability of acceptable product
23 to you from domestic producers during the period that
24 we look at here?

25 MR. RAPIER: Mike Rapier. During the fourth

1 quarter of 2006, we had some product imaging issues
2 with Appleton which caused a delay in shipping, and it
3 lasted for about 45 days and then was fixed and we
4 continued on business as usual.

5 CHAIRMAN ARANOFF: Mr. Mosby?

6 MR. MOSBY: Greg Mosby. We experienced the
7 same thing. We anticipated potential shortage but we
8 did not have any problem with that. And it was
9 rectified and taken care of.

10 MR. HEFNER: Excuse me, this is Steve Hefner
11 from Kanzaki. During the period we had no shortages
12 and we had available capacity and no quality issues.
13 And to the extent we wouldn't accept an order from a
14 customer it was because the price they wanted to pay
15 for it was not the price we were willing to sell it
16 at.

17 CHAIRMAN ARANOFF: Okay. All right, I
18 appreciate those answers and I invite the panel, in
19 the posthearing if there's anything else that you can
20 add about this, the contentions that Respondents have
21 raised about supply shortages as reflected in some of
22 the purchaser questionnaires, and particularly with
23 respect to the fourth quarter of 2006 what the quality
24 issue was with Appleton, how much volume was affected,
25 you know, what was done to rectify the problem, how

1 long it took, whatever details you can provide, that
2 would be helpful.

3 And let me ask one last question to the
4 converters, and that is, in your experience in the
5 last three and a half years I guess is about the
6 period that we're looking at, is there a particular
7 U.S. or foreign producer of jumbo rolls who has
8 consistently offered the lowest price? And you can
9 either answer separately for the 48- and 55-gram
10 products if you think that's important or just give me
11 an overall answer.

12 MR. RAPIER: Mike Rapier. Can I ask you a
13 question back?

14 CHAIRMAN ARANOFF: Sure, now that my
15 microphone is working.

16 MR. RAPIER: Thank you. During that time
17 period, I switched away from German providers to the
18 domestic suppliers that are here, and that was not on
19 the basis of price it was on the basis of delivery.
20 But as far as what we see in the marketplace, we see
21 Koehler converters, or converters that buy mainly from
22 Koehler to drive price in the marketplace typically
23 down.

24 CHAIRMAN ARANOFF: Okay. Mr. Mosby?

25 MR. MOSBY: Thank you. Greg Mosby. I would

1 rather not answer in front of the suppliers and
2 competitors, I'd like to answer in the posthearing
3 testimony.

4 CHAIRMAN ARANOFF: Okay. You're welcome to
5 do that. I'm basically looking at the information
6 that we have from the questionnaires on who the price
7 leader or leaders might be in the market, so if
8 there's any responses that people want to put on the
9 record, that would be helpful. Vice Chairman Pearson?

10 VICE CHAIRMAN PEARSON: Thank you, Madame
11 Chairman. I think I've just got a couple of
12 questions. The first one for you, Ms. Hatfield. In
13 your prepared statement you had said something to the
14 effect that when Koehler came out with 48-gram
15 product, it was not something that was new or
16 different. So my question is when Appleton earlier
17 had introduced a 44-gram product, what that considered
18 new or different?

19 MS. HATFIELD: Karen Hatfield. When we
20 introduced our lower basis weight product, it was a
21 lower basis weight than what the 48-gram product is in
22 the market, and we introduced it and the basis of many
23 of the arguments that you've heard from the other side
24 in terms of being able to fit more paper on a roll,
25 really focusing in on the slit rolls, that this would

1 mean fewer changeovers and that sort of thing to the
2 end users. This was not something that was currently
3 in the marketplace at that time, and when we did that,
4 we priced it the same as our 55-gram product so we
5 were giving additional benefits at the same price.
6 That did not take off in the marketplace. There was
7 very limited demand at the end user level for the
8 longer length rolls, largely because the end users
9 were buying based on the roll price not on the footage
10 on the roll. So that did not take off in the
11 marketplace.

12 I believe when KT48 first came out in the
13 market, it actually came out at a lower caliper than
14 where it currently is and not at a significant price
15 discount versus the other products, and I don't
16 believe that that had much success in the marketplace
17 either. It wasn't until they came in with the
18 slightly higher caliper product at a discount versus
19 the other products that that really started gaining
20 acceptance in the marketplace. So again, the benefit
21 there, the attraction was based on the price not on
22 the longer length rolls.

23 VICE CHAIRMAN PEARSON: Okay. So the
24 concept of what's new and different here should be
25 seen in the context of the perception of customers

1 rather than some technical issue of what's new and
2 different.

3 MS. HATFIELD: I would agree. I'd say from
4 a technical standpoint, it's not an innovative
5 product. The paper industry in general tends to
6 gravitate towards lower basis weight products if you
7 look at different categories, so I would not call that
8 an innovation, no.

9 VICE CHAIRMAN PEARSON: Okay. Now my last
10 question perhaps for you and Mr. Friese, I believe
11 you've indicated that there's little or no difference
12 for Appleton to produce 48-gram paper versus 55-gram.
13 Now, because I don't know for sure what the
14 Respondents will say this afternoon, but is it
15 possible that Koehler actually would have a lower cost
16 of production for 48-gram than 55-gram? Is there
17 something technically to allow them a lower cost, say
18 if the paper production technology in Europe or things
19 that I don't know anything about?

20 MR. FRIESE: This is Mike Friese. I can't
21 comment on Koehler's costs not knowing their costs,
22 but I do know in general because we buy a lot of
23 paper, you know, not just for this product but other
24 products as well that typically as you drive the basis
25 weight of a product of a paper down, because it's sold

1 by tons, paper mills many times will see that as less
2 tons coming off their machines and will frequently
3 charge more. And that's, you know, somewhat of a
4 metric issue.

5 But the other thing is that sometimes as the
6 basis weight goes down, depending on the machine of
7 course, the runability will suffer. So you have to
8 consider not just the raw material cost, but also the
9 performance and the yields. And so many times when
10 we've purchased lower basis weights the price has
11 actually gone up.

12 VICE CHAIRMAN PEARSON: Okay. Well, thank
13 you for that --

14 MR. HEFNER: This is Steve Hefner. I'd like
15 to add to that. I can't comment on whether their
16 production costs would be lower or higher. But should
17 their production costs be lower, why wouldn't it be
18 sold systemically all through Europe? Because the
19 product is also sold in surface area.

20 VICE CHAIRMAN PEARSON: Well, we might ask
21 them that.

22 MR. SCHONFELD: Commissioner Pearson, one
23 more comment. Even if they were to somehow prove it,
24 although I think it's going to be hard, that it is a
25 lower cost product, I would still suggest to you that

1 the cost of freight and other activities across the
2 ocean would more than offset any small incremental
3 benefit they might get from a manufacturing gain so
4 that in total, if you look at the product a
5 justification for a discount on that product doesn't
6 seem to make economic sense at least where I sit. So
7 I'll be interested in hearing their answer as well as
8 you will.

9 VICE CHAIRMAN PEARSON: Mr. Dorn?

10 MR. DORN: And just from a legal perspective
11 I'm not sure that it makes a difference. I mean, the
12 fact is that if the park's being dumped, I don't think
13 the relative cost comes into play.

14 VICE CHAIRMAN PEARSON: Well, I accept that
15 it's being dumped under the law, at the condition of
16 competition in the marketplace, I'm curious about what
17 it costs to make it to the extent we can learn
18 something about it.

19 MR. DORN: And we'll certainly provide more
20 in our posthearing brief on that.

21 MR. HEFNER: I'd like to add a little bit
22 more about the thinner versus thicker paper in the
23 manufacturing process. Since we're a buyer of paper
24 not a maker and everyone knows that, but we are a
25 subsidiary of a 11 billion-ton paper maker. It costs

1 more money to produce a thinner piece of paper than a
2 thicker piece of paper. The production and way of
3 paper making works is that the output is judged on the
4 amount of tons per day. As the paper machine runs,
5 for just sifting the paper, the amount of tons that's
6 yielded per day is much lower than that of a higher
7 basis weight. Therefore it becomes much more cost-
8 inefficient to run thinner paper. In other words,
9 thinner, or less caliper, or even less basis weight
10 does not necessarily mean less expensive. It often
11 and traditionally means more expensive. That's why
12 people look at area and they don't look at basis
13 weight.

14 VICE CHAIRMAN PEARSON: Okay. With the
15 economic shift, if there was excess capacity in a
16 paper mill, say a line that would not otherwise be
17 used, you know, if they could run it for a small
18 caliper paper they could get some production that
19 otherwise they would not achieve?

20 MR. HEFNER: I can only tell you that the
21 economics of the paper business would suggest that if
22 one paper machine could trump another paper machine
23 because of its economics are better than its
24 competitor, then they may do that. But it
25 traditionally doesn't happen in the thinner calipers,

1 it happens in the much thicker caliper papers.

2 VICE CHAIRMAN PEARSON: Okay. Well, thank
3 you very much. Are there any further comments?

4 MR. KLASS: Charles Klass here. I've been
5 involved in paper making for 40 years and I can tell
6 you that your situation there that running lighter
7 weight papers on a machine, particularly on most
8 machines that are speed limited, basically reduces
9 production increases cost. It's been that way for the
10 40 years that I've been in the industry.

11 VICE CHAIRMAN PEARSON: Okay. Thank you for
12 that. Further comment? I have no further questions,
13 so I would like to thank all of you for your
14 participation.

15 CHAIRMAN ARANOFF: Are there any further
16 questions from Commissioner? Do the staff have any
17 questions for this panel?

18 MR. MCCLURE: Jim McClure, Office of
19 Investigations here. Mark Bernstein of the Office of
20 General Counsel has a couple of questions.

21 MR. BERNSTEIN: Thank you. I have two or
22 three quick questions. First of all, Mr. Friese, I
23 believe you gave some testimony in response to one of
24 the Commissioner questions that you had done some
25 testing between some Chinese product and some domestic

1 product. Are the results of that testing in the
2 record?

3 MR. FRIESE: No, that would not be in the
4 record. That's confidential information.

5 MR. BERNSTEIN: Can you place that in the
6 record in the posthearing submission?

7 MR. FRIESE: We'll be happy to do that.

8 MR. BERNSTEIN: Okay. And Mr. Klass, is it
9 reasonable to infer that when Appleton asked you to
10 compare the U.S. and German products they didn't ask
11 you to do a comparable comparison between the U.S. and
12 Chinese products?

13 MR. KLASS: Charles Klass. No they did not.
14 They only asked me to do the comparison between the
15 U.S. and German products.

16 MR. BERNSTEIN: Thank you. Last question is
17 for counsel, probably Mr. Dorn and Mr. Narkin. Is it
18 your contention that the four factors the Commission
19 has examined for the past 25 years in deciding whether
20 or not to cumulate subject imports for current
21 material injury analysis, contrary to the plain
22 language of the statute?

23 MR. NARKIN: No. This is Steve Narkin. As
24 I explained earlier, what the Commission has always
25 said is these are four factors we look at, but those

1 are not exclusive considerations. So the Commission
2 has always indicated, they said so explicitly again
3 and again, that they will consider other things where
4 it's appropriate. And presumably, the reason why it
5 might be appropriate is to see whether the statutory
6 requirement of competition is met.

7 MR. BERNSTEIN: But are you arguing the
8 statutory element of competition has a plain meaning
9 that the Commission cannot deviate from?

10 MR. NARKIN: Yes. That's what we're
11 arguing.

12 MR. BERNSTEIN: Now in your posthearing
13 submission, I think it would be useful to us if you
14 could explain what that plain meaning is and how you
15 derive it. And I have no further questions.

16 MR. DORN: Well, just very briefly, all the
17 statute says is "compete with each other and the
18 domestic product," and we've presented evidence of the
19 competition and we think the plain meaning is very
20 clear. I don't know how it's --

21 MR. BERNSTEIN: Well, that would be seen to
22 be a question of substantial evidence it wouldn't be
23 seen to be a question of legal construction. I'm
24 trying to get you to distinguish between those two
25 concepts. Is this a substantial evidence question or

1 is it a question of how we construe the statute?

2 MR. NARKIN: This is Steve Narkin again.
3 It's a question of how you construe the statute, and
4 you can have competition between products that are not
5 physically fungible and in fact that's what you have
6 here.

7 MR. BERNSTEIN: Okay, well in that case I
8 would appreciate if you would address the question
9 that I had posed earlier. I have nothing further.

10 MR. MCCLURE: Chairman Aranoff, staff has no
11 further questions.

12 CHAIRMAN ARANOFF: Thank you. Do the
13 Respondents have any questions for this panel?

14 MR. SILVERMAN: This is Bill Silverman.
15 German Respondents have none.

16 CHAIRMAN ARANOFF: Okay it's 2:25 and we are
17 going to take our lunch break. We're going to take a
18 one hour lunch break and reconvene at 3:25. Anybody
19 who had a plane out of town tonight, I strongly
20 suggest you go for the first flight tomorrow but
21 that's your choice. I need to advise you that this
22 room is not secure so please take any confidential
23 information with you if you step out of the room. We
24 will convene again at 3:25 and we stand in recess.

25 CHAIRMAN ARANOFF: We are now ready to

1 resume the hearing. Madame Secretary, are we ready
2 for the next panel?

3 MS. ABBOTT: Yes, Madame Chairman. The
4 panel members are seated and all of them sworn.

5 CHAIRMAN ARANOFF: Please proceed.

6 MR. ENDSLEY: Good afternoon. My name's
7 Doug Endsley and I'm the president of Register Tapes
8 Unlimited, Inc. of Houston, Texas, which is the
9 largest producer in the country of register tapes for
10 grocery stores with full color printed advertising on
11 the back. Our business model is different than most
12 other converters. I print advertising on the back of
13 the paper and give away the converted rolls to grocery
14 stores rather than sell them. Whereas most other
15 converters make their money on the resale of the
16 converted register tape rolls, RTUI makes its profit
17 on the fees we charge to businesses who want to
18 advertise on the back of the register tape rolls that
19 we give away.

20 Lightweight thermal paper is a growing
21 market, RTUI's business has grown 700 percent in the
22 past six years. RTUI purchases its lightweight
23 thermal paper primarily from Koehler and we do so for
24 reasons other than the price. Koehler has been a
25 longterm supplier to RTUI. Even if Appleton or

1 Kanzaki were equal or a little lower in price than
2 Koehler I would stick with Koehler. Years ago,
3 Appleton offered to sell its lightweight thermal paper
4 at a price that substantially lower than what we were
5 paying at Koehler. I decided to make the switch to
6 Appleton and sever the relationship with Koehler.

7 Before the first orders even shipped,
8 however, Appleton called me to let me know they were
9 putting us on allocation due to tight supplies. The
10 orders were never shipped. So after losing my new
11 supplier before receiving a single pound of
12 merchandise, I was forced to return to Koehler and beg
13 for paper. Koehler was also in a tight supply and was
14 not able to ship right away, but began supplying me as
15 soon as possible. I've been a loyal Koehler customer
16 ever since. RTUI has contacts to provide register
17 tape to over 5,000 grocery stores. Failure to provide
18 tape timely would result in breaching our contracts
19 with these chains.

20 Another reason RTUI purchases Koehler
21 lightweight thermal paper is its superior quality.
22 The paper from each producer is slightly different.
23 Our pressmen prefer Koehler paper because they tell me
24 it takes the ink better and produces a better print.
25 I occasionally get complaints from our pressmen when

1 we supply them with paper from either Appleton or
2 Kanzaki. Although Koehler is RTUI's primary source of
3 paper, we occasionally purchase from domestic
4 suppliers. Sometimes Appleton agrees to supply us and
5 sometimes they do not. For example about three years
6 ago I tried to purchase from Appleton, but was
7 rejected. Not enough supply. Appleton told me that
8 they were not adding any new customers at the time. I
9 cannot run a business using a supplier that decides
10 sometimes to sell and sometimes not.

11 Historically the prices of Koehler
12 merchandise has been nearly identical within 1 or 2
13 percent to the similar domestic merchandise that we
14 have occasionally purchased. As prices have been
15 increasing over the past two years, Koehler has been
16 the one that's initiating these price increases. I
17 would like to conclude by telling the Commission a few
18 of the reasons why Koehler's 48-gram paper has evolved
19 into a distinct product which is not interchangeable
20 with other 55-gram product.

21 Number one, due to the longer jumbo rolls
22 which are 16,500 meters in length versus the 15,000-
23 meter length of the 55-gram, the print waste is
24 reduced by 10 percent. And number two, longer
25 finished rolls require changeout at the point of sale

1 less often which reduces the waiting time in line at
2 the grocery store, which has resulted in my grocery
3 store clients requesting the thinner 48-gram paper for
4 their registers. Thank you.

5 MR. SANDT: Good afternoon. My name is
6 Roger Sandt. I'm the CEO of Sandt Products, Inc.
7 located in Lancaster, Pennsylvania. Sandt Products
8 purchases lightweight thermals in jumbo rolls and
9 performs printing, slitting, and packaging operations
10 in order to produce the thinnest rolls suitable for
11 use in business machines, such as retail register
12 tapes. We do not purchase and have not considered
13 purchasing lightweight thermal from China. As a
14 converter, I only have use for jumbo rolls and no
15 jumbo rolls are available from China. Depending
16 largely on whether we are printing the merchandise,
17 our value added ranges from about 25 percent to 100
18 percent of the value of the input jumbo roll.

19 We have a substantial slitting, printing,
20 and packaging equipment capital base as well as having
21 skilled labor to run these machines. With respect to
22 lightweight paper, Sandt products generally purchases
23 exclusively 48-gram merchandise, and primarily
24 purchases from Koehler. Until 2003, we purchased
25 exclusively 55-gram and our primary source was

1 Appleton. However at the end of that year, Appleton
2 informed us that because of an allocation it would
3 supply us with less paper in the upcoming year than
4 they had in the previous year. The amount of paper
5 Appleton offered to continue supplying us would not
6 meet the needs of our current customer base and leave
7 no room for growth.

8 It appeared to us that Appleton
9 underestimated the emergence of POS as an enormous
10 market for thermal paper and was therefore simply not
11 focused on it. We were told by our Appleton
12 representative that they did not think the POS market
13 would ever be as large as the fax market had been for
14 thermal. Therefore we switched to Koehler as our main
15 supplier in order to meet our needs. Initially we
16 purchased 55-gram from Koehler, but eventually
17 switched to 48 when it was introduced about three
18 years ago when we realized the advantage of 48-gram.
19 With 48-gram, our production efficiency has increased
20 because of fewer jumbo roll changes and we also have
21 to cycle down our slitting equipment less often
22 because we can make longer rolls.

23 Longer finished rolls also saves us money on
24 cores and cartons as well as labor. In addition, we
25 save in storage space both on no rolls and our

1 finished small rolls because each roll has up to 20
2 percent more length but is not any bigger. Not only
3 have we realized the benefits of 48-gram, but our
4 customers have also become accustomed to the longer
5 rolls and increased efficiency provided by 48-gram.
6 Some customers specifically request 48-gram thermal
7 paper and would send the product back if we sent them
8 anything else.

9 At this point I would not switch back to 55-
10 gram product as a substitute for 48 even if it were
11 cheaper. I'd like to give you an actual example of
12 the differentiation between the 55-gram and the 48-
13 gram, and this was a real life proposal that was
14 successfully implemented in the Spring of this year
15 where a customer was looking for an annual requirement
16 of 126,000 cartons of 3 1/8 by 273 thermal rolls.
17 That heretofore had been the larger standard roll. We
18 made a proposal that they switch to the 48-gram, which
19 has a slightly thinner caliper, 2.1 versus 2.3, so
20 126,000 cartons could be replaced by 115,000 cartons
21 of the same width if they were 300-foot rolls.

22 The 300-foot rolls provide 10 percent more
23 receipts per roll versus 273. The increased footage
24 means that of course they will be buying 11,487
25 cartons less, there will be 202 less pallets that are

1 being handled, again, they're getting the same usable
2 amount of paper. There will be 425,019 less pounds
3 shipped, which is actually 10 truckloads, and it costs
4 a lot to ship a truckload, anywhere from, in our
5 trading area, \$1,000 to \$3,000 a truckload, and the
6 increased yield would of course result in 574,000 less
7 rolls purchased. That's 574,000 fewer roll changes
8 and that many less plastic cores to throw out which is
9 an environmentally, really appeal to people on these
10 green issues and they like that they would have 11,487
11 cartons that they wouldn't have to get rid of either.

12 We have been unable to find a domestic
13 source for 48-gram merchandise. In recent years,
14 Sandt Products has been a regular customer of
15 Appleton's 80-gram merchandise, which is not subject
16 to this investigation, and we have had regular contact
17 with Appleton sales people. We have made clear to
18 Appleton that we are not interested in purchasing 55,
19 but in the event they began making 48-gram paper with
20 a 2.1 caliper, we would be very interested in having
21 an alternative source for that product. We have made
22 this intention clear numerous times in the past three
23 years. Appleton is well aware of our interest in 48-
24 gram. Appleton claims to have introduced 48 product
25 in the summer of 2007, but my experience was this

1 product was not actually commercially available until
2 very recently. Despite our repeated inquiries
3 Appleton never provided us with a price quote until
4 last month. Thank you, and I'll be glad to answer any
5 questions.

6 MR. SWADISH: Hello, my name is Ed Swadish
7 and I own Discount Paper Products. We're a small roll
8 paper converter that's located in New Hudson, Michigan
9 and Las Vegas, Nevada. We've been in business 23
10 years. I've actually been selling small rolls for 27
11 years and we currently have over 100,000 end user
12 accounts from California to Maine. I'd like to start
13 off by saying we've never used Chinese slit rolls and
14 it's pretty much due to poor quality. One of our
15 wholesale customers actually purchased some Chinese
16 slit rolls but said that when his customers tried the
17 Chinese slit rolls in 16 thermal printers, the
18 printers experienced severe printhead damage and one
19 of the rolls actually started smoldering in the
20 printer.

21 I've traditionally purchased 55-gram jumbo
22 rolls and converted them. When Koehler announced that
23 it was ceasing sale of 55-gram, I was actually one of
24 the last of Koehler's customers to switch to the 48,
25 and I really didn't want to switch because I figured

1 it was going to cost us money redesigning our boxes,
2 reeducating our customers without any increase in
3 revenue. And I also thought we were going to lose
4 sales because with the thinner caliper, a 235-foot
5 roll the diameter would be, to me not a sellable roll,
6 so I really didn't want to do it.

7 But regardless, in March of 2008, we
8 switched to Appleton's 55-gram products and it wasn't
9 a good move. The paper we received was actually gray
10 in color. It wasn't even white. And runability
11 wasn't good. Appleton's roll seemed to be thicker on
12 one side than the other, like a caliper or coating
13 issue, we never did figure that out. But we would end
14 up with one or two rolls that were wasted on every
15 shaft and if they weren't wasted, if they were
16 sellable, they actually came out softly wound. It
17 was, you know, a substandard roll.

18 Slitters are sometimes adjusted to
19 accommodate variances in jumbo rolls, but no
20 adjustment would correct the problem with the Appleton
21 rolls. We had an Appleton tech employee and or sales
22 rep come out to look at the problem and they didn't
23 know what to say and, quite honestly, they seemed a
24 little embarrassed. They later called back and said
25 they thought they knew what had happened and it

1 wouldn't happen again. Unfortunately, the next truck
2 I received from them, it had the same issues. At this
3 point, I decided to call Koehler and see if I could
4 get their product, get on their schedule even though
5 they only offered the 48-gram.

6 Although I was expecting extra cost and
7 customer relation issues, we actually found out that
8 the 48-gram turned out to be an advantage not a
9 disadvantage. What we did is we ended up increasing
10 the footage of the rolls so they would fit in the same
11 box as before, no redesign of the box. And we also
12 discovered that we could put 13 percent more paper in
13 the box, and we charged the customer more for this
14 product but they actually ended up with a savings when
15 you figured it out price per foot. So it worked out
16 good for them as well. The price increase that we
17 could pass on was higher than our increased paper
18 costs for the longer rolls which meant that we had
19 actually created a new profit center. Boiled down to
20 about for every \$3 worth of additional paper we put
21 into the box, we were generating \$5 to \$7 in sales.
22 So we were pretty excited about it at that point.

23 Also, another issue, when we increased the
24 roll length by 13 percent, we were able to save 13
25 percent of our cost on boxes, cores, and labels which

1 is very substantial. Even though we increased the
2 roll length 13 percent our production, we still got
3 the same numbers every day. And that has to do with
4 accel and decel speeds that we can talk about later.
5 When we realized the advantages that we were seeing,
6 we anxiously converted our entire line to 48-gram
7 exclusively, we didn't sell anything else. We also
8 kicked off a new marketing program to our customers,
9 we pretty much marketed it as an innovation to a
10 product that truly rarely changes. I mean, I've been
11 selling this stuff for 27 years and very little
12 changes when it comes to something like this, when you
13 can increase the footage like this.

14 The new footage length that we now promise
15 our customers cannot be made with 55-gram and it's not
16 interchangeable. Our extra length roll that Roger was
17 talking about 273, we now make 13 percent bigger which
18 is 308 feet. If we tried to make that with a 55-gram,
19 it would be too big for the machines, wouldn't fit in
20 our box. So it's definitely not interchangeable at
21 all. Another reason we couldn't ever switch back is,
22 how can we educate our customers on a brand new
23 product line, we're being innovative, and next month
24 we say, well actually now we're back to selling 273-
25 foot. We'd look a little foolish, so. You know, once

1 we switch from one product line to the next, we had to
2 stay there.

3 Production's up 13 percent. Sales are up
4 quite a bit. Our new business is up drastically and I
5 owe it to this innovative new product. Profits are
6 up, sales reps earn more because their sale is higher
7 obviously. And most importantly, our customers, we've
8 educated them and they actually love the paper and
9 specifically ask for it, especially restaurants.
10 Thank you.

11 MR. JANSEN: Good afternoon. My name is
12 Richard Jansen and I'm the president of Paper
13 Solutions of Knoxville, Tennessee. Paper Solutions is
14 a converter of thermal paper. We purchase jumbo rolls
15 of lightweight thermal paper and slit the jumbo rolls
16 into smaller rolls using point of sale receipt
17 application. We have not purchased and have not
18 considered purchasing converted rolls from China.
19 Paper Solutions sources its jumbo rolls from German
20 producers Koehler and Mitsubishi. We have purchased
21 from these suppliers as opposed to domestic suppliers
22 because only Koehler and Mitsubishi are able to supply
23 the 48-gram product required by Paper Solutions.

24 The primary reason we source from Koehler
25 and Mitsubishi is that they are the only two reliable

1 sources of 48-gram thermal paper. Paper Solutions
2 purchases primarily 48-gram. Until late 2005, we
3 purchased exclusively 55-gram lightweight thermal
4 paper, but after being introduced to Koehler's 48-gram
5 product at that time, we realized the benefits of 48-
6 gram over 55-gram. By early 2006, we had transitioned
7 predominantly to 48-gram.

8 The lighter weight and thinness of 48-gram
9 products provides two important advantages over 55-
10 gram. First the lighter weight and thinness of 48-
11 gram allows Paper Solutions to save on transportation
12 costs when shipping our finished slit rolls to our
13 customers. Most of our customers are resellers, thus
14 they reship the product and appreciate the
15 transportation savings 48-gram offers. Second, the
16 thinness allows for a 310-foot roll, which is an
17 important selling point with our customers because it
18 allows our customers to operate more efficiently with
19 fewer roll changes. This is an advantage of 48-gram
20 over 55-gram.

21 Paper Solutions is not interested in
22 purchasing lightweight thermal paper other than 48-
23 gram. Another reason that Paper Solutions purchases
24 lightweight thermal paper only from Koehler and
25 Mitsubishi is that they are the only suppliers willing

1 to sell exclusively 53 1/2-inch rolls. The domestic
2 suppliers provide some 53 1/2-inch rolls but ask we
3 also take the smaller rolls. The 53 1/2-inch roll
4 size allows us to operate most efficiently with our
5 equipment fully utilized and waste minimized. When
6 converting a finished roll size of 3 1/8 inches in
7 width, using the 53 1/2-inch mill roll width, we
8 optimize the slitting process from 16 to 17 rolls.

9 It is important to Paper Solutions to have a
10 diversified supplier base, and I regularly contact
11 both Appleton and Kanzaki. Seeking to purchase jumbo
12 rolls from them, I ask about 48-gram and 53 1/2-inch
13 rolls. However, neither has offered a viable 48-gram
14 product or is willing to supply exclusively 53 1/2-
15 inch rolls. Because they cannot consistently meet two
16 critical needs of Paper Solutions for 48-gram products
17 and 53 1/2-inch rolls, we have not been able to do
18 business at this time with Appleton or Kanzaki. The
19 use for thermal paper continues to grow with the
20 displacement of impact printers and the growth in
21 applications for thermal paper. I thank you for your
22 time, and will be glad to answer any questions.

23 MR. GREENE: Good afternoon. My name is
24 Richard Greene and I am the Chief Operating Officer of
25 Koehler America. I've been responsible for all of

1 Koehler's sales in America since 1981 from our
2 specialty printing papers to carbonless as well as
3 thermal papers. Koehler has succeeded in selling
4 increasing quantities of lightweight thermal paper in
5 the States, but contrary to what you've heard this
6 morning from the Petitioner's representatives, Koehler
7 has succeeded in the U.S. market through product
8 innovation, consistent quality, significant
9 investment, responsive marketing, and strong market
10 conditions and not by price undercutting.

11 I'd like to share with you some background
12 which should help the Commission understand Koehler's
13 success. Koehler has been producing lightweight
14 thermal paper since 1988. It's success has been made
15 possible by two large investments in paper and coating
16 machines, one in 1990 and the other in 2000. The most
17 important aspect of these investments was that it
18 allowed us to produce all our own base paper. I
19 understand Kanzaki does not produce any of its base
20 paper, and until the completion of the West Carrollton
21 expansion, Appleton produced very little of its own
22 base paper.

23 Not only does having our own base paper
24 allow Koehler to make, monitor, and control the
25 quality and consistency of its base paper,

1 particularly its caliper, but it also allows Koehler
2 to produce base paper that works best with Koehler's
3 coatings. Because this machine was designed to make
4 paper in the narrow range of 40 to 80 grams, we can
5 produce 48-gram paper more efficiently. More
6 traditional machines that are designed to produce a
7 wider range of basis weights are much less efficient.
8 Finally, this investment in a wider paper machine and
9 coater allowed us to produce three jumbo rolls in the
10 exact widths demanded by the converters.

11 The exact width in the use for point of sale
12 is most often 53 ½ inches because that jumbo roll fits
13 best most modern 54 12-inch slitting machines. And
14 from that width, they are able to produce seventeen 3
15 1/8-inch rolls, the most common width of a receipt.
16 Conversely, the domestic coaters have narrower coating
17 machines, originally designed for fax paper, not point
18 of sale, that cannot produce three jumbo rolls. In
19 fact they cannot even produce two 53 1/2-inch rolls.
20 As noted by Mr. Jansen, the domestic coaters are only
21 willing to supply one 53 1/2-inch roll as long as the
22 converter is also willing to accept a 50 3/8-inch roll
23 at the same time.

24 The narrower roll can only be used for
25 slitting sixteen 3 1/8-inch rolls, meaning that the

1 converter has a 6 percent loss in efficiency.
2 Domestic coaters continue to be stuck in the mentality
3 that their narrow coaters and 55-gram paper,
4 originally produced for fax paper, can still
5 effectively supply the point of sale market. But the
6 point of sale market has moved from 55- to 48-gram and
7 requires different widths. And Koehler has benefitted
8 from the Petitioner's refusal to respond to the
9 market. Until just a few years ago, most thermal
10 paper used for point of sale receipts came in 55-gram
11 and a standard thickness or caliper of 2.3 or 2.4
12 mils.

13 In April of 2005, after efforts to optimize
14 our quality, we introduced our KT48 F20 into the U.S.
15 market. KT48 is a lighter paper with a caliper of 2.1
16 mils and a basis weight of 46 ½ to 48 grams. There
17 was no logical reason why thermal receipts needed to
18 be as heavy as 55 grams, particularly because of raw
19 material and efficiency savings that could be realized
20 through lighter and thinner paper. Domestic coaters
21 wanted standardization because they do not produce
22 their own base paper and have difficulty getting
23 lighter thinner base papers from their suppliers
24 because those suppliers do not have the specialized
25 base paper machine that Koehler does.

1 At the same time as our introduction of
2 KT48, the market for thermal point of sale rolls
3 accelerated, taking much greater share from carbonless
4 and plain paper receipts. So not only did the KT48
5 replace much of our 55-gram thermal paper in the
6 market, but its added benefits also helped speed up
7 the transition from competing point of sale products.
8 For converters, there are many advantages of our 48-
9 gram product over the 55-gram product. First, our
10 KT48 is approximately 15 percent lighter in weight,
11 which yields a 15 percent freight saving to converters
12 since they typically pay the freight to their
13 customers and freight is largely invoiced by weight.

14 Second, the jumbo rolls of KT48 are 10
15 percent longer in footage, which means the converters
16 have less jumbo roll changes, saving time and
17 conversion costs both during printing as well as
18 slitting. Third, the converters are able to produce
19 longer rolls with the same diameter, which is more
20 efficient for the converters because they are not
21 required to cycle down their slitting equipment as
22 frequently to produce a 273- or 308-foot roll as
23 opposed to a 130-foot roll which was more typical with
24 a 55-gram paper. Fourth, by producing longer rolls
25 for end users, the converters are saving on raw

1 materials such as plastic cores and boxes. Fifth,
2 because of the longer rolls, the converter is also
3 able to save on storage space both on jumbo rolls and
4 on the boxes of small finished rolls.

5 48-gram paper also has important benefits to
6 the end use customer. First, by getting longer
7 receipt rolls that are 20 to 35 percent longer, they
8 have fewer roll changes at the cash register,
9 resulting in a more efficient checkout. Second, since
10 each carton has much more feet of receipt paper, the
11 end user needs less space to store the same quantity
12 of receipt paper. Third, the retailer or distributor
13 normally receives their paper at a distribution center
14 for ultimate distribution to their stores. Their own
15 freight costs are reduced by 15 percent when they ship
16 to their individual stores.

17 Besides the advantages to converters and end
18 users, the introduction of our KT48 provides Koehler
19 with important advantages as well. Our freight costs
20 from Germany are invoiced by container. Since we can
21 put 15 percent more length of paper in each container,
22 our freight cost for every foot we ship is reduced
23 accordingly. Since the 48-gram is 15 percent lighter,
24 we use 15 percent less pulp. As pulp is our most
25 significant raw material cost, by using 15 percent

1 less, we are able to significantly reduce our raw
2 material cost. And since our new paper machine was
3 specifically designed to make this light weight and
4 has a width of 161 inches, we have essentially no
5 waste in supplying three 53 1/2-inch wide jumbo rolls.
6 There is no paper machine and coater in the world that
7 can produce thermal paper even close to this total
8 efficiency.

9 So Koehler's profitability went up sharply
10 as a result of this shift to 48-gram even before we
11 led the last five thermal price increases in the
12 market, totaling 22 percent during the last two years.
13 Koehler has seen its sales of KT48 grow while
14 Koehler's sales of its old standard KT55 had been
15 dropping since 2005, its sales of KT48 have increased.
16 By April of this year, all of Koehler's shipments of
17 lightweight thermal to the U.S.A. were KT48. Several
18 years ago, Appleton introduced a lightweight product
19 which was even thinner and lighter than KT48.
20 However, that product failed to gain acceptance in the
21 market due to poor quality.

22 Appleton did not manufacture its own base
23 paper for this product, and the base paper they used
24 did not maintain consistency in thickness. This
25 lighter weight paper caused difficulties for the

1 converters in slitting and problems in the performance
2 of the thermal point of sale printers. The product
3 was never approved by IBM. Two years later Appleton
4 discontinued the product. When Koehler began selling
5 it KT48 in the spring of 2005, Appleton told its
6 converters that it had no plans to produce a 48-gram
7 2.1 caliper product to compete. Apparently Appleton
8 did not believe that either the converters or end
9 users would accept the benefits that a 48-gram product
10 offered.

11 Appleton made it clear in the morning
12 testimony at the Commission Staff conference last fall
13 that even at that late date it did not believe 48-gram
14 had an important future. They simply did not
15 understand the importance in the market of the 48-gram
16 product or they downplayed its importance because they
17 could not produce an equivalent product. Not having a
18 paper machine and having a coater with less than ideal
19 widths were certainly reasons for them to downplay our
20 new product in the marketplace.

21 Appleton also testified that in July of 2007
22 it finally began to offer a competing 48-gram 2.1
23 caliper product. Curiously, even that was an
24 exaggeration as customers were not made aware of it
25 until the fall of 2007. In addition, initially the

1 product was only available by special manufacturing
2 run and only at the end of the year did they make the
3 product more available. I suspect the record will
4 show that during the last 12 months of the period of
5 investigation, that little of their 48-gram product
6 was sold. Their 48-gram product only received IBM
7 approval three months ago in July 2008, which
8 prevented many large retailers from even considering
9 their product. I've never heard Kanzaki offering a
10 2.1 caliper product and heard they have no plans to do
11 so.

12 So in addition to product innovation,
13 Koehler has gained business through product quality.
14 I can't remember the last time we had a claim that was
15 anything besides a small shipping damage. Our quality
16 advantage comes from the fact that Koehler has a
17 specialized lightweight paper machine and produces all
18 its own base paper to its own specs. In contrast,
19 Appleton and Kanzaki purchase their own base paper
20 from outside suppliers. Our ability to control the
21 whole product from paper making through coating allows
22 us to deliver a high quality product that the domestic
23 coaters cannot consistently duplicate.

24 Appleton witnesses testified this morning
25 that Appleton's prices are depressed because of price

1 undercutting by imports. That claim just doesn't make
2 any sense to me. Koehler has led the market with five
3 separate price increases totaling 22 percent since
4 announcing the first of five in May 2006. The first
5 two increases were 17 and three months prior to the
6 petition being filed, and the last three were during
7 the last year.

8 MR. JAHNS: Good afternoon, Commissioners.
9 My name is Falk Jahns and I'm employed as the area
10 salesman for North America with Mitsubishi HiTec Paper
11 Flensburg GMBH. I've held this position with
12 Mitsubishi for approximately six years and have been
13 in the paper industry for more than 11 years. Based
14 on my experience, I believe that I can speak to
15 several of the issues that have been raised in the
16 context of this investigation of lightweight thermal
17 paper and can also speak to Mitsubishi's experience as
18 a jumbo roll producer in this market.

19 The lightweight thermal industry is split
20 into two distinct markets, first the jumbo roll
21 market, sales of which are made exclusively through
22 converters for the production of converted or slit
23 rolls, and second, the slit roll market, sales of
24 which are made to distributors and end use customers
25 like the retail establishments. Like Koehler,

1 Mitsubishi sells only jumbo rolls and has never sold
2 slit rolls into the United States. Indeed, Mitsubishi
3 does not have the equipment necessary to produce slit
4 rolls.

5 By contrast, to my knowledge, Chinese
6 producers do not sell jumbo rolls of thermal paper in
7 the United States, only slit rolls. For that reason,
8 we have never competed against imports of lightweight
9 thermal paper from any Chinese producer. Even our
10 competition with Appleton and Kanzaki for lightweight
11 thermal paper is somewhat limited as we each focus on
12 different products in the U.S. market.

13 Like Koehler, the majority of our
14 lightweight thermal exports consists of a product with
15 a basis weight of 48 gsm. Our customers have told us
16 that they prefer the 48-gsm product for several
17 reasons, including most importantly the fact that
18 their own customers, end use retail establishments,
19 have expressed a preference for 48-gsm products.
20 Appleton and Kanzaki have largely ignored this
21 important product to date.

22 Even though Appleton has now begun to market
23 this product, it will take some time before customers
24 regard Appleton as a reliable supplier. The U.S.
25 coaters' decision to ignore this important product has

1 been a welcome development for Mitsubishi as 48-gsm
2 products are more attractive for us to produce and
3 sell. Generally speaking, lower basis weight paper
4 has a better return but is more difficult to produce.
5 Unlike Appleton, Mitsubishi produces 100 percent of
6 its base paper in addition to coating these master
7 rolls, which in turn allows the company to control the
8 composition of its base paper in order to ensure the
9 consistent quality that our customers demand. This
10 gives an integrated producer like Mitsubishi an
11 inherent advantage in producing lower basis weight
12 paper.

13 Now I would like to speak for a few moments
14 about Mitsubishi's role as a supplier of thermal
15 paper. Mitsubishi began shipping commercial
16 quantities of lightweight thermal paper to the United
17 States in 2000 and our shipments to the United States
18 since 2004 have remained constant. This stable export
19 volume has occurred at a time when the U.S. market of
20 lightweight thermal paper has grown by about 10
21 percent per year. As to pricing, Mitsubishi is a
22 midsize supplier behind Appleton and Koehler.
23 Mitsubishi does not have the market presence or
24 customer base to be a price leader. And Mitsubishi's
25 consistent export volume suggests that we price our

1 lightweight thermal products fairly in the market and
2 have not undercut our competitors to gain market
3 share. Rather, Mitsubishi's overall strategy is to
4 focus on higher value added product outside of the
5 scope of this investigation, like specialty printing
6 grades and grades with higher image durability.
7 During the preliminary investigation, Appleton
8 suggested that the declining euro U.S. dollar exchange
9 rate should have caused Mitsubishi to decrease its
10 export to the United States. This argument is wrong
11 for two reasons. First, Mitsubishi balances its
12 exchange rate exposure by purchasing large quantities
13 of its raw materials such as pulp on a U.S. dollar
14 basis. Second, Mitsubishi has been exporting thermal
15 paper to the United States since 2000 to a small group
16 of loyal customers and has worked hard to develop a
17 reputation as a reliable supplier. In order to
18 maintain its reputation, Mitsubishi decided to
19 continue supplying these customers even though sales
20 in the United States are not as commercially
21 attractive. However, the current exchange rate means
22 Mitsubishi has no plans to expand its sale of thermal
23 paper in the United States. Instead, Mitsubishi
24 intends to focus on sales of thermal paper in the E.U.
25 which is experiencing a similar growth in demand.

1 Thank you for your time.

2 MS. JEONG: Good afternoon. My name is Rosa
3 Jeong from the Greenberg Traurig. I'm here for the
4 Chinese Respondent with me and my colleague Mr. Jeff
5 Neeley and Mr. Xue Qiang of Shanghai Hanhong Paper
6 Company, and Mr. Chris Burns of Paper Resources, and
7 Mr. Todd Kyriss formerly of NCR Corporation. Because
8 Mr. Xue's English is limited, his testimony will be
9 read by Mr. Jeff Neeley and during the question and
10 answer session, Mr. Jun (Frank) Zhang will translate
11 for him. In addition, Mr. Chris Burns does not have a
12 prepared testimony but is available for questions.
13 And I'll just turn to Mr. Kyriss.

14 MR. KYRISS: Good afternoon. My name is
15 Todd Kyriss. Formerly I was Director of Global
16 Procurement for NCR Corporation. NCR from my
17 understanding is the largest converter of thermal
18 paper in the United States. I left NCR around July of
19 2007 and now work for Newell Rubbermaid as the
20 Director of Global Sourcing. As the Director of
21 Global Procurement for the NCR Corporation, a position
22 that I held for about five years, I was responsible
23 for NCR's worldwide purchases of all thermal paper for
24 all of its converting facilities and distribution
25 centers. In my job, I actively searched out new

1 sources, decided whether the source was acceptable,
2 and handled all negotiations and purchasing decisions.

3 Prior to that position I also worked in
4 various operations sales and marketing positions for
5 the Assisted Media Business unit. All in all, I was
6 at NCR for about 17 years and it is safe to say that I
7 have a deep knowledge and experience about all aspects
8 of NCR's business, the thermal paper industry, and the
9 world thermal market in general. NCR was one of the
10 first companies that decided to buy Chinese thermal
11 paper. I was in charge of identifying, evaluating and
12 negotiating with the potential Chinese sources.

13 The process started around 2003 and
14 continued through 2006. We started by talking with
15 all the contacts in China and other regions in the
16 world. I personally went over to China several times
17 per year and met with all the companies that I found
18 to be potential sources. I toured the facilities,
19 received samples of paper and sent them to our test
20 labs to evaluate the quality of the product. Much of
21 what we found was simply unacceptable.

22 After months of research testing, it was
23 clear that there were only three companies that could
24 come close to meeting NCR's needs, which were fairly
25 modest to begin with. These companies were Shanghai

1 Hanhong, Guangdong Guanhao, and Ximen Anne Paper. Of
2 those companies, Hanhong and Anne were converters and
3 to my knowledge bought their coated jumbo rolls from
4 Guanhao.

5 I continued to work with Guanhao over a
6 period of several months to develop a low end POS
7 product and qualify a coating that was acceptable from
8 an image density and a printhead buildup perspective.
9 At the end of the day, I struck a deal with Guanhao
10 and Anne to set up an integrated coating and
11 converting process. Even then that it took several
12 months to work out some of the additional major
13 quality problems in the converting process as well as
14 a base paper caliper issue with Guanhao. At the peak,
15 we never bought more than 5 to 6 percent of our needs
16 from China and there was never any intention to buy
17 more.

18 NCR bought about six containers per month
19 from Guanhao, but Guanhao was struggling even to
20 supply us with that much. At one point we were trying
21 to go up to 10 containers per month for the U.S.
22 market and about 10 containers per months for the
23 Canadian market, but that would have really strained
24 Guanhao's capacity and pushed them beyond what they
25 could produce. At the time that I left NCR, NCR was

1 in fact scaling back the Chinese sources due to
2 continued quality problems and price increases caused
3 by increased labor cost, R&B appreciation, and energy
4 costs. Testing of incoming samples was still showing
5 problems with abrasiveness and burnoff while customers
6 were complaining about image density and uneven roll
7 sizes.

8 In addition to the quality problems, there
9 were also issues of nonqualification. Large retail
10 chains such as WalMart, Kohl's, and Target will only
11 buy paper that has been certified by the thermal paper
12 manufacturers like IBM and Epson. This is important
13 for those chains because using noncertified paper
14 would void the warranty of the POS printers. None of
15 the Chinese producers are certified, so NCR never sold
16 or intended to sell any Chinese paper to the larger
17 national accounts. I estimate that the large regional
18 and national accounts make up approximately 70 percent
19 of the U.S. market.

20 Chinese thermal paper was sold to the small
21 end users and dealers whose buying strategy was based
22 on a cost per roll and not a total cost of ownership
23 model. These customers are less concerned about
24 warranties since the volume of paper running through
25 the printer would typically not create major problems

1 or significant repair costs. For NCR, the purpose of
2 buying Chinese converted rolls was to supply parts of
3 the west coast and the Canadian market which were
4 essentially out of reach for NCR from their eastern
5 U.S. converting facilities due to high freight costs.
6 NCR continued to buy jumbo rolls from the U.S. and
7 German suppliers to convert into small rolls. In
8 other words, buying Chinese paper allowed us to
9 increase our sales while continuing to buy and convert
10 jumbo rolls.

11 I should also point out that around the time
12 we started buying Chinese paper, NCR was essentially
13 on allocation for jumbo rolls with the jumbo roll
14 producers capping our purchases. I understand that
15 Appleton's petition claimed that the Chinese paper
16 imports has hurt the domestic thermal paper business.
17 I just don't see how that is the case. Everyone knows
18 that the market is essentially run by the U.S. coaters
19 and the German paper coater Koehler.

20 The small volume of Chinese paper that was
21 being imported wasn't enough to make the smallest dent
22 in the market, and based on the quality of the Chinese
23 paper and the capacity for the coated products that
24 I've seen, the Chinese producers, with very few
25 exceptions, were a very long way off from being able

1 to increase their volume in any noticeable way. The
2 Commission should understand that the coating business
3 is not something that anyone can enter or any regular
4 paper mill could start in a short period of time. It
5 takes much proprietary knowledge, experience, and
6 millions of investments to run a coating operation.
7 In short, there is very little capacity in China that
8 produces paper acceptable in the U.S. market and I do
9 not believe it will change in the near future. Thank
10 you.

11 MR. NEELEY: I will read this on behalf of
12 Mr. Xue. Good afternoon. My name is Xue Qiang. I am
13 the president and part owner of Hanhong Paper company
14 which has been in business since 1999. Prior to that
15 I operated a trading company selling thermal paper and
16 other paper. Overall, I've been in the thermal paper
17 business for over 15 years. Hanhong is the largest
18 exporter of thermal paper from China and also one of
19 the largest producers in China, accounting for about
20 1/3 of all Chinese slit roll production and about 60
21 to 70 percent of exports to the United States from
22 China.

23 Until recently Hanhong was a converter only
24 and obtained jumbo rolls from other companies.
25 Because of this, I am personally familiar with all of

1 the coating plants in China and the overall Chinese
2 thermal paper industry.

3 The Chinese thermal paper industry consists
4 of only a handful of coaters and even a smaller number
5 of companies that can provide the quality of products
6 required for the U.S. market. One company called Sujo
7 Sunwei recently closed down most of its operation and
8 most of Sunwei's equipment, which was outdated and
9 crude, has been scrapped.

10 Of the coaters, only two companies have the
11 equipment and ability to produce export quality coated
12 rolls. The companies are Guangdong Guanhao and Jing
13 Hieh. Hanhong has bought coated paper from both of
14 these companies. As I mentioned, Hanhong recently
15 started a coating operation of its own. All of this
16 production is intended for our own conversion process.
17 It will not increase the amount of slit rolls coming
18 to the U.S. from China and will only replace the jumbo
19 rolls that we got from other sources.

20 The reason that our coater is not suitable
21 for jumbo rolls for the U.S. commercial market is
22 because our coater has a width of 1.8 meters whereas a
23 regular jumbo roll sold in the U.S. market has a width
24 of about 1.4 meters. This means that Hanhong could
25 not produce jumbo rolls without having a waste of .4

1 meters. I understand that the Commission staff has
2 noted that there is a large paper and pulp industry in
3 China. Regular paper mills, however, have nothing to
4 do with thermal paper.

5 It is extremely difficult for anyone to set
6 up a new coating plant. Starting a new coating plant
7 requires a significant time and expense, including the
8 application with the government authorities for
9 projects, construction of the workshops, and the
10 purchase of equipment. Due to heightened
11 environmental concerns it is very difficult to gain
12 the government approval these days. The whole process
13 takes about two years or more. In addition, although
14 there may be many regular paper mills in China,
15 virtually none is capable of producing the special
16 base paper used for thermal paper production.

17 The existing Chinese companies face another
18 big hurdle in the U.S. market. No Chinese product is
19 certified by IBM or Epson, which means that the
20 majority of the U.S. market is out of reach for
21 Chinese companies. To give you an example, Hanhong
22 was recently in discussions with Walmart to sell
23 thermal paper. However, we could not move forward
24 with the negotiations because our paper is not
25 certified. Obtaining certification is very difficult,

1 expensive, and time consuming. Hanhong has tried but
2 was rejected due to quality problems. We do not see
3 how our company can be certified in the foreseeable
4 future.

5 Moreover, the appreciation of the Chinese
6 currency and the increase in ocean freight cost are
7 making the U.S. market less attractive to Chinese
8 companies. At the same time, the domestic Chinese
9 market is growing. As one of the fastest growing
10 economies in the world, China has seen a tremendous
11 growth in consumer spending which translates to
12 rapidly growing demand for thermal POS paper. If you
13 have recently visited China you would have noticed
14 that virtually everything, including taxi receipts,
15 restaurants, stores, ATMs, is now printed on thermal
16 paper. The demand for thermal paper in China reached
17 as much as 90,000 tons in 2007 and is rising by 15 to
18 25 percent every year. I appreciate the opportunity
19 to be here. Hanhong is a family owned business which
20 has grown through hard work and honest work. We trust
21 that the Commission will consider all the facts and
22 issue a just and fair ruling.

23 MR. REILLY: Good afternoon. I'm John
24 Reilly of Nathan Associates appearing on behalf of
25 Hanhong and Paper Resources. The absence of any

1 correlation between the volume of slit roll imports
2 from China and the performance of the domestic coaters
3 demonstrates that imports from China have not been a
4 cause of injury to the coaters. In 2004 there were no
5 imports from China and in 2005 imports were
6 insignificant and thus could not have affected the
7 U.S. coaters in any way. During 2006, imports from
8 China increased to a very low level. However, there
9 was no corresponding deterioration in the domestic
10 coaters' performance.

11 During 2007, imports from China again
12 increased but remained at a very low level. Any
13 problems incurred by the coaters during 2007 reflected
14 the sailing of the 48-gram boat which they clearly
15 missed. There are no significant imports of 48-gram
16 paper from China. During 2008 imports from China
17 declined significantly on a percentage basis.
18 However, there was no corresponding benefit to the
19 U.S. coaters. In short, the movements from China
20 during the POI bore no relationship to changes in the
21 U.S. coaters' performance.

22 The trend in the performance of the U.S.
23 converters have been quite favorable over the 2005 to
24 2007 period. A slight performance blip during the
25 interim 2008 period coincided with a sharp drop on a

1 percentage basis in the volume of imports from China.
2 Clearly the lack of correspondence in the movements of
3 imports from China and in the performance of the
4 domestic coaters makes it plain that imports from
5 China could not have been a cause of injury to the
6 U.S. converters.

7 Imports of slit rolls from China pose no
8 threat of injury to the U.S. coaters and converters.
9 The foreign producer capacity and shipment data and
10 projections in the staff report indicate clearly that
11 the target market for Chinese capacity is the home
12 market. Indeed, even if the reporting Chinese
13 producers applied all projected unused capacity to
14 production for the U.S. market, U.S. imports in 2009
15 would be substantially less than the actual 2007
16 volume. Moreover only two Chinese coaters are
17 considered able to produce paper meeting minimum
18 standards for sale in the U.S. market. And we will
19 stand on these themes in our posthearing brief. Thank
20 you for your attention.

21 MR. SILVERMAN: That ends our testimony.

22 MR. BISHOP: You have 11 minutes remaining.

23 MR. SILVERMAN: We'll reserve that for the
24 rebuttal part.

25 CHAIRMAN ARANOFF: Mr. Bishop, that's 11

1 minutes including the 10 minutes that are set aside
2 for the in camera?

3 MR. BISHOP: That is correct, Madame
4 Chairman.

5 CHAIRMAN ARANOFF: Okay. Thank you very
6 much to this afternoon's panel and thank you for your
7 patience. I warned you this morning there was a
8 reason that we brought out the extra comfortable
9 chairs, and we have a ways to go. But we will begin
10 the questioning this afternoon with Commissioner Lane.

11 COMMISSIONER LANE: Good afternoon, and
12 pardon me if I ask questions that you referred to in
13 your testimony but obviously you were going so fast to
14 beat the time that sometimes I couldn't keep up with
15 you. So we may use some of those 11 minutes, Mr.
16 Silverman. Let me talk first with Mr. Greene. I
17 think you said that it's less expensive to produce the
18 thinner gram paper. Is that correct?

19 (Electronic interference.)

20 MR. GREENE: Yes, was the answer.

21 (Laughter.)

22 MR. GREENE: It costs us less to produce the
23 48-gram paper.

24 COMMISSIONER LANE: Okay. So that is a
25 direct contradiction to what we heard this morning

1 from the domestic producers who said that it was less
2 expensive to produce the thicker paper than the
3 thinner paper. So is it possible in your posthearing
4 brief then to provide us an analysis of your costs
5 between producing the 48 and the 55-gram paper?

6 MR. FRUEH: Yeah, this is Willy Frueh from
7 Koehler. Let me just give you a general information.
8 When you discuss about production costs, you have to
9 differentiate if the cost is based on weight, in
10 hundred weight or on a ton basis, or if it's on area.
11 It is more expensive to produce it on a weight basis,
12 but on an area basis it is cheaper for us.

13 COMMISSIONER LANE: Okay. Thank you.

14 Mr. Jahns from Mitsubishi, do you convert
15 and sell to end users who also buy product from
16 domestic producers?

17 MR. JAHNS: You mean end customers or - what
18 kind of customers do you mean? Like converters to
19 whom I sell? Because we're just only selling jumbo
20 rolls, nothing which is really small.

21 COMMISSIONER LANE: So, you just sell jumbo
22 rolls?

23 MR. JAHNS: We are a real paper mill. We're
24 producing the base paper, then coat the paper to
25 thermal paper, and then we sell the jumbo rolls to

1 converters, for example, like to Paper Solutions, who
2 are then producing small rolls, which they then sell
3 to end users.

4 COMMISSIONER LANE: Okay. Do you sell your
5 rolls to converters, who also buy jumbo rolls from
6 U.S. producers?

7 MR. JAHNS: Yes.

8 COMMISSIONER LANE: Okay.

9 MR. SILVERMAN: Commissioner Lane? This is
10 Bill Silverman, Commissioner Lane. You asked a
11 question a minute ago about cost -

12 COMMISSIONER LANE: Yes.

13 MR. SILVERMAN: - and you referred to the
14 testimony earlier this morning -

15 COMMISSIONER LANE: Yes.

16 MR. SILVERMAN: - that the costs were the
17 same. I site for your consideration page 29 of the
18 transcript in the preliminary conference, where the
19 domestic producer said finally, light-weight thermal
20 paper is less expensive per foot than other types of
21 thermal paper. This is because it's lower basis
22 weight requires less paper square foot. I just
23 mention that to you in considering why it's less - I
24 should say pulp, make it clear.

25 COMMISSIONER LANE: Okay, thank you. The

1 German Respondent's brief argues that Chinese imports
2 are almost always sold to companies acting as
3 distributors, whereas German product is sold
4 exclusively in jumbo form to U.S. converters, never to
5 distributors or end users. I am not sure what you
6 mean by your reference to "companies acting as
7 distributors." So, let me ask, is there a clear
8 distinction between all converters and distributors?
9 In other words, do all converters sell to distributors
10 or do some converters act as distributors by selling
11 their product to end users?

12 MR. GREENE: Generally, converters like to
13 convert paper. They've got machines. They want to
14 convert it to small rolls. But, when they don't have
15 the factory, they're generally located in certain
16 geographic area. But, if you had a factory on the
17 east coast and you wanted to sell on the west coast,
18 then you could act as a distributor. You just buy
19 finished rolls and bring it into the west coast to a
20 warehouse and ship out from there. So, in that case,
21 a converter might be a converter in the east, but they
22 would act as a distributor in the west. And that's
23 what the gentleman from NCR was talking about. He had
24 a converting plant in the east; but in order to
25 service his west coast business, he set up a warehouse

1 out there, bought finished Chinese rolls, and acted as
2 a distributor.

3 COMMISSIONER LANE: Okay, thank you. Now, I
4 have a question for the Chinese Respondents. The
5 Chinese Respondents' brief says that Chinese slit
6 rolls are sold at a level trade different from slit
7 rolls produced by U.S. converters from U.S. jumbo
8 rolls. All domestic and importer rolls are sold to
9 converters, who, in turn, sell to distributors and end
10 users. In contrast, Chinese imports were sold to
11 converters, who resold them to distributors and end
12 users. Can you explain why the Chinese imports, which
13 are already slit and ready for end use, are not
14 marketed directly to distributors? Why do they have
15 to go through a converter?

16 MR. BURNS: Hi, my name is Chris Burns from
17 Paper Resources.

18 COMMISSIONER LANE: I'm sorry, you have to
19 speak into your microphone a little bit.

20 MR. BURNS: Is that better? My name is
21 Chris Burns from Paper Resources. The finished rolls
22 from China were sold to converters and to
23 distributors. So, we had both channels. But
24 predominantly, our product was sold to converters.
25 And just to clarify the question that you asked

1 before, I would say most paper converters are both
2 distributors and converters. I think if the paper
3 converters had their way, they would sell all of their
4 slit product to the end use customer.

5 COMMISSIONER LANE: Okay. The next question
6 I have is for the man, who used to be with NCR. Okay.
7 If the Chinese product is not very good, who buys it?

8 MR. KYRISS: As I stated in my statement, it
9 was really what we call a cost per roll buyer and that
10 is somebody, who really doesn't use a lot of paper on
11 an annual basis, monthly basis, whatever it might be,
12 and in somebody, who really is more concerned about
13 just the price of the roll versus what I call the
14 total cost of ownership, somebody, who is worried
15 about the cost of maintenance on their equipment,
16 service levels at the cash register, and so on, more
17 high-volume users. So, somebody, who would buy a less
18 - I don't know if I want to say quality roll, but one
19 that doesn't have as much print density, one that may
20 have issues over long term, if a lot of paper was run
21 through, it would be a smaller user, end user, and
22 typically those are either sold direct to it or sold
23 through distributors or smaller dealers, who then sell
24 to the small retailers. So, that makes up, I would
25 guesstimate probably somewhere around 30 percent of

1 the total market.

2 COMMISSIONER LANE: Okay, thank you. Madam
3 Chairman, I will wait until my next round. Thank you.

4 CHAIRMAN ARANOFF: Commissioner Williamson?

5 COMMISSIONER WILLIAMSON: Thank you, Madam
6 Chairman. I, too, want to express my appreciation to
7 the witnesses for coming today and presenting their
8 testimony. This morning, I asked and I wanted to ask
9 the panel this afternoon, can you estimate what
10 percentage of end users do not require paper that is
11 certified by printer manufacturers? Any idea of the
12 consumption in the U.S. market with the end users?

13 MR. KYRISS: I would take a guess again. As
14 I go and I look at the large regional players, as well
15 as the large national players, the WalMarts, the
16 Kohl's, they certainly are all going to require 95
17 percent of the time that that product is certified.
18 And the reason for that is, is they can't afford to,
19 first of all, have equipment that goes down because of
20 functionality issues, which would cause them service
21 problems. But, they also will see either increased -
22 probably increased service rates from their printer
23 maintenance division because of the additional
24 maintenance on the equipment. And, again, it just
25 leads to that total cost of ownership that I was

1 talking to. Again, that smaller end user, they
2 typically don't run enough paper through the printers,
3 that they typically are going to see any types of
4 maintenance problems. And if they do, one printer or
5 two printers here or there, it doesn't add up to a lot
6 of dollars. But, when you're somebody like a WalMart,
7 who has tens of thousands, hundred of thousands of
8 printers, those expenses tend to get pretty steep.
9 So, I would guesstimate that it's probably around 60
10 to 70 percent of the actual usage would want to have
11 some type of certified product.

12 COMMISSIONER WILLIAMSON: Mr. Sandt?

13 MR. SANDT: I would agree with that. I will
14 just say that the larger people would be the ones
15 driving for the certified paper and the smaller ones,
16 who make up the less tonnage, would probably have
17 faith in us. And, I, you know, as a quality conscious
18 converter, I would want to convert rolls that were
19 certified by the major printer manufacturers and that
20 is how we would certify that the rolls are going to
21 work well on their equipment and we do make that
22 statement in our terms.

23 COMMISSIONER WILLIAMSON: Now, we've heard
24 testimony that the use of lightweight thermal paper is
25 expanding quite rapidly. I guess more and more people

1 are using these printers in point of sales. Does that
2 seem to imply that there will be more and more of
3 these smaller users, who may, therefore, not demand
4 the certified paper. More and more restaurants are
5 using these types of printers, more and more different
6 types of retail establishments. Where is the market
7 going? And, also, is the Chinese product improving in
8 quality over time? Mr. Swadish?

9 MR. SWADISH: We're actually seeing a lot of
10 new types of uses for thermal paper rolls. For
11 example: global printers; any kind of route salesman;
12 peer distributors; pop distributors; chips; candy;
13 when they go to the store, they use that to ring up a
14 receipt, basically; all your car rental places, as you
15 probably know. But, the portability of the printer
16 and the wireless Internet, you know, it's growing
17 quite fast. And even with small users, those
18 printers, you know, a lot of them say you have to use
19 a certified paper. But, if they only have one printer
20 in their little store, they just might not care. But,
21 usually, that printer manual will say to use certified
22 paper.

23 MR. KYRISS: I think that it matters. You
24 look at these in the self-service industry just in
25 general -

1 CHAIRMAN ARANOFF: I am sorry, if you could
2 just identify yourself for the record?

3 MR. KYRISS: I'm sorry, Tom Kyriess.

4 CHAIRMAN ARANOFF: Thanks. We have such a
5 big panel, that the court reporter cannot match the
6 faces and names.

7 MR. KYRISS: I understand. If you look at
8 just the self-service industry in general, more and
9 more self-service kiosks going up, everything from the
10 airline industries, to voting machines, to movie
11 ticket machines, whatever it might be, along with
12 direct marketing, banks, retailers going and trying to
13 direct market to consumers based on their buying
14 habits, just a variety of different applications that
15 are coming out where they use thermal printers to
16 print out the receipts or the tickets or the coupons
17 or whatever it might be that that self-service kiosk
18 is managing. And because of that, I think you're
19 going to continue to see a steady increase in demand
20 for thermal paper.

21 COMMISSIONER WILLIAMSON: So, what does that
22 say about the percentage or demand for certified
23 paper?

24 MR. KYRISS: Again, I think most of those
25 types of applications are going to be high-volume

1 types of applications, so it's going to require
2 certified paper.

3 COMMISSIONER WILLIAMSON: Okay, thank you.
4 Anyone else on that?

5 Okay. For the converters on the panel, what
6 circumstances would lead you to decide to purchase
7 slit rolls rather than use available conversion
8 capacity? Does this depend on what geographic market
9 you are serving?

10 MR. SANDT: I am not interested in buying
11 slit rolls at all.

12 COMMISSIONER WILLIAMSON: Any other
13 converters that use slit rolls?

14 MR. SWADISH: Ed Swadish. The main reason
15 we started converting ourselves is we found other
16 converters would sometimes, if you will, slip us some
17 bad paper. And when you buy slit rolls, they come in
18 a box on a pallet and then you sell them by the pallet
19 or sell them by the case. Sometimes, you never open a
20 case. When you're a slitter, you actually see every
21 single roll before it goes in the box and it's up to
22 you to set your own quality control rules and if a
23 roll is not good, you just don't put it in the box.

24 COMMISSIONER WILLIAMSON: Mr. Jansen?

25 MR. JANSEN: Richard Jansen. Frankly, in

1 concur with my colleagues. We are converters, who
2 want to control the product that we send our clients.
3 Thank you.

4 COMMISSIONER WILLIAMSON: Do you ever
5 consider using the slit rolls for your new market
6 area? Is it far from your bound base?

7 MR. JANSEN: No, I have not. Richard
8 Jansen, sorry.

9 COMMISSIONER WILLIAMSON: Is the person from
10 NCR the only one that has tried that strategy?

11 MR. KYRISS: We used to have - NCR had up to
12 five converting facilities around the country and they
13 ended up closing down facilities and centralizing it
14 into one in Tennessee. Because of that, the west
15 coast, the market became very, very hard to compete
16 with. And when we were looking for a source in China,
17 we started doing the cost analysis of bringing the
18 product in and it really only made sense to service
19 the west coast, because we could service the east
20 coast and the central part of the United States
21 effectively from our Tennessee location. So, that was
22 the only reason that we really went after the pre-slit
23 product from China.

24 COMMISSIONER WILLIAMSON: Thank you. Mr.
25 Greene or Mr. Jahns, have your firms lost any sales in

1 the United States because purchasers stated they would
2 instead purchase rolls from China?

3 MR. JAHNS: Falk Jahns from Mitsubishi. No,
4 we haven't actually lost market share with this, at
5 least us. But, as I've stated, as well, in my
6 testimony, our market share - you know, we haven't
7 grown over the last years. We have actually kept our
8 sales volume over the years. So, we haven't grown
9 with the market at all.

10 COMMISSIONER WILLIAMSON: So, you're not
11 seeing any -- from your perspective, you're not seeing
12 competition with slit rolls in terms of some of your
13 customers?

14 MR. JAHNS: We at Mitsubishi have really the
15 advantage that we have with the whole variety of
16 different OEM approvals, thermal printer manufacturer
17 approvals. Therefore, we are really - not attacking,
18 actually really focusing on the high-end applications
19 more, if this answers your question.

20 COMMISSIONER WILLIAMSON: Okay, thank you.
21 Mr. Greene?

22 MR. GREENE: Our competition are really the
23 Petitioners.

24 COMMISSIONER WILLIAMSON: Okay, and not slit
25 rolls?

1 MR. GREENE: Correct.

2 COMMISSIONER WILLIAMSON: Okay. Again, for
3 Mitsubishi and Koehler, what effect do exchange rates
4 fluctuations have on your decisions with respect to
5 exporting lightweight thermal paper? What effect do
6 exchange rate fluctuations have on your decisions?

7 MR. FRUEH: This is Willy Frueh from
8 Koehler. Exchange rate factors do have certain
9 impacts. However, we have a kind of a - you can call
10 it natural hatch, because we buy all of our pulp in
11 U.S. dollars and so, we have the balance on the cost
12 side.

13 COMMISSIONER WILLIAMSON: Okay. So, is that
14 pulp mostly purchased in Europe?

15 MR. FRUEH: The pulp is mostly coming from
16 South American countries, Eucalyptus from countries
17 like Brazil, for instance, where the big manufacturers
18 are.

19 COMMISSIONER WILLIAMSON: Okay. Thank you
20 for those answers and my time is up. Thank you.

21 CHAIRMAN ARANOFF: Commissioner Pinkert?

22 COMMISSIONER PINKERT: Thank you, Madam
23 Chairman and I would like to join my colleagues in
24 thanking all of you for being here today. I want to
25 begin with a question for all of the converters, who

1 are represented here today. And I know that some of
2 you have already testified with regard to having been
3 put on allocation by domestic coaters. But, I want to
4 ask each of you to first of all specify if you have
5 been put on allocation and then when you were put on
6 allocation and how long it lasted. So, let's just
7 begin with the first coater witness.

8 MR. ENDSLEY: Yes. Dough Endsley. The last
9 time I attempted to buy paper from Appleton was 18
10 months ago. I actually picked up a customer. It was
11 WalMart in Mexico, who requested Appleton paper. I
12 attempted to buy it from Appleton and their price to
13 me was 25 percent higher than I was presently paying
14 for paper. It was a brand new salesperson and I said
15 why would you want to sell me it at such an
16 outrageously high price and he said it was because
17 only 10 percent of their capacity was going towards
18 lightweight thermal paper and the demand outstripped
19 their ability to provide that, so they raised the
20 price.

21 COMMISSIONER WILLIAMSON: Okay. So how long
22 did that period of allocation last? I guess you
23 didn't find out -

24 MR. ENDSLEY: I didn't buy the paper and so
25 I don't know.

1 COMMISSIONER PINKERT: Okay. And would you
2 say in what you've just described, that you were
3 asking for price concessions?

4 MR. ENDSLEY: No. I just didn't want to be
5 gouged.

6 COMMISSIONER PINKERT: Okay. Mr. Sandt?

7 MR. SANDT: In my testimony, I mentioned
8 that until 2003, we bought our paper almost - no, we
9 had started buying from Koehler a little bit, but we
10 were buying mostly from Appleton and our largest
11 customer at the time was Circuit City. At the end of
12 the year, they told us that demand was so strong, that
13 we were going to be put on allocation and the figures
14 they gave me would not even take care of the amount
15 that I had to commit to Circuit City for the coming
16 year, nor could I grow after that. So, although we
17 maintain a buying presence, we have to take a longer
18 term view of this. And the short term is a year, so
19 things started to go downhill from there. I mean, our
20 relationship with Koehler, who had supported us during
21 this time where we couldn't get it, just got stronger.

22 COMMISSIONER PINKERT: So, again, would you
23 be able to say how long that period of allocation
24 lasted or you didn't find out?

25 MR. SANDT: You know, I can only guess. I

1 think - and this is a funny thing to say - I think
2 they missed the mark different times. They jumped to
3 conclusions that the market was tighter than it needed
4 to be, but I couldn't take that chance. I had a
5 commitment to a customer, who basically gave us a
6 contract for a year, and I couldn't say later on,
7 well, I can't supply you, because I knew 11 months
8 earlier that the mill wasn't going to give me enough
9 paper. So, I don't know exactly how long this
10 allocation period lasted.

11 COMMISSIONER PINKERT: Okay. And then would
12 you say that you asked for price concessions in
13 connection with your dealings with the domestic
14 coaters?

15 MR. SANDT: I know that at that particular
16 point in time, when we were going to be put on
17 allocation and not get enough paper, our price was
18 going up at the same time, too. So, those two factors
19 would make it very hard to grow in the coming year.

20 COMMISSIONER PINKERT: And did you have a
21 back and forth on trying to get price concessions at
22 that time?

23 MR. SANDT: We didn't sever times. I think
24 we continued to buy paper. It's just that we did not
25 - we could not rely on Appleton for the bulk of paper

1 that we were buying. In fact, that particular year,
2 we hit an all time high. It thought our relationships
3 was blossoming. We had been in business since 1982.
4 Appleton was a near and dear source. They helped us
5 grow. So, I thought by 2003, we were really going to
6 just really go places after that. But, it sort of cut
7 a halt to our growth, at least with them.

8 COMMISSIONER PINKERT: Thank you. Mr.
9 Swadish?

10 MR. SWADISH: Ed Swadish. At the time that
11 I heard some rumors about allocations from other
12 people, we were buying exclusively rom Koehler and
13 experienced no problems whatsoever.

14 MR. KYRISS: I would like to make a comment
15 on that. This is Todd Kyriess. While I was at NCR and
16 I've been gone for 15 months now and haven't thought
17 about it a lot since then, you know, since 2003, I
18 mean, the market is very cyclical. It goes up and
19 down. There were times when we would be on allocation
20 and the market would be very tight and there were
21 times when it was soft. I do remember in late 2006
22 and in early to mid-2007, before I left the company,
23 that prices were beginning to go up and there was
24 tightness in the market. And when I talk about
25 allocation, we would split our volume. We were large

1 enough that we would split our volume between multiple
2 coaters. And depending on various different things,
3 pricing, quality, service levels at that time,
4 whatever it might be, we might move tonnage back and
5 forth between those different coaters. And at the
6 time before I left, I do remember that when I talk
7 about allocation, we were on allocation based on what
8 we had been buying, they really didn't want anymore
9 than those volumes, because things were tight. So, it
10 wasn't like they were taking and reducing the amount
11 of paper that we could get. They just didn't want us
12 to be moving and shifting tonnage, because the market
13 was tight enough at that time. Typically, you see
14 allocation happen, too, when prices are starting to
15 increase, a lot of converters will go out and start to
16 buy and build inventory to help product themselves
17 from some of those and that tends to creates some
18 tightness in the market, too, for a period of time.

19 COMMISSIONER PINKERT: Okay. But, it's not
20 your testimony that you were asking for concessions in
21 price at that time, at the time that you were -

22 MR. KYRISS: I was always asking for
23 concessions.

24 COMMISSIONER PINKERT: But, that was not
25 causing the allocation issue to arise for you or was

1 it?

2 MR. KYRISS: No, no. Demand was picking up,
3 as well, and we were looking to get more tons from the
4 suppliers. Things were getting very tight for us, as
5 well, based on the average usage that we had had maybe
6 over the last six months. And what I'm saying is that
7 if we went to one of our coaters and said, hey, we
8 want to get 10 more trucks this month from you, they
9 would say, we really don't want anymore right now; we
10 can't handle that. So -

11 COMMISSIONER PINKERT: Okay, thank you. Mr.
12 Jansen?

13 MR. JANSEN: Richard Jansen. Thank you, Mr.
14 Commissioner. I had no exposure to this situation due
15 to I had been purchasing predominantly 48 gram
16 material and it has been available to me. So -

17 COMMISSIONER PINKERT: Thank you. Any other
18 comments on this allocation issue from this panel?

19 (No response.)

20 COMMISSIONER PINKERT: Okay. Now, my next
21 question goes to this matter of the so-called make or
22 buy decision. And I understand that we had some
23 testimony from this panel in response to Commissioner
24 Williamson's question on this issue. But, I just want
25 to get some clarity and the only way I could get the

1 clarity is by asking a hypothetical question. So,
2 bear with me.

3 If the price of slit rolls were low enough
4 and the quality were high enough, would you consider
5 selling them -- as a converter, would you consider
6 selling the slit rolls or would that present a problem
7 for you to move over to selling the slit rolls?

8 MR. ENDSLEY: Doug Endsley. Basically, I
9 provide the grocery stores with the paper with print
10 on the back, so I couldn't - I don't use slit rolls,
11 other than the ones I print and slit and send them and
12 we couldn't print the slit rolls. We would have to
13 print the jumbo rolls.

14 COMMISSIONER PINKERT: Thank you.

15 MR. SANDT: I've been in this business long
16 enough to see products come and go. I mean, when I
17 was - so what I'm going to end up telling you is I
18 would probably go into some other business that has to
19 do with small rolls. When I first got in it, we sold
20 oil and perforated tape to newspaper. They used it to
21 set type. Doesn't exist anymore. We made IBM copier
22 rolls, which came in and took a good percentage of the
23 copier market and I sold to every federal agency down
24 here and they don't exist anymore. So, I might just
25 conclude that I don't belong in that business and

1 we're maverick enough. We don't have anybody looking
2 over our shoulders and say, well, we can switch, doing
3 something else. I mean, you can see by my testimony,
4 as far as what we wanted to do with the lighter weight
5 paper. Well, most people don't want to take the
6 effort. They want to quote a price. And that's not
7 the way our company sells its products. So, I might
8 not just be in that business or else have a lot lower
9 profile, if it became that much lower.

10 MR. SWADISH: Ed Swadish. To me, the
11 Chinese slit paper rolls -- that's what you were
12 referring to, correct - just seem to iffy. You know,
13 where they're in it this month and a few months later
14 they would be gone. You know, you don't want to
15 mothball a machine that's close to a million bucks and
16 then lose all your skilled labor and then four weeks
17 later say, well, I think we had better start slitting
18 again. You know, it takes a long time to build up a
19 good staff and you don't just throw it away for a
20 perceived savings. And on top of that, the quality
21 wasn't there anyway. Personally, I've got some
22 longstanding relationships with a lot of customers. I
23 wouldn't sell it to them.

24 Finally, correct me if I'm wrong, I'm not
25 sure, it's my understanding, at least in the ink

1 ribbons that come from China, there are some trust
2 issues there, as well. You have to wire them the
3 money before the paper leaves the Mainland. That's my
4 understanding. So, you have some trust issues there.
5 You know, a truckload is quite a bit of money.

6 MR. KYRISS: This is Todd Kyriss. I would
7 agree with Mr. Swadish about, you know, you have a
8 workforce and you have a labor force and you have
9 people that you've trained to run these slitters and
10 it's not a piece of equipment that you can just get on
11 one day and take off and run it. It takes time. And
12 the more time that the operators are on there, the
13 better they become, the more efficient they become,
14 the more money they basically make for you.

15 In a case where your capacity is tight
16 though or there's a different market that you want to
17 go after, I would certainly say yes, as long as those
18 costs were low enough to where they covered your
19 variable. If they were below your normal variable
20 cost, you would go out and get that market. But, you
21 wouldn't do it through layoff your current workforce,
22 because I think he is right, that the market, the
23 Chinese market was new. There was a lot of unanswered
24 questions yet about how stable it was going to be, how
25 stable the supply was going to be. But, certainly, to

1 go out and try to - if you were either in capacity
2 issues, which I do have to say that NCR was in at the
3 time because if plant consolidation, starting up one
4 centralized plant -- we were actually in a capacity
5 situation where we needed additional supply of slitted
6 rolls to be able to service our customers. We did
7 test the product. We did have a product that we felt
8 like was a good quality product for the low-end market
9 when we released it. I'm not saying that we didn't
10 have issues along the way; we did and we kept trying
11 to work through those. So, there are circumstances
12 where we certainly would do that.

13 COMMISSIONER PINKERT: Thank you. I will
14 come back to this. I am well past the end of my time
15 for this round. Thank you. Thank you, Madam
16 Chairman.

17 CHAIRMAN ARANOFF: I think I want to start
18 with a question that I raised with the panel this
19 morning. I had asked if there was anyone who was
20 familiar with the warranty terms on thermal printers
21 and I didn't get any takers on the morning's panel.
22 So, if there is anyone here who knows his thermal
23 printer warranties -- Mr. Swadish?

24 MR. SWADISH: Ed Swadish. From my
25 understanding, it's a standard one-year type warranty.

1 And as these gentlemen have spoken about the larger
2 users, these guys with hundreds and hundreds of
3 printers, they're looking at losing a lot of money, if
4 they use bad paper. The small cigar shop guy that
5 buys a case of paper a year or small amounts, he's
6 basically gambling. He's saying, okay, I'm going to
7 save 15 bucks a case and I doubt my printer is going
8 to break, you know, that type of thing.

9 MR. KYRISS: This is Todd Kyriss. It's
10 really not so much around the printer warranty, as so
11 much around the service contract. And it's the IBMs,
12 the NCRs of the world that are selling printers that
13 have their service people out there servicing these
14 printers for large end users, like the WalMarts, the
15 Kohl's, the Targets. If they use a paper that is not
16 certified in that equipment, they start to have
17 problems with print head abrasion, having to place
18 print heads due to burn off, or whatever it might be.
19 Then, they will start to raise the service costs to
20 those retailers and they can't afford to do that,
21 because it's a very, very high cost to them.

22 CHAIRMAN ARANOFF: So, I just want to make
23 sure that I understand you. What I'm taking from the
24 testimony so far is that the warranty is for one year.
25 You didn't say, Mr. Swadish, that the warranty

1 actually requires the use of certified paper, but I
2 assume that's what you meant. Once the warranty runs
3 out, then, Mr. Kyriss, what you're telling me is then
4 you're just taking a risk, if you don't use the
5 certified paper, that something is going to happen to
6 your printer and you're going to have to pay for the
7 repairs.

8 MR. KYRISS: Right. You sign services
9 contracts with the printer manufacturers. Once the
10 warranty runs out for basically parts or labor, you
11 then want somebody to come in and fix your equipment
12 once it breaks down. In that service contract, they
13 still require that you use a certify paper, so they're
14 cost don't increase. They can't afford to be sending
15 people out at your location to work on the printers
16 and buying the parts and so on and they base their
17 costs on an estimate of failure based on using
18 certified media. If you don't use certified media,
19 your failure to cost go up and thus they will charge
20 you more.

21 CHAIRMAN ARANOFF: Okay. But, it's only if
22 you lose the gamble, right? You don't use certified
23 paper and your costs, in fact, go up that you run into
24 trouble.

25 MR. KYRISS: I'm sorry, repeat that.

1 CHAIRMAN ARANOFF: I mean, what you said was
2 if you use non-certified paper and your failure rate
3 goes up, so it's above whatever the failure rate that
4 was estimated in the service agreement, that's when
5 you run into trouble.

6 MR. KYRISS: Correct.

7 CHAIRMAN ARANOFF: Okay.

8 MR. KYRISS: You're taking a gamble. But
9 for someone the size of WalMart, the number of
10 printers, they can't afford that gamble. So -

11 CHAIRMAN ARANOFF: Okay. And from what I
12 heard, there seemed to be fair agreement amongst this
13 fairly large panel that it's maybe 30 percent of
14 demand in the U.S. that's represented by the people,
15 who are small enough, that they tend to gamble. I
16 took that as 30 percent of demand. I don't know if
17 that was actually 30 percent of purchasers, which
18 would be a different thing.

19 MR. SANDT: Let me just say, this is Roger
20 Sandt, even if they were gambling, which I don't think
21 they are, those of us, who are quality minded and who
22 buy paper that is certified, will have, in our terms,
23 that we warrant the paper to be used on the printer
24 that its intended for and if there are any problems,
25 that the company, who sold the printer, has or it will

1 put in writing about our paper, we would be glad to
2 pay for the cost of the repair and the print head. I
3 don't think we're that unusual in doing that. But, I
4 have that amount of confidence. We have never had
5 anybody take us up on that or ask us for it.

6 MS. JEONG: Chairman, just a clarification.
7 I really don't -

8 CHAIRMAN ARANOFF: Could you state your
9 name, please?

10 MS. JEONG: This is Rosa Jeong, sorry. I
11 believe what Mr. Kyriss has said that he was
12 estimating the percentage as 70 percent of the large
13 retail accounts, which for whom the certification
14 absolutely must. That doesn't mean that 30 percent
15 based on his estimate, which are the smaller
16 retailers, do not require certification. But, his
17 estimate was just the larger retail accounts.

18 CHAIRMAN ARANOFF: Okay, thank you for
19 clarifying that. Obviously, since a number of my
20 colleagues have asked the question, we're trying to
21 get a sense of what percentage of U.S. demand is made
22 up of purchasers, who don't require certification and
23 I don't think we've gotten there yet. So, if there is
24 anything that anyone on either panel can put on the
25 record, in the post hearing, that could help us to get

1 closer to that number, that would be very helpful.

2 I, also, think there's been some dispute in
3 the course of today and in the briefs about which
4 producers, which coaters' products were certified with
5 which OEMs at what time relative to when people
6 actually started buying them, particularly with
7 respect to Koehler's 48-gram product. Can one of the
8 witnesses from Koehler tell us either now or if it's
9 confidential, in the post hearing, when your 48-gram
10 product was certified with each of the OEMs?

11 MR. GREENE: Our 48-gram - this is Richard
12 Greene. Our 48-gram product was certified by IBM in
13 either December of last year or January of this year.

14 CHAIRMAN ARANOFF: Is that the only OEM that
15 it is certified by?

16 MR. GREENE: That's the only one we ever
17 submitted it to. It's a costly process and that's the
18 standard of the industry and we very rarely get asked
19 for certifications from other manufacturers. Maybe
20 Epsom as a second, but we haven't been asked for it.
21 So, we started selling it in 2005 and we had never
22 sought a certification. No one had asked for it.
23 When we started selling slowly to smaller users, I
24 guess it didn't go to the big box retailers, who
25 didn't require that. Then, finally, in 2007, as the

1 product started to really gain momentum, we were asked
2 by big potential customers, is it certified. So, we
3 started the process, which it took like eight or nine
4 months to get it done, because IBM was tied up and
5 they didn't have time to qualify and things like that,
6 wasn't our doing, but it took a long time for them to
7 be ready to test it. Finally, they tested it and
8 within a few weeks after it was tested, they gave us
9 an approval.

10 CHAIRMAN ARANOFF: And you are not currently
11 in the process of seeking any further certifications
12 from OEMs?

13 MR. GREENE: We're not actively doing that
14 now.

15 CHAIRMAN ARANOFF: Okay. So, going back to
16 this issue of warranties and service agreements, is it
17 your understanding that someone who is - if someone is
18 using an Epsom printer or a printer from another OEM
19 requiring certified paper, the fact that your paper
20 has an IBM certification, that's not good enough,
21 right?

22 MR. GREENE: Well, we really never ran into
23 that. We really never ran into people asking for
24 Epsom certified grades in the United States. IBM is
25 the only one who really ever asked for it and it's

1 kind of been if you have IBM's blessing, it's good
2 enough for everyone else's machine. It's kind of the
3 unspoken way the trade operates.

4 CHAIRMAN ARANOFF: Okay. Let me ask
5 Mitsubishi, as well. Is your 48-gram product
6 certified by any OEMs?

7 MR. JAHNS: This is Falk Jahns, Mitsubishi.
8 Our grade, our 48-gram, as well as the 55-gram have
9 for years already been approved by IBM and that is
10 what we have for all 55 grams for an Epson approval.
11 However, Epson is more important really for the
12 European market, whereas IBM is the major OEM for the
13 North American market. If you have an IBM approval,
14 you know, that's good.

15 CHAIRMAN ARANOFF: Okay. Now, those are the
16 only two OEMs that I think we've been talking about in
17 the course of the case and even that are mentioned in
18 the staff report. Are there other OEMs that any of
19 you run into on a regular or semi-regular basis?

20 MR. JAHNS: This is Falk Jahns, again,
21 Mitsubishi. Certainly, there are some smaller OEMs,
22 as well, but they don't have such a huge importance
23 really on the market. So, it's good to have them and
24 we are certainly working on other approvals, as well.
25 But, a must is really the IBM approval. In fact, if

1 you have this one, this is really good and really
2 required by most of our customers.

3 CHAIRMAN ARANOFF: Okay. Thank you, very
4 much.

5 MR. KYRISS: Can I just - one real quick
6 point. Todd Kyriess. There are really only just a few
7 print head and printer manufacturers in the world that
8 really sell into the POS market. The rest of the
9 people put their box or their name around the printer.
10 So, it isn't like you have to go out to every single
11 printer with the brand name that you see and certify
12 that. It's that particular printer that comes from
13 Tack or Toshiba, whoever it might be, that you are
14 going to try to get certification on. And, again,
15 there are only two or three that are really big
16 players in that POS market.

17 CHAIRMAN ARANOFF: Okay. Thank you for that
18 and I am going to turn it over to Vice Chairman
19 Pearson.

20 VICE CHAIRMAN PEARSON: Thank you, Madam
21 Chairman. Greetings to all you panelists that are
22 here. I appreciate your being here. Mr. Silverman, I
23 wanted to go back and clarify the issue first raised
24 by Commissioner Lane regarding the difference in
25 production costs for 48- and 55-gram product whether

1 you're looking at area or weight. There were some
2 answers provided here in the hearing. Will you, also,
3 be providing in post hearing a more detailed
4 clarification of this issue with costs that Koehler
5 experiences in producing these products?

6 MR. SILVERMAN: This is Bill Silverman. We
7 shall.

8 VICE CHAIRMAN PEARSON: Okay. And will the
9 same be possible for Mitsubishi?

10 MR. EMERSON: This is Eric Emerson. Yes, we
11 will.

12 VICE CHAIRMAN PEARSON: Thank you, very
13 much. A question for Mr. Kyriss and perhaps for Mr.
14 Qiang. Could you, please, elaborate on why you think
15 an increase of imports of lightweight thermal paper
16 split rolls from China is unlikely in the reasonably
17 foreseeable future? Because, Mr. Kyriss, I think
18 there was information that was provided that was - it
19 was difficult for me to absorb it all, okay, so that's
20 why I'm circling back now on some of these issues.
21 Did I understand you correctly and, if so, could you
22 walk it through me again?

23 MR. KYRISS: Yes. This is Todd Kyriss.
24 Just as I made my visits to the different coaters that
25 were in China and even actually the converting

1 facilities that I saw there, the ability - first of
2 all, the quality coming from most of the coaters there
3 was not sufficient to bring into the United States and
4 we would not want to bring them in.

5 Second is the capacity that they had and the
6 type of equipment that they had did not allow them to
7 increase their capacity at a rapid rate or there
8 wasn't a whole lot of capacity in China and it's going
9 to take a pretty big investment to get to any type of
10 capacity that would really make a dent in the U.S.
11 market, and that's on both the converting side, as
12 well as the coating side.

13 VICE CHAIRMAN PEARSON: And would I
14 understand correctly that NCR was able to run a
15 reasonable business at a limited volume of importing
16 split rolls?

17 MR. KYRISS: It was such a small portion.
18 Like I said, it was for the west coast and it was such
19 a small portion of our total. It was less than five
20 percent of our total usage. It was very, very small.
21 I never saw it as a real threat to the U.S. market. I
22 wouldn't say that maybe we didn't use it a little bit
23 here and there, but it certainly - there's another
24 side to that whole capacity issue. When you look at
25 the way that the Chinese market was growing in the

1 domestic market and the demand for that, trying to
2 gear up capacity in China for the domestic market, as
3 well as for exports, either made it that much more
4 difficult for me to believe that they would ever be
5 able to bring enough into the U.S. market that would
6 have a real impact.

7 VICE CHAIRMAN PEARSON: Okay. I hear what
8 you're saying. But, in this case, we did see a rapid
9 increase from a low starting point in imports of
10 Chinese split rolls. And a number of other products
11 that we've had before us when we're looking at China,
12 we have seen increases in production capacity and the
13 potential of increased imports that's been rather
14 large. Are you telling me there is something
15 different about this industry, so that we shouldn't
16 expect a continuation of growth of imports like we had
17 during the POI?

18 MR. KYRISS: Right. I think they were very
19 under utilized at the time. They finally got a paper
20 that was good enough to bring into the U.S. and they
21 hit a peak - they hit a peak with us, at least, to
22 where they couldn't produce any more than what we were
23 basically buying from them. We were buying for both
24 the U.S. market and the Canadian market. We were also
25 looking for the European market in certain areas.

1 But, they were under utilized at the time, that's why
2 I think you saw the big influx into the U.S. to start
3 with. But, I think it was going to peak out and there
4 wasn't going to be a whole lot more capacity
5 available.

6 VICE CHAIRMAN PEARSON: And I just want to
7 make sure, it was your testimony that the paper that
8 you were - the split rolls that you were importing
9 were not certified by any of the print head
10 manufacturers?

11 MR. KYRISS: That's correct. We did our own
12 testing in our own labs to approve it and to make sure
13 that we weren't going to have any major issues with
14 it.

15 VICE CHAIRMAN PEARSON: Okay. Mr. Qiang,
16 could you, please, comment?

17 MR. QIANG: Sorry, I don't know English.

18 VICE CHAIRMAN PEARSON: Believe me, I speak
19 no Mandarin, so go ahead.

20 MR. ZHANG: I will translate for him, okay?

21 MR. NEELEY: Mr. Zhang can translate for
22 him.

23 VICE CHAIRMAN PEARSON: Please.

24 MR. QIANG: (Speaking Chinese.)

25 MR. ZHANG: (Translation) I just add

1 something here. First, that I say I take honor to be
2 here to attend this hearing. My company is a small
3 company actually.

4 MR. QIANG: (Speaking Chinese.)

5 MR. ZHANG: (Translation) I just add
6 something. As Todd said, actually, in China, very few
7 companies can meet the requirement for U.S. market.
8 Normally, the converters, they are small, a small shop
9 and have several workers and they definitely - their
10 product cannot get into U.S. market.

11 MR. QIANG: (Speaking Chinese.)

12 MR. ZHANG: (Translation) And secondly, 95
13 percent of the Chinese converters, they are small and
14 private-owned companies. It is impossible for them to
15 get any government subsidies for their production.

16 MR. QIANG: (Speaking Chinese.)

17 MR. ZHANG: (Translation) That's what I
18 would like to add here. Thanks.

19 VICE CHAIRMAN PEARSON: Okay, thank you. I
20 have another question for Mr. Qiang. Have there been
21 any changes in the export taxation of lightweight
22 thermal paper coming from China or any change in the
23 VAT rebates for that product?

24 MR. QIANG: (Speaking Chinese.)

25 MR. ZHANG: (Translation) In China, for the

1 paper export, there is - export duty refund is zero.
2 So, no tax refund at all for some paper.

3 VICE CHAIRMAN PEARSON: Okay. The domestic
4 industry has observed that the imports from China in
5 the interim 2008 period were much lower than in the
6 interim 2007 period and their conclusion is that the
7 reduction in imports was caused by the provisional
8 duties going into effect. Can you comment on that?
9 Is their view correct?

10 MR. QIANG: (Speaking Chinese.)

11 MR. ZHANG: (Translation) There are a couple
12 of reasons. First of all, just the exchange rate.
13 Originally, one dollar can get 8.3 RMB and now it's
14 about 6.8 RMB. So, it's about 20 percent
15 appreciation. That's an important factor.

16 MR. QIANG: (Speaking Chinese.)

17 MR. ZHANG: (Translation) Secondly, since
18 2007, Chinese Government implement the new labor law.
19 So that increased the cost of labor if you are a
20 manufacturer.

21 MR. QIANG: (Speaking Chinese.)

22 MR. ZHANG: (Translation) In other news from
23 a newspaper recently in China, there were over 100
24 small size companies that just shut down.

25 VICE CHAIRMAN PEARSON: Okay. Thank you,

1 very much. The light has changed, so back to you,
2 Madam Chairman.

3 CHAIRMAN ARANOFF: Commissioner Okun?

4 COMMISSIONER OKUN: Thank you, Madam
5 Chairman. I join my colleagues in welcoming this
6 panel here this afternoon. I appreciate, very much,
7 the perspective you bring to various aspects of this
8 case.

9 Mr. Silverman, I think I am going to start
10 with you, in light of the response of Mr. Greene to
11 the Chairman's question regarding certification with
12 IBM. On page 19 of your brief, you had - one of the
13 arguments you had made is that Appleton's 48-gram was
14 only marginally successful, because the product did
15 not receive IBM certification until July 2008, thereby
16 suppressing sales. What I heard from Mr. Greene is
17 they were making sales of their product prior to
18 getting certification. So, do you still stand by that
19 argument with regard to Appleton?

20 MR. SILVERMAN: This is Bill Silverman. I
21 think Mr. Greene can answer, he didn't make sales
22 before certification. But, he can talk about what it
23 has meant since he has had the certification. It's
24 not -

25 COMMISSIONER OKUN: I wanted to ask you

1 first, though. Do you still make that - do you
2 believe that that has suppressed Appleton's sales?
3 Are you still making that contention in your brief?

4 MR. SILVERMAN: I don't make certifications
5 of facts. Let him talk about the facts. You've asked
6 a fact about the market.

7 MR. GREENE: Richard Greene. For example,
8 one of our converter customers was selling WalMart,
9 who wanted to switch to our product and they said,
10 they insisted on the IBM certification. So, that's
11 when we started working on it in the middle of 2007.
12 And they lived with it and continued to use it and we
13 told them we were in the process of getting certified.
14 And we finally did get certified in January and then
15 the business grew dramatically. But, they were the
16 first big retailer that asked for it. And once they
17 asked for it, we said we might as well get certified.

18 Now, we think that Appleton is handicapped
19 by not having that certification. I think it's clear
20 when they sell to converters, who are going after the
21 large retailers, they are certain handicapped by not
22 having that certification, but not until July when
23 they finally got it.

24 COMMISSIONER OKUN: Okay. So, help me
25 understand. Are you saying that you think your sales

1 of your 48-gram were handicapped until you got
2 certification? You were not successful in the U.S.
3 market with your 48-gram?

4 MR. GREENE: Well, when we - going through
5 certification is a big rigmarole. And we were under
6 the opinion that our 55-gram, which has been certified
7 by IBM forever, we were just running the basis weight
8 of the paper lighter and we didn't need the
9 certification. So, our response to the marketplace
10 was, we're running the same product, we're just
11 running it lighter and we really didn't need that
12 certification. It was only when we got pushed by the
13 large WalMart, the converter who was selling WalMart,
14 that they really wanted it for that basis weight. So,
15 then, we had to go get that individual basis weight
16 certified. For us, if we ran 48-gram or 60-gram,
17 every time we changed the basis weight, we would have
18 to get a certification. We still didn't understand
19 the reason for that, because we put the same thermal
20 coating on the paper. So, we really didn't need to
21 think - we really didn't believe we needed to go get
22 certification, because we were running the same
23 thermal coating on our base paper, but just changing
24 the basis weight. But, WalMart insisted on it and we
25 then went through the process. I hope that explains

1 it.

2 COMMISSIONER OKUN: Okay. All right. Let
3 me come back to the front row here, to the converters.
4 We spent a lot of time with this morning's panel
5 talking about 48 versus 55 and, obviously, there were
6 converters on that panel, as well, and we've heard
7 different things from you. And, obviously, we have
8 additional information in our staff report, as well.
9 So, I want to I guess just go back to a couple of
10 things based on what we heard this morning and then
11 what I heard from you. In terms of - we talked with
12 the converters this morning about whether there was an
13 advantage to the customer in having these longer
14 rolls. And I know - I think at least a couple of you
15 mentioned that, that the purchaser would like - or
16 it's an advantage to the purchaser, because they're
17 getting more product in there for the price. And so,
18 I didn't know if there was anything else you could
19 add, because I think what I heard from the converters
20 this morning was you make your sale based on how much
21 product, how many rolls, how many pallets you're going
22 to sell and what you're going to put in your truck and
23 then you pay for the - and then there's the trucking
24 freight. And so, it didn't - the way I understood his
25 testimony this morning, it didn't matter much if you

1 were - it didn't matter to the customer, because you
2 were just - you couldn't fill up that much of a
3 truckload. I think I'm saying it correctly.

4 So, I wanted to go back to you on what I
5 heard from you, to try to understand if there are
6 differences in the way that you're doing business, if
7 it's just a difference in the customers and how
8 they're ordering. Do the two stories make sense, what
9 I heard this morning and what I heard from you this
10 afternoon? And I'm not sure who wants to start, but
11 you look like you're grabbing your microphone there.
12 You can start.

13 MR. ENDSLEY: Yes. Doug Endsley. We
14 customize for 5,000 grocery stores 90 days worth of
15 register tape we ship at a time. So, we ship it using
16 UPS and we ship it on a 100-weight basis. So, once we
17 were able to switch from 55 to 48, it reduced my
18 shipping costs by approximately \$200,000 a year.

19 COMMISSIONER OKUN: Okay. So, UPS -
20 shipping smaller amounts, then, that's where - or is
21 it still the same amounts?

22 MR. ENDSLEY: Well, I would either ship
23 smaller rolls, okay, that weighed less, or I would
24 ship longer rolls, less cases. Either way, the
25 savings were the same.

1 COMMISSIONER OKUN: Okay. Would other
2 converters have anything to add with respect to
3 advantages of the 48 versus a 55, just on that basis?
4 Mr. Sandt?

5 MR. SANDT: I don't think you want me to
6 detail again, because I gave you a pretty long
7 narrative of how -

8 COMMISSIONER OKUN: Well, maybe you can then
9 respond just - I mean, I'm not sure if you heard all
10 the testimony this morning.

11 MR. SANDT: Yeah, I did.

12 COMMISSIONER OKUN: I'm trying to understand
13 if it's just based on customers or - I mean, what the
14 distinction is. Because, I've heard two different
15 stories and, you know, I'm trying to understand which
16 weight to give to them and can they exist in the same
17 market place.

18 MR. SANDT: It doesn't even have to be a
19 sophisticated customer, but a customer, who will
20 listen, will really understand the advantages of
21 longer footage rolls for all the reasons that I
22 mentioned. It's less roll changes for them. It's
23 fewer cartons that they have to buy in a whole year.
24 It's fewer pounds that are shipped. That saves money.
25 And it's, in the case of the customer that I told you

1 about, they save 574,000 roll changes a year and
2 574,000 cores that they don't have to throw out,
3 simply because they have bought fewer rolls that have
4 the same lineal footage on them. And that's very,
5 very significant and people, who will listen, will buy
6 because of that. And there's no overlapping between
7 the rolls. You can't use one - you can't use the 55
8 gram in place of the 48. Each of these manufacturers
9 is very good at hitting the target calipers and the
10 target weights that they want -- that's their business
11 - so that we can count on having the particular
12 caliper that will give us the footage roll that we're
13 selling. And if we didn't, they wouldn't fit in the
14 boxes.

15 COMMISSIONER OKUN: Okay. And then to those
16 particular customers, and this goes back - there have
17 been several questions about this, so we can talk
18 about should this product cost less because it weighs
19 less. I mean, what I have been focusing on, first of
20 all, was just the freight advantages and the
21 advantages you sell. But, now, I'm trying to
22 understand on the product, itself, because, again, Mr.
23 Greene just said, we didn't even think we needed
24 certification, because it's the same product.

25 MR. SANDT: The things that we save on, they

1 save on, too. I mean, the fact that we don't have to
2 use all of those cartons and all those cores. And our
3 labor to make the longer footage roll is very, very
4 similar, as the smaller roll. Our machines are fast.
5 They ramp up. And if they are going to a certain
6 footage, they ramp down very quickly. And probably in
7 a day, we can make the same number of cartons of
8 longer footage rolls, as we can the alternative size
9 that I had mentioned.

10 COMMISSIONER OKUN: Okay. Well, if there is
11 anything more for post-hearing, just in terms of
12 helping me understand better what the advantages are,
13 what the cost advantages on the shipping side - yes?
14 Mr. Malashevich, I have a yellow light, so -

15 MR. MALASHEVICH: It really doesn't like me.

16 COMMISSIONER OKUN: That's the Chairman, I'm
17 sure, saying it's a yellow light, what are you doing.

18 MR. MALASHEVICH: Bruce Malashevich,
19 economist to the German producers in this proceeding.
20 I just came recently into possession of a document
21 that I think will clear the air on this issue with
22 respect to freight, as well as the distinctness of the
23 48 product. It's an Appleton produce brochure
24 extolling the virtues of its 48-gram product. It
25 bears the date of January 2008. And in listing the

1 key features, it has among it, low caliper for larger
2 roll lengths, roller base weight, reduces freight
3 cost, doesn't say the sum, under certain
4 circumstances. It simply says, reduces freight costs,
5 good general imaging, graphics and logo images, and
6 among the specific applications indicated is "low
7 caliper economy point-of-sale retail use."

8 You heard earlier that the product has a
9 distinct cost. Whether it's higher or lower than 55,
10 it's distinct costs with distinct applications. And
11 if you are a producer with economies of scale having a
12 bread and butter product of 55 gram and claims to be
13 in some degree of financial distress, why would you
14 divert time, money, and energy to creating a new
15 product, entirely new product that costs more, they
16 say, and yet is theoretically, according to their
17 claims, interchangeable? It makes no sense unless the
18 products are in fact distinct. Thank you.

19 COMMISSIONER OKUN: Okay. My red light now
20 is on, so I'm sure you'll put that in the record, and
21 Petitioners will have a chance to comment on it as
22 well. Thank you, Madam Chairman.

23 CHAIRMAN ARANOFF: Commissioner Lane.

24 COMMISSIONER LANE: When we heard this
25 morning that there was really no difference in the use

1 of a 48 and a 55 gram product going into printers that
2 the printers would use or that you could use one or
3 the other and it didn't really make any difference,
4 are you all saying that that is not true or that I
5 just misunderstood what I heard?

6 MR. SANDT: A 55 gram, 300 foot roll would
7 not fit in a printer's cavity, a 48 gram, 300 or 308
8 foot roll would fit in a printer's cavity and run, so,
9 yes, the 55 is definitely not interchangeable with the
10 48.

11 COMMISSIONER LANE: And so are all 48s and
12 55s 300, I don't know, feet, inches, whatever?

13 MR. SANDT: No. It's taking advantage of
14 the capability of the thinness of the paper to wind it
15 to the maximum diameter that will fit into that
16 cavity, thereby giving a lot of advantages to the end
17 user, which a smart end user will recognize and buy,
18 and they do buy it.

19 COMMISSIONER LANE: Okay. But this morning
20 was the product 300 and some inches or whatever? I
21 thought it was 100.

22 MR. SANDT: I don't know. I heard the
23 testimony and I kind of shook my head and I didn't
24 agree with it.

25 COMMISSIONER LANE: Okay. I thought it was

1 121 and 126 or something like that. I could be wrong.

2 MR. SANDT: I don't recall. Not at all.

3 COMMISSIONER LANE: Okay. I'll look at the
4 transcript.

5 MR. GREENE: Madam, Richard Greene. I just
6 wanted to add I think this morning's testimony had to
7 do with whether the printers could handle 48 gram or
8 55 gram, and all the printers could handle either base
9 weight. The main advantage as far as longer rolls is
10 the 48 gram has a 2.1 caliber and you can wind up to
11 308 feet on a receipt roll and still put it in the
12 well of the printer.

13 So the net result is you don't have to
14 change your printer all that often.

15 COMMISSIONER LANE: And so you would need a
16 printer that would take the 308?

17 MR. GREENE: Well, all printers take 308
18 feet with 48 gram paper, but typically, with 55 gram
19 paper they were running 230 or 273 feet. So the
20 ability to make longer rolls with this thinner caliber
21 really was a very important advantage because when you
22 have a busy store and people are waiting on line, you
23 don't want to say stop and go change the roll.

24 People would be impatient at the cash
25 register. So the fact that they have so many less

1 changes -- as Mr. Sandt testified before, when he made
2 his proposal to his large retailer they had 578,000,
3 you know, something like that, less roll changes.
4 That became a significant selling point.

5 COMMISSIONER LANE: I'm always excited when
6 there's somebody at the cash register willing to wait
7 on me.

8 MR. KYRISS: This is Todd Kyriss. I just
9 want to jump in and try to clarify a little bit. As I
10 stated in my statement, there's two different types of
11 buyers, there's a cost per roll buyer and there's a
12 total cost of ownership buyer. The converters that
13 you had up there this morning typically probably sell
14 more to cost per roll buyers.

15 They talked about the roll not being big
16 enough and their customers complaining about that. If
17 they rolled to footage, meaning if they rolled to a
18 230 foot roll, the roll diameter is going to be
19 smaller, their customer is going to think they're
20 getting cheated.

21 You're selling to a Walmart and Walmart
22 loves the idea of a thinner caliber paper because they
23 can put more feet on a roll.

24 They can get 330, or 350, or whatever it is,
25 I'm not sure what it is anymore, but they have less

1 down time, they improve their customer service, they
2 have less storage space where they have to store the
3 rolls at, they do reduce their freight if they ship
4 from their DUCs to their stores. There's just a
5 variety of different advantages of having that product
6 and selling to it. So it all depends on who you're
7 talking to and who their customer is.

8 COMMISSIONER LANE: Okay. Thank you. Now I
9 have questions for Mr. Endsley and Mr. Sandt. You
10 each gave examples of where, Mr. Endsley, you wanted
11 to supply a Walmart in Mexico and you wanted to buy
12 the product from Appleton but it was too high.

13 If that information is not already in the
14 record as to the price you were quoted by Appleton and
15 the price you actually paid, could you put that in the
16 record posthearing?

17 MR. ENDSLEY: Yes, ma'am.

18 COMMISSIONER LANE: And, Mr. Sandt, the same
19 for you. You were trying to sell product to Circuit
20 City and you ended up buying from Koehler rather than
21 Appleton. I think that's what you said.

22 MR. SANDT: And that was a supply issue.
23 That was that there wouldn't be an available supply
24 for me for the coming year to provide that to my
25 customer, so that was the big issue right there.

1 COMMISSIONER LANE: And so it wasn't a price
2 issue?

3 MR. SANDT: Not necessarily. In fact, I
4 don't know if we got that far. I would not have the
5 paper to supply to the customer.

6 COMMISSIONER LANE: Well, maybe you can
7 supply for the record posthearing what you thought
8 that Appleton could provide you the product for and
9 what you ended up buying it from Koehler.

10 MR. SANDT: That might take some research.
11 That was five years ago.

12 COMMISSIONER LANE: Okay. Well, if you can,
13 that would be appreciated. The other question I have
14 is when you're talking about the 55 and the 48
15 product, are they sold at the same price? Mr.
16 Swadish?

17 MR. SWADISH: Ed Swadish. First off, I'd
18 like to clarify a little bit about the cost between
19 the 55 and the 45. In a laymen's terms, 55 was
20 roughly 89 cents a pound and 48 was 99 cents a pound.
21 That makes it a lot easier, you know, for an average
22 person not dealing with paper, you know, to get
23 involved with DMSF and all that.

24 A standard size of paper, 235 foot long of
25 grade 55, weighed 35 pounds. The same footage in 48,

1 who I know nobody makes, would weigh 30. If you
2 extended that extra length to 265 and made it out of
3 48 gram, it would weigh 34 pounds. Just so
4 everybody's clear on the price and the weight
5 differences with the extra paper.

6 Yes, we do sell our paper for more, the 48
7 gram. Thirty percent of all of our new business we
8 actually sell for more than they were paying. The
9 converters this morning, they seemed very focused on
10 price, you know? It seems like that's probably how
11 they were with their prospects. Price is possibly
12 second or third thing we look at with a customer.

13 You know, with the 48 gram paper we put 13
14 percent more paper on the roll and we charged our
15 customers eight percent more. So the customer got a
16 five percent discount and we made extra money per
17 case.

18 COMMISSIONER LANE: Okay. Did anybody else
19 want to respond to that? Okay. Thank you. That's
20 all the questions I have. Thank you for your patience
21 and your willingness to come and help us understand
22 this issue. Thank you.

23 CHAIRMAN ARANOFF: Commissioner Williamson?

24 COMMISSIONER WILLIAMSON: Thank you, Madam
25 Chairman. Mr. Greene, just to clarify on this

1 question of the certification of the 48 and 55 grams,
2 I take up until the point that Walmart said no, we
3 want the 48 certified, you were willing to say that
4 our paper has been certified whether it was 48 or 55
5 because basically that weight wasn't the most
6 important factor in terms of the certification.

7 MR. GREENE: Right. We maintained in the
8 market that our F-20 thermal coating was the important
9 aspect, whether we put it on 48 gram paper or 55 gram
10 paper. We had no trouble selling it for two years
11 with that sales approach. Then Walmart finally
12 insisted and we had to go through the expense, paying
13 a lot of money to IBM and going through the whole
14 process.

15 We did that because they were a large
16 customer.

17 COMMISSIONER WILLIAMSON: Okay. Thank you.
18 I just wanted to get that clarified. I think, Mr.
19 Jahns, you didn't answer the question about the
20 exchange rate fluctuation and what affect that has on
21 your decision with respect to exports.

22 MR. JAHNS: This is Falk Jahns, Mitsubishi.
23 With the U.S. dollar exchange rates we actually really
24 handle it like this, as I mentioned as well in my
25 testimony, and that we actually balance our purchases

1 on U.S. dollar basis with our U.S. dollar sales. In
2 fact, then there is no impact on it.

3 COMMISSIONER WILLIAMSON: Okay. Thank you.
4 Both the German and Chinese Respondents addressed the
5 question what affect do the fluctuations of ocean
6 freight rates have on your decisions with respect to
7 exporting lightweight thermal paper, and where do you
8 expect to see the trends in the future?

9 MR. FRUEH: This is Willy Frueh from
10 Koehler. We do expect that because of the
11 international energy cost situation that also the cost
12 for shipment to the United States are going to go up,
13 but clearly, the decision to concentrate on 48 gram
14 gives us a saving because we can get more paper in a
15 container and we can ship more paper, more footage, in
16 the same container.

17 So that also helps us to a certain extent to
18 offset the higher costs.

19 COMMISSIONER WILLIAMSON: Okay. Does anyone
20 else want to?

21 MR. BURNS: This is Chris Burns from Paper
22 Resources. We've seen freight rates go up over the
23 last three years, primarily with -- we used to ship
24 predominantly through Los Angeles and then put it on a
25 train and distribute the paper throughout the country,

1 but the railroads really started to raise rates so we
2 started looking at all water service, you know,
3 bringing the ship all the way to the east coast, to
4 mitigate the rail increases.

5 What we started to see at the end of last
6 year and into this year was the emergency fuel
7 surcharge so the ocean carriers were putting in, you
8 know, a 10 percent premium on top of the base ocean
9 rate, sometimes 20 percent. Then, on top of that,
10 when you get into June, July through end of November
11 and December when the retailers are gearing up for the
12 holiday season, they'll put another five to 10 percent
13 premium on top of that.

14 So ocean freight rates have been trending up
15 and we don't see much relief coming in. We were
16 hoping to see some relief, honestly, but we're not
17 seeing it. You know, the ocean carriers have
18 repositioned a lot of ships, they've scrapped some of
19 their older vessels, and anything they've put on
20 order, they've deferred delivery.

21 So we don't see much relief on ocean freight
22 rates coming up.

23 COMMISSIONER WILLIAMSON: Okay. Thank you.
24 Thank you for that answer. Also for the Chinese
25 Respondents, in your sales of slit rolls in the U.S.

1 market, whom do you perceive to be your competitors?
2 Are your competitors the U.S. converters who are also
3 your customers?

4 MR. BURNS: This is Chris Burns. Just to
5 give you a little background of me, you know, Paper
6 Resources sold jumbo thermal rolls from Korea to a lot
7 of the converters and for various reasons we went to
8 China looking for jumbo thermal rolls and found that
9 the converters there were not going to be competitive
10 in this market.

11 We didn't even get into quality,
12 certification, or anything like that. They just
13 plain, we're not interested in the price levels that
14 this market was transacting in. Really, for the
15 coater width that they have, you know, that was
16 touched on earlier, there's just a lot of waste.

17 Then the prices here in the U.S., I mean,
18 this is by far the most competitive market in the
19 world for whatever is sold, whether it's paper, cars,
20 or what have you. I think, you know, the volume that
21 this market buys in whatever the product is dictates a
22 very competitive environment.

23 So when I first started doing business with
24 Hanhong and Mr. Xue, we went to the converters because
25 I knew the converters and I presented them, you know,

1 the opportunity to buy the product. Some of them
2 decided to buy it for geographic reasons. I don't
3 think we were ever below, you know, serious
4 manufacturing cost.

5 I think we offered a competitive product and
6 a good product, but it was, you know, a geographic
7 option. As time went on, I think we got a little bit
8 of a reputation in the market for having an okay
9 product and reliable deliveries and we picked up a few
10 distributors. I would say we always looked at the
11 converters as potential customers.

12 COMMISSIONER WILLIAMSON: And you think the
13 competitiveness or the quality, has that improved over
14 the years?

15 MR. BURNS: I would say our quality has
16 always been fairly consistent. We've never had the
17 quality of, say, an Appleton or a Koehler, but we've
18 always had acceptable quality. It hasn't gone down,
19 it hasn't gone up, but it's certainly not at the level
20 that a lot of the other Chinese coaters are putting
21 out, which is really sub par.

22 COMMISSIONER WILLIAMSON: Okay. Thank you.
23 Just one last question. Demand for the lightweight
24 thermal paper grew substantially over the period of
25 investigation, and yet, the financial performance of

1 both coaters and converters was not that strong. What
2 would you contribute to this weakness?

3 I mean, here we have, you know, a product
4 which is growing quite well but the companies and
5 industries on this don't seem to be doing that well.
6 Any thoughts on that?

7 MR. BURNS: Chris Burns. I'd offer a
8 thought on that. There are over 45 converters in
9 North America, and I would say that none of them are
10 running close to capacity, so they're fighting it out,
11 and, you know, the competitive environment in the
12 market is requiring them to go back to the thermal
13 coaters and squeeze them for a better price to try to
14 compete in the market.

15 COMMISSIONER WILLIAMSON: Okay. Anyone else
16 have a thought on that? If there's no further
17 comments, I have no further questions, Madam Chairman.
18 Thank you.

19 MR. SILVERMAN: We will answer that, but I'm
20 sorry, it has to be in camera proceeding. You had
21 asked about the correlation between economic health
22 and import levels. We've addressed some of that in
23 our brief but it's the kind of thing that needs to be
24 done either in camera or in a postconference.

25 COMMISSIONER WILLIAMSON: Okay. Thank you.

1 CHAIRMAN ARANOFF: Commissioner Pinkert?

2 COMMISSIONER PINKERT: Thank you. I want to
3 go back to the question that I was asking in the last
4 round to make sure that everybody who wanted to answer
5 or who had an answer was able to do so. The question
6 was if the price of the slit rolls were low enough and
7 the quality were high enough, would you consider
8 selling them? The question was directed to the
9 converters.

10 Mr. Jansen, did you have anything to add to
11 that?

12 MR. JANSEN: Richard Jansen. Thank you, Mr.
13 Commissioner. I have made a substantial investment of
14 obviously money, but as well as time and training
15 personnel, as a converter and fully committed to being
16 a converter, and as my other colleagues have
17 expressed, to control the product that I send to my
18 clients.

19 Doing otherwise, I do not have that control
20 and I want to be a converter of product. So thank
21 you.

22 COMMISSIONER PINKERT: Thank you. Any other
23 comments on this panel on that issue?

24 MS. JEONG: Commissioner Pinkert, this is
25 Rosa Jeong. Just a short comment is that I understand

1 why you're posing the hypothetical, but perhaps, you
2 know, it probably isn't the right way to frame the
3 question.

4 The domestic industry have argued that the
5 decision is a make or buy decision and that's where
6 your hypothetical comes from, but what we see and
7 based on the evidence in the record, the testimony and
8 when you look at the confidential trend of the
9 converters, it really wasn't a make or buy, it was
10 more of a make and buy decision.

11 COMMISSIONER PINKERT: Do you want to
12 explain that?

13 MS. JEONG: What I meant was that the
14 converters who are buying split rolls to service
15 certain parts weren't doing it at the expense of what
16 the jumbo rolls are buying. They weren't using
17 converted rolls to replace jumbo rolls.

18 If you look at, and I don't know how much I
19 could say regarding the confidential record is that I
20 think the trend is there wasn't a decrease in
21 shipments on the converters' part in purchases.

22 COMMISSIONER PINKERT: Perhaps you could
23 answer another question that I have, Ms. Jeong, or
24 perhaps those who are with you could answer this.
25 What percentage of the U.S. shipments originating with

1 Shanghai Hanhong were made to U.S. converters? What
2 percentage of the U.S. shipments?

3 MR. BURNS: This is Chris Burns. Over 90
4 percent.

5 COMMISSIONER PINKERT: And did those
6 converters face a make-or-buy decision, or perhaps you
7 would want to explain along the lines that Ms. Jeong
8 has tried to explain? Did they face that kind of a
9 decision?

10 MR. BURNS: Chris Burns. The converters
11 that we sold did not reduce their jumbo-roll
12 purchases. They grew their business overall, and, for
13 some of them, even though I said earlier, the
14 converting industry is oversupplied, there are a few
15 converters that, either geographically or capacity,
16 are restrained, and they decided to buy the finished
17 rolls from us to grow the business.

18 COMMISSIONER PINKERT: Thank you.

19 Now, I want to return to Mr. Sandt for a
20 moment. I recall from your testimony, which was
21 before all of the rounds of questions began, that you
22 used the phrase, "at this point," when you said that,
23 at this point, you wouldn't switch from the 48-gram
24 product, even if the price were right to make that
25 kind of a switch.

1 When did you become more or less locked into
2 the product? You say, at this point, you wouldn't
3 make the switch, so I assume that there is some other
4 point where you might have made the switch.

5 MR. SANDT: Probably. If I were to think
6 back, we had gotten to the point where I don't like to
7 have two different inventories, and I just decided
8 that we would switch completely over. So, at that
9 particular point, we probably passed a line that we
10 would not go back, and I think, at the end of my
11 testimony, I said, I think that was it. I don't care
12 what the price was of 55. At this point, I would not
13 change.

14 We've changed our approach to the
15 marketplace. We're satisfied having one inventory in
16 our stock to convert from. We have space constraints,
17 and it just fits in fine.

18 COMMISSIONER PINKERT: I understand that it
19 fits in fine, but I'm trying to get an idea of whether
20 there is some sort of a tipping point for you where
21 you're more or less committed to the 48-gram product,
22 and, if there was such a tipping point, when did it
23 occur, and how can I nail it down to know that that's
24 when it occurred?

25 MR. SANDT: Whenever it was introduced, we

1 walked very softly for a little while, but it didn't
2 take us very long to just decide -- are you looking
3 for a time in history, you know?

4 COMMISSIONER PINKERT: I'm looking for some
5 sort of point in time or some period of time.

6 MR. SANDT: I would have to look at my --
7 whenever it was introduced, probably within a year
8 afterwards, we decided that we would make the switch
9 completely over because I know, in talking to Mr.
10 Greene, he said that we were ahead of most people
11 because most people were kind of timid to jump
12 completely into buying this particular grade, and we
13 were not. We grew as a result of making the decision.

14 COMMISSIONER PINKERT: If you could
15 supplement that in the post-hearing to give us a
16 better idea of more or less when you became committed
17 to that form of the product, I would appreciate it.

18 MR. SANDT: Sure.

19 COMMISSIONER PINKERT: Thank you.

20 Do the other converters agree that the
21 switch from 48 to 55 is not so straightforward that
22 you could just do it if the prices were right at any
23 given time?

24 MR. SWADISH: Ed Swadish. It would be very
25 difficult for my customers because, you know, they are

1 getting a better price per foot with the longer rolls,
2 so to introduce a new product to save money and then
3 have to switch them back two months later and maybe go
4 back to 48, it would be a nightmare, plus turning the
5 inventory over to the new sizes.

6 Everybody talks about these three basic
7 footages; really there's probably 20 footages and 40
8 widths, and we turned all of them over. Everything
9 got 13 percent added. You had to give it a new stock
10 number. It was tremendous work for months, just to
11 get everything to go. To switch it, make the customer
12 get not as good a deal on the paper, making less money
13 -- myself, I'm talking about -- I just couldn't see
14 it.

15 COMMISSIONER PINKERT: Thank you. Mr.
16 Jansen?

17 MR. JANSEN: Richard Jansen. It would also
18 be very hard for us to switch due to, frankly,
19 components, carton sizes. We would have to move back,
20 as well as, again, as I stated in my testimony, the
21 transportation portion of equation of that would be
22 actually going backwards for ourselves. Thank you.

23 COMMISSIONER PINKERT: Thank you.

24 MR. ENDSLEY: Doug Endsley. It's a little
25 different for me, in the fact that I have just a few

1 customers, and we give them the product free. I was
2 hesitant at first to switch to the 48, being thinner,
3 because we put vivid colors on the back of the
4 register tape. We were afraid that it might harm the
5 readability of the image on the user side, but,
6 eventually, I tested it, and we couldn't see any
7 difference whatsoever in the way the grocery store's
8 image appeared, and we've never had one complaint from
9 the grocery stores.

10 That being said, if I can buy 55 gram for
11 enough less price than the 48 to overcome the savings
12 that we've already identified, I would consider buying
13 either one.

14 COMMISSIONER PINKERT: Thank you. I would
15 like to go back to Mr. Neeley for a moment. I believe
16 you testified -- I'm not trying to change anything
17 that you testified, but I believe you testified that
18 there was about a two-year period for establishing new
19 production of the thermal paper, and I'm wondering how
20 you got that number. What's that comprised of?

21 MR. NEELEY: I'll let Mr. Xue do it, since I
22 was actually reading his testimony, and he is the
23 person with the knowledge. So I'll let Mr. Jon
24 translate for him.

25 COMMISSIONER PINKERT: Thank you.

1 MR. ZHANG (translating for Mr. Xue): I'm
2 the translator, Jon Zhang. I translate for Mr. Xue.

3 Mr. Xue said, "Our -- introduction of
4 setting up a coater line in China. It takes about two
5 to three years for the application, including the
6 project-approval process and the buildup of the
7 workshop and the purchase of equipment.

8 "We also need to find a coating specialist,
9 and we also needed to get a technician in equipment
10 assembling.

11 "Especially the more and more strict
12 environmental requirements by the Chinese government,
13 so application of the coating will generate some
14 wastewater. So only for the environment approval, it
15 would take at least a half year. That's the basic
16 thing. Thanks."

17 COMMISSIONER PINKERT: Thank you. Thank
18 you, Madam Chairman.

19 CHAIRMAN ARANOFF: One of the things that
20 was discussed this morning that hasn't seemed to come
21 up this afternoon is the issue of reverse auctions, so
22 I have a panel in front of me that includes six
23 converters, representatives of six converters, so I
24 want to ask each of you, have you participated in a
25 reverse auction, and how significant has that been, in

1 terms of how your product is marketed?

2 I don't know who wants to start. Mr.
3 Swadish?

4 MR. SWADISH: Ed Swadish. We don't
5 participate in those at all. It's for more larger
6 customers, and we deal with the small to medium, plus
7 just our company philosophy -- I mean, that's just a
8 tool that just beats your price up. Even if we did
9 deal with larger customers -- I don't know -- these
10 guys might be forced to have to do it -- I'm not sure,
11 but we would try to avoid that at all costs.

12 CHAIRMAN ARANOFF: Have any of your
13 customers invited you to participate?

14 MR. SWADISH: No.

15 CHAIRMAN ARANOFF: Okay. Mr. Sandt?

16 MR. SANDT: We've participated, and we've
17 been successful in some cases. Is it attractive? Not
18 especially. It does lower the bar, as far as pricing.
19 It's a very competitive way to get business. It makes
20 it more challenging to use ingenuity in getting
21 business, but it's not impossible to present your
22 ingenuity and help you get business. That's the way
23 our company works.

24 Do we depend on them for our livelihood?
25 Not especially, but we have a certain portion of our

1 business that's been gained by reverse auctions.

2 CHAIRMAN ARANOFF: Is it your impression
3 that that's becoming a very common way for purchasers
4 to make their purchases in this market?

5 MR. SANDT: For large retailers, yes.

6 CHAIRMAN ARANOFF: What is your experience
7 with respect to what kind of product qualifications
8 those large retail purchasers put on who can enter
9 into the auction? For example, are they requiring
10 OEM-certified paper?

11 MR. SANDT: In many cases, yes. You've
12 heard the names thrown out here like Wal-Mart and
13 Federated, which is Macy's now. They will usually
14 have that in their specifications what are acceptable
15 grades, and those acceptable grades are usually the
16 grades that have been approved by the OEM of the
17 equipment that they use.

18 CHAIRMAN ARANOFF: Okay. Mr. Jansen?

19 MR. JANSEN: Richard Jansen. We participate
20 on a very limited basis in reverse Internet auctions,
21 and the primary reason is, again, it goes down to
22 price. My company is really not built on price but
23 other factors, such as service, quality, reliability,
24 quick action, those types of things.

25 So, for us, we've had exposure. I would

1 prefer not to deal in an element of solely price,
2 Madam Commissioner.

3 CHAIRMAN ARANOFF: Okay. Mr. Kyriss or Mr.
4 Burns, did either of you want to comment?

5 MR. BURNS: This is Chris Burns. Yes, I
6 would like to comment.

7 Two things on the Internet bid. One is
8 we've never participated in one for the certification
9 process; and, two, usually, when we find out what the
10 auction went for, it was considerably below any price
11 that we had ever sold any product for in this country,
12 so it's completely unattractive to us.

13 MR. KYRISS: While at NCR, because of our
14 size, of course, we've participated in probably about
15 every one of the reverse auctions.

16 As far as what the qualifications were, as
17 far as the paper, typically, and I would have to say,
18 in 90 percent of the case, they would state exactly
19 what products were qualified or what products they
20 wanted you to quote. They would ask for alternatives.
21 Very, very seldom did they actually use the
22 alternatives, and they usually used it to try to drive
23 the price down to use it maybe after the fact, in some
24 cases.

25 Even though it's a reverse auction, I

1 wouldn't say it always ended there. There was always
2 negotiation that happened afterwards, and they would
3 tend to use lower prices and lower alternatives from
4 other converters, or whatever it might be, to continue
5 to drive the price down, even after the reverse
6 auction.

7 So I can't think of one time where a major
8 retailer who ran a reverse auction did not stay with a
9 certified product. I do not remember any.

10 CHAIRMAN ARANOFF: Okay. I guess I asked
11 the panel this morning, and I'll repeat the question,
12 but if people can provide, in confidence, if they need
13 to, in the post-hearing brief, it would be very
14 helpful to us to know the identity of the retailers
15 who are using these reverse Internet auctions as their
16 main means of purchasing, and, to the extent that
17 anyone can estimate what percent of domestic demand is
18 now being sold through that channel, that would also
19 be very helpful.

20 Let me turn to Mr. Endsley. I didn't ask
21 that question to you because you don't sell your
22 product, but I did want to ask you a little bit about
23 your business model, which is, if this is an industry
24 where everyone is trying to get the cheapest possible
25 paper for their cash register receipt, as long as it's

1 good enough to actually work, how come your business
2 model hasn't really taken off? Why aren't you driving
3 all of these other folks out of business?

4 MR. ENDSLEY: I am; it just takes a little
5 while.

6 CHAIRMAN ARANOFF: I'm not sure where to go
7 from there.

8 Do any of the other converters want to
9 comment on whether they think that that's a business
10 model that is likely to grow in the market? Mr.
11 Swadish?

12 MR. SWADISH: Ed Swadish. I believe my
13 colleague's business model is based upon a major
14 retailer, such as a Kroger's, where there is a large
15 amount of receipts given a large number of people.
16 That type of business is going to be giving out the
17 receipts to their customers.

18 For miles around that place, there's all
19 kinds of businesses that use receipts. I don't
20 believe he is going to try to put paper rolls into
21 that establishment -- cigar shop, restaurant -- you
22 know, any other type of retailer. The volume for his
23 distribution of his coupons would be minuscule, so he
24 is looking for big grocery stores, more than likely.
25 He is not interested in -- I don't know -- 90 percent

1 of the market, something like that.

2 CHAIRMAN ARANOFF: Okay. I also asked the
3 converters on the morning panel about whether they
4 used multiple suppliers of jumbo rolls, and, if so,
5 why that was important to them. So let me pose that
6 to this panel as well. Does anybody want to start?
7 Mr. Swadish, you're always willing.

8 MR. SWADISH: I hate waiting in line.

9 I would appreciate a diversity of vendors.
10 I mean, Koehler's Company, they are great guys, and I
11 trust them, but you never know. They are in Germany,
12 and something could happen. But you've got to have
13 the right paper, and you've got to have the right
14 weight, and you have got to have things right.

15 So, as far as I'm concerned, I'm better off
16 putting all of my eggs in one basket, rather than
17 having two grades of paper.

18 If there was a supplier like Koehler in
19 America -- I'm pretty pro-American -- I would be
20 buying from that company.

21 CHAIRMAN ARANOFF: Mr. Sandt?

22 MR. SANDT: Roger Sandt. We buy from
23 multiple sources. Appleton was our main supplier for
24 years. They make -- I forget -- the market basket or
25 the variety of papers that Ms. Hatfield mentioned.

1 It's really fun to go out and sell other than plain
2 vanilla and take advantage of these papers that are
3 outside your "lightweight thermal" definition and get
4 people to use them for specific needs, like a paper
5 that has a darker image, one that lasts longer, or
6 what have you.

7 That's not what you're considering, but
8 we've cherished Appleton as a supplier for years. We
9 buy from Koehler, as we mentioned to you, and we buy
10 from Kanzaki. We have several grades that we prefer
11 from Kanzaki.

12 CHAIRMAN ARANOFF: You make that distinction
13 based on your preference for particular grades, as
14 opposed to a concern about the security of your
15 supply.

16 MR. SANDT: I would say that the security of
17 the supply is there. We would like to maintain
18 relationships with a number of people, you know, for
19 security reasons also.

20 CHAIRMAN ARANOFF: Okay. Did any of the
21 other converters want to answer? Mr. Jansen?

22 MR. JANSEN: We also enjoy relationships
23 with a diverse supplier group, again, with all of the
24 coaters in this room, and we have purchased, and
25 intend to continue to purchase, from all of the

1 coaters in this room in the future.

2 I think that is important to our industry,
3 and thus we will maintain and continue to maintain
4 relationships with the jumbo roll producers that are
5 presented here in this room. Thank you.

6 CHAIRMAN ARANOFF: Okay. I've run out of
7 time, but if either of the gentlemen in the back row
8 wants to give a quick word on this subject.

9 MR. KYRISS: I would just say that,
10 absolutely, at NCR, because of our size, due to
11 security or any type of catastrophic event, we
12 certainly needed to have more than one supplier. We
13 have relationships with all of the major suppliers up
14 until -- in fact, Appleton used to be one of our
15 largest suppliers for low-end thermal, and it seemed
16 like they bowed out about five years ago or so, and
17 they decided not to play in that market.

18 So we're only dealing with, basically, two
19 major converters and our coaters and also working with
20 Mitsubishi and some others off and on. But because of
21 that, we had to have both coaters; otherwise, we could
22 have put ourselves in real harm.

23 CHAIRMAN ARANOFF: Okay. Well, let me
24 invite all of you, in the post-hearing, since my time
25 is up in this round. I understand people are saying

1 they like to have multiple suppliers. We sometimes
2 see cases where people have multiple suppliers, but
3 the share of their business that they give to domestic
4 versus subject suppliers shifts over the period that
5 we're looking at.

6 So if any of you have shifted the share of
7 your purchases, if you could explain when that
8 happened and the reason why that happened for the
9 post-hearing, that would be very helpful.

10 If anyone wants to comment more on this in
11 the public session, I can come back to it in the next
12 round.

13 Vice Chairman Pearson?

14 VICE CHAIRMAN PEARSON: Thank you, Madam
15 Chairman.

16 Mr. Kyriss, I'm correct to understand that
17 it's been now more than a year since you worked for
18 NCR?

19 MR. KYRISS: That is correct.

20 VICE CHAIRMAN PEARSON: Okay. I also have
21 experienced leaving employment and trying to keep some
22 track of what's going on. Obviously, you knew a lot
23 about the business when you were still there.

24 To what extent are you current with what
25 might be going on in the industry, either in China or

1 in the United States, today? Do you have some
2 contacts still with people in that business?

3 MR. KYRISS: Sure. Yes, I do. I still have
4 a lot of contacts, a lot of friends that I worked with
5 over the 17 years. I don't get into it, certainly, in
6 the detail that I did while I was working there. Over
7 the last 12 months, I really can't comment a whole lot
8 on where the industry went, and feel good about it,
9 anyway.

10 I kind of keep track on where the market is
11 going and some different things there, but, you know,
12 since I left, I really haven't kept real close tabs on
13 the market.

14 VICE CHAIRMAN PEARSON: But you're confident
15 that the information you've given us today has been
16 correct, as of the time you were there.

17 MR. KYRISS: All of the information that
18 I've given you about the time I was there, I feel very
19 confident about.

20 VICE CHAIRMAN PEARSON: And to the extent
21 you may have speculated about the future, we should
22 understand now that you're not involved in it every
23 day.

24 MR. KYRISS: Correct, correct.

25 VICE CHAIRMAN PEARSON: Mr. Greene and Mr.

1 Jahns, this morning, I asked the Petitioners about the
2 overlap in the size of 48- and 55-gram, in terms of
3 the specifications, because the specifications do
4 overlap, apparently, but, in terms of what actually
5 happens commercially, do you have some sense of what
6 percentage of your shipments might fall into that
7 overlap zone so that it could qualify either as 48 or
8 55? And I understand you might need to answer at
9 post-hearing, but tell me what you can, please.

10 MR. GREENE: This is Richard Greene. The
11 specifications have a range that is a standard range
12 that the German paper industry allows you to use in a
13 specification. We don't come anywhere close to that
14 range. In fact, our 48 gram is generally run in a
15 basis weight of 46 and a half grams to 48, and, in a
16 caliper, two and a half to 2.1.

17 Our converters could never put the amount of
18 feet, the 310 feet, on a roll if the caliper varied
19 the way those specifications did. They are just there
20 because you can get that by the industry, and you
21 can't be -- also, it's our incentive to run it lighter
22 because we use less pulp, and we save more costs.

23 So it's really not at all overlap. It's an
24 overlap only in specifications. The converters would
25 be upset that they wouldn't be getting the 15-percent

1 freight savings that we told them they would expect if
2 we were shipping a heavier-weight paper, and they
3 wouldn't put the feet on the roll if we were shipping
4 a paper that was thicker.

5 So that's not really a fair thing to say at
6 all. There really is no overlap. We're running it 48
7 or under, and that's what we run it at. We have this
8 machine that we put in in 2000 that was designed to
9 run paper from 40 to 80 grams. That's a very, very
10 narrow-range paper machine, and it's highly
11 specialized just for base paper thermal.

12 We have tremendous advantages with that base
13 paper machine of controlling the caliper, and,
14 frankly, that base paper machine has been really the
15 story of our success. The advantage we get from
16 having an efficient base paper, the domestic coaters
17 can't get. They have to buy base paper, and you heard
18 this morning's testimony, correctly so, that,
19 normally, when they go out and buy base paper in
20 lighter weights, they have to pay more for that.

21 You can't blur the distinctions, as the
22 Petitioners are trying to do, because, in practice, we
23 wouldn't have any customers, if those variations were
24 as the German Paper Trade Association allows us to put
25 on our spec. sheet.

1 VICE CHAIRMAN PEARSON: Okay. So I would be
2 correct to understand what you're saying, that none of
3 Koehler's 48-gram paper that's come into the United
4 States has drifted upward to being where it would fall
5 into the potential specifications for 55.

6 MR. GREENE: Zero. Zero paper has drifted
7 up. I doubt anything would be above 48 and a half
8 because it's just to our disadvantage. We want to
9 keep the paper thinner and lighter.

10 VICE CHAIRMAN PEARSON: Okay. That's a very
11 clear statement. If you have anything to add in the
12 post-hearing, you may do so, but I'm not sure that
13 additional clarity could be achieved. Mr. Jahns?

14 MR. JAHNS: Falk Jahns, Mitsubishi. I just
15 want to make it very quick now. I certainly can agree
16 upon what Mr. Greene has just said. As well, on our
17 technical data sheet, we certainly use the
18 standardized specification variations which we are
19 allowed by law to use. However, our production
20 specifications are much more tighter. There, we are
21 really speaking about a variation which allows us
22 about plus or minus two maybe, so much, much more and
23 narrower than is actually on the data sheet.

24 VICE CHAIRMAN PEARSON: Okay. So, in the
25 case of Mitsubishi, as with Koehler, none of your

1 product that has come into the United States as 48
2 gram would be heavy enough so that it actually would
3 qualify as 55 gram, potentially.

4 MR. JAHNS: That's correct.

5 VICE CHAIRMAN PEARSON: Okay. Good. Thank
6 you very much. I appreciate that clarification.

7 Mr. Swadish?

8 MR. SWADISH: Ed Swadish. I would also like
9 to touch on the subject of overlapping of the paper.

10 It's just impossible for it to happen. Any
11 sheet of paper in front of you right now is three-
12 thousandths thick. Take that thickness and divide it
13 by three. If our thermal paper was too thick, by that
14 one-third of that, the rolls would be too big to fit
15 in the box. We would know, as soon as we put that
16 roll on the machine, slit the first shaft. Our
17 production guy would come to me and say, "We've got a
18 problem. The rolls aren't fitting."

19 Actually, we've never had that with
20 anybody's thermal paper. That happens somewhat
21 frequently with bond paper, never with thermal. So I
22 know for a fact that that doesn't happen.

23 VICE CHAIRMAN PEARSON: Mr. Ferrin?

24 MR. FERRIN: Yes. Just one thing -- this is
25 Richard Ferrin -- one thing I would add is that if

1 there had been some merit to this argument that the
2 Petitioners are making, you would have seen this
3 explained in the petition, you would have had them use
4 some other basis for trotting out pricing products in
5 the petition, and you would have seen this argument in
6 the preliminary phase of the investigation.

7 The fact that you hear this argument for the
8 first time after a preliminary determination that they
9 came very close to losing and that at first appeared
10 when there was the discussion of the comments on the
11 draft questionnaire, I think, speaks volumes to where
12 they really see the dividing lines. Thanks.

13 VICE CHAIRMAN PEARSON: Okay. Thank you.

14 This next question is also directed
15 primarily to Mr. Greene and Mr. Jahns, but if any of
16 the converters would care to comment, I would welcome
17 that.

18 Now that Appleton's new plant at West
19 Carrollton has begun production, is there overcapacity
20 for manufacturing jumbo rolls in the United States, or
21 is the market perfectly balanced with the new plant
22 online?

23 MR. JAHNS: Falk Jahns, Mitsubishi. In our
24 point of view, since we believe as well that the
25 market is still growing in the next years, and we

1 know, from our own experience, as well, how long it
2 actually takes, from the day that you turn on the
3 machine until you've reached your full production
4 capacity level, so that you really can produce at full
5 speed, and the whole ramp-up phase, with all of the
6 wastage which you had at the beginning, we believe
7 that there is no overcapacity in the market because
8 the market is further growing.

9 We, as Mitsubishi, are not growing with the
10 market. We are concentrating on other totally
11 different grades which are really not within the scope
12 of this investigation. So we can't see that there is
13 an overcapacity here in this market.

14 Furthermore, what you have to keep in
15 consideration as well, that Appleton is extremely
16 focusing right now on exporting as well. You can see
17 them in Europe, you see them in Asia, you see them in
18 Australia, and you see them in South Africa, certainly
19 with various grades, but they are offering as well the
20 fax point-of-sales grades there as well, which we've
21 seen, for example, as well in Europe now.

22 VICE CHAIRMAN PEARSON: So if I had asked
23 the question, not just about the U.S. market but about
24 the world market, the supply and demand of capacity
25 for thermal paper is adequately in balance.

1 MR. JAHNS: It's balanced right now, I would
2 say. I can't see, right now, any overcapacity, you
3 see, because Appleton is a bit like Koehler as well.
4 Appleton is a bit like Mitsubishi as well. They are
5 not offering only the fax point-of-sales grades; they
6 are offering as well some top coated grades.

7 So, for example, here in the North American
8 market, you will see, over the next one or two years,
9 an extremely high growth for the lotto applications
10 because there are still many dot-matrix systems which
11 are now switching over to direct-thermal systems. So
12 they are going to participate from this as well.

13 VICE CHAIRMAN PEARSON: My red light is on,
14 but I'm curious.

15 MR. JAHNS: Sorry.

16 VICE CHAIRMAN PEARSON: No, that's fine.
17 Just a quick follow-up. How many months is it likely
18 to take to get a new facility so that it's running at
19 full speed? Are we talking about six months, a year,
20 to work out the bugs, or longer than a year?

21 Mr. Jahns, you had indicated that it would
22 take some time to do that.

23 MR. JAHNS: Yes. It really depends on,
24 since they are not producing now their own base paper,
25 probably something like three, four, or five months

1 maybe. It really depends a bit on, you know -- it's
2 very difficult to say.

3 VICE CHAIRMAN PEARSON: Okay. Thank you
4 very much, and thank you for the indulgence, Madam
5 Chairman.

6 CHAIRMAN ARANOFF: Commissioner Okun?

7 COMMISSIONER OKUN: Thank you. Let's see.
8 Mr. Greene, a question for you.

9 One of the arguments Petitioners have made,
10 in saying that the reason that you're marketing the
11 48-gram product in the United States is price driven,
12 is that if you look at what you're selling in Europe,
13 you're not selling the 48-gram product. I think they
14 said that there was a limited market, maybe the U.K.,
15 and I think that Italy might have been the other one.
16 Can you comment on that?

17 MR. GREENE: Richard Greene. I think that
18 Mr. Frueh, who is in charge of thermal sales in
19 Europe, could better answer that.

20 COMMISSIONER OKUN: Okay. Thank you.

21 MR. FRUEH: This is Willy Frueh.

22 COMMISSIONER OKUN: I can't see you over
23 there, but now I can hear you. Okay.

24 MR. FRUEH: Actually, we do sell 48 gram
25 successfully in probably half a dozen countries in

1 Europe, so it's not accurate what you heard this
2 morning, that there is very little sales. We are
3 increasing our sales in 48 gram also in Europe.

4 COMMISSIONER OKUN: Okay. Perhaps, for
5 post-hearing, if you could just provide the breakdown
6 of how much is 48 versus 55 in Europe, that would be
7 helpful for me to evaluate that argument.

8 MR. FRUEH: Okay.

9 COMMISSIONER OKUN: Okay. I appreciate
10 that.

11 Then I think I heard this, and I just wanted
12 to make sure to clarify it, Mr. Greene, again for you.
13 Are you selling 55 gram in the United States still?

14 MR. GREENE: No. We've discontinued selling
15 55 gram.

16 COMMISSIONER OKUN: Discontinued. Okay, 55
17 gram, so no longer that. Okay.

18 I know, in our closed session, we'll be able
19 to talk more about the particular pricing that's on
20 the record, but I did want to have a chance, and I'll
21 direct this to converters, if you could help me
22 understand what you saw, with respect to pricing, in
23 the U.S. market after the provisional duties were
24 imposed, and if you saw changes prior to the
25 provisional duties, if you could comment on that as

1 well, or volume, so both. Was there an impact on
2 pricing or volumes after the provisional duties were
3 imposed in this investigation?

4 MR. SWADISH: Ed Swadish.

5 COMMISSIONER OKUN: Mr. Swadish going first
6 again, first at bat. I just talked to my daughter,
7 who gave a big speech today, and she said she got five
8 extra credit points for going first. You've racked up
9 a bunch, but our cases don't work that way.

10 MR. SWADISH: The one thing I can comment on
11 is, when we were buying the 55 from Koehler, the
12 trucks were \$36,000 to \$37,000, and now that we're
13 buying the 48, it's more like \$41,000, so it's gone up
14 substantially over a year, a year and a half.

15 COMMISSIONER OKUN: Okay. And the timing
16 being related to when the provisional duties were
17 imposed. Is that correct? I just want to make sure I
18 understand because sometimes when we're asking these
19 questions, we're looking at what the law tells us to
20 do, and one of the provisions is whether what's
21 happened after the provisional duties went in place is
22 an accurate description of whether to give less weight
23 to it, in terms of the evidence. So I'm just trying
24 to be very specific about what's happening in the
25 marketplace.

1 MR. SWADISH: I believe the price increases
2 started before the prevailing duty.

3 COMMISSIONER OKUN: Okay. Now, I know there
4 has been some information put in the record with
5 respect to that. If there is anything specific that
6 you haven't introduced on when you saw pricing change,
7 if you could put that in the post-hearing.

8 MR. SWADISH: I sure will. Thanks.

9 COMMISSIONER OKUN: Others?

10 MR. GREENE: If I might add to that.

11 COMMISSIONER OKUN: Yes, Mr. Greene.

12 MR. GREENE: In our prehearing brief, we
13 showed that we led the last five price increases in
14 the market, the first one being we announced, in May
15 2006, 17 months before the petition was filed, and the
16 second one three months before the petition was filed,
17 and three additional price increases in the year since
18 the petition was filed. So that's five in more than
19 two and a half years.

20 COMMISSIONER OKUN: Right. I'm aware of
21 that in there, and I do want to continue with the
22 converters, and then, obviously, we have pricing data
23 in the record, and I'm trying to hook that all
24 together, but I appreciate you pointing that out to
25 me. Mr. Endsley?

1 MR. ENDSLEY: Yes, ma'am. Doug Endsley.
2 Also, when you order from Koehler, you have to order
3 at least 90 days in advance to say those price
4 increases that were mentioned were communicated to us
5 90 days prior to that.

6 COMMISSIONER OKUN: Okay. So, again, if you
7 have specific information. We have their
8 announcements. Sometimes announcements stick, and
9 sometimes they don't. So what I'm trying to
10 understand is, if you have any information that you
11 can provide with specifics on your price increases and
12 when they were communicated to you, that would be
13 helpful. Mr. Sandt?

14 MR. SANDT: I can confirm that we received,
15 and all of the price increases stuck that were
16 presented to us. Whether they were due to prevailing
17 these duties being put on, we're in an inflationary
18 period. Everything that goes into making up our rolls
19 has gone up. The plastic cores have gone up 15
20 percent. The boxes have gone up -- I think it's
21 probably about 20 percent. So I don't think Koehler
22 is any different from --

23 COMMISSIONER OKUN: Okay. Whatever, again,
24 specificity and timing. You know, often I know when
25 price increases are announced, they are accompanied by

1 a statement indicating that there are raw material
2 prices or something else going on in the market.

3 So to the extent that you received
4 communication and when you received that, I think that
5 would be helpful as well.

6 Mr. Jansen?

7 MR. JANSEN: As well, at the end of this
8 calendar year, we have received three price increases,
9 and, again, to echo my colleagues' statements, they
10 all have been firm. If you would like some
11 documentation, post-hearing, we'll gladly provide
12 that. Thank you very much.

13 COMMISSIONER OKUN: Okay. I'll appreciate
14 looking at that.

15 I'm trying to decide if the rest of my
16 questions would be better asked in the closed session,
17 which I think they are, so I will hold those, but I do
18 want to thank all of you for your responses in this
19 session. Thank you, Madam Chairman.

20 CHAIRMAN ARANOFF: Now, I don't want to cut
21 off anyone's turn. Commissioner Lane, do you have any
22 more questions?

23 COMMISSIONER LANE: No.

24 CHAIRMAN ARANOFF: I don't believe
25 Commissioner Williamson or Commissioner Pinkert does,

1 which means it's back to me, and I do have a few more
2 questions.

3 One question for Hanhong. Can you tell me
4 whether there are any Chinese producers who can make,
5 or are making, a 48-gram product?

6 MR. ZHANG (interpreting for Mr. Qiang): "To
7 produce 48-gram paper, there are two conditions.
8 First, we need to have the base paper.

9 "In China, the paper mills who can produce
10 such a thing like 48 grams, some are base paper, only
11 have two or three companies, maybe just the two
12 companies that can produce such a thermal-based paper.

13 "The thinner the paper is, the higher
14 technology that it requires, so it's very difficult.

15 "So a second condition is needed: very
16 advanced equipment to produce the thin-based paper. I
17 believe that all of the coaters know this.

18 "In China, only Guangdong Guanhao can
19 produce such a base paper. Thanks."

20 MR. BURNS: This is Chris Burns. I would
21 just like to clarify that the base paper is going to
22 be less than 48 gram. It would probably be more like
23 39 or 40 gram.

24 CHAIRMAN ARANOFF: Right, and then you add
25 the coating.

1 MR. BURNS: Correct.

2 CHAIRMAN ARANOFF: Okay. Thank you.

3 Ms. Jeong, let me direct this question to
4 you. In your brief, the Chinese Respondents point out
5 that domestic coaters can't supply total market demand
6 for jumbo rolls, which means that imports are
7 required, but you also concede, in the brief, that
8 U.S. converters have ample capacity to supply total
9 domestic demand for slit rolls, as well as some
10 exports.

11 Does that mean that, even if imported jumbo
12 rolls might be necessary to meet domestic demand, that
13 the rise in imported slit rolls cannot be explained as
14 necessary to satisfy demand?

15 MS. JEONG: This is Rosa Jeong. I think
16 maybe perhaps I'm looking at separate issues. There
17 is certainly capacity in the converter side, but our
18 belief is that it's really a structural problem, the
19 fact that there are excess capacity, but the excess
20 capacity for the converter market is also driven by
21 the availability of the coated paper and the demand.

22 The slit-roll imports coming in from China
23 haven't really replaced any slit rolls being produced
24 from the domestic jumbo rolls.

25 MR. NEELEY: Jeff Neeley. Just one other

1 sort of similar thought, that excess capacity has been
2 there, year in and year out, which is, I think, what
3 Rosa is also saying, and there is really just no
4 material effect from the Chinese imports, which are
5 very small in their capacity, nor any threat since the
6 capacity over there is so small as well.

7 CHAIRMAN ARANOFF: Let me ask the witness,
8 Koehler. We had testimony this morning that at least
9 one company had purchased slit rolls from China which
10 they said were converted from German jumbo rolls in
11 China. Can you tell me whether China has been a
12 significant market for German jumbo rolls, and whether
13 you view the phenomenon of such rolls being slit in
14 China as a threat to your market position for jumbo
15 rolls in the United States?

16 MR. FRUEH: This is Willy Frueh. The
17 volumes that we ship to China are insignificant,
18 absolutely insignificant, versus the scope of what we
19 are doing here, how much we are shipping here. I do
20 not have an explanation of why Koehler paper has been
21 shipped from China to the United States. This doesn't
22 make real economic sense and is also beyond our
23 control.

24 COMMISSIONER OKUN: How about Mitsubishi?
25 Are you shipping jumbo rolls to China that might be

1 ending up split in the U.S. market?

2 MR. JAHNS: This is Falk Jahns, Mitsubishi.
3 We're selling into China, but the same with Koehler,
4 absolutely insignificant even to compare to the
5 quantities which we sell here into the U.S. This is
6 just under what we call "contact quantities" so that
7 we just only see what's really happening in the
8 Chinese market, and we get some kind of customer
9 feedback.

10 But if it were, let's say, something maybe
11 like three containers in a month, then it's already a
12 lot. It's really, really insignificant, nothing, in
13 fact.

14 COMMISSIONER OKUN: Okay. Thank you. With
15 that, I think I may actually have exhausted my
16 questions, and I do want to thank this panel for your
17 endurance and for all of the information that you've
18 provided.

19 Vice Chairman Pearson, do you have
20 additional questions?

21 VICE CHAIRMAN PEARSON: Yes, Madam Chairman.
22 It would be terribly impolite of me to have the
23 Chairman be the only person to ask a third round, so
24 I'll just do this quickly.

25 The first question for Mr. Greene: Did you

1 have anything to add to what Mr. Jahns had responded
2 earlier in regard to the question of possible
3 overcapacity in the U.S. market with the new plant
4 built by Appleton, in the U.S. or world market? Did
5 you agree with his comments?

6 MR. GREENE: I don't really have anything to
7 add. I don't really know how much capacity Appleton
8 is adding to the market. I heard originally that they
9 were shutting down some excess capacity up in
10 Wisconsin. So we're not really sure how it will
11 affect the market.

12 VICE CHAIRMAN PEARSON: Okay. Stay tuned,
13 in other words.

14 A question for converters: We've heard,
15 really, two very different views of the marketplace
16 today. If I'm understanding you correctly, you're
17 saying that customer preferences in the marketplace
18 are changing relatively quickly toward the 48-gram
19 paper.

20 So my question: Is the marketplace changing
21 faster than the domestic industry has been able to
22 adjust? Mr. Swadish?

23 MR. SWADISH: I would say there is quite a
24 few converters that are missing the boat on that as
25 well, you know. Instead of creating a new product and

1 making a new profit center for themselves, they are
2 hanging onto that 55. There's a lot of guys that are
3 missing the boat, and those are the guys that are
4 getting beat up and making less money.

5 VICE CHAIRMAN PEARSON: Any others?

6 Let me ask kind of a similar question, only
7 this way. Look at the customer service provided by
8 the various suppliers of jumbo rolls. Is it
9 relatively similar between the imported jumbos and the
10 domestic jumbos, or do you see differences in customer
11 service, based on country of origin or company? Mr.
12 Endsley?

13 MR. ENDSLEY: Doug Endsley, yes. I've been
14 doing business with Koehler for 10 years, and I've
15 never placed an order that they didn't fulfill timely.
16 So we've never had a capacity issue at all, and that's
17 not been the case with my experiences with the other
18 domestic mills.

19 VICE CHAIRMAN PEARSON: Any other comments?
20 Mr. Sandt?

21 MR. SANDT: You have to be very organized to
22 do business with Koehler, and perhaps this is good for
23 us. We do place our orders three months in advance.
24 If you've been around most of American purchasing,
25 they like to do just-in-time inventory, and that's

1 something that could be really open for a domestic
2 source to be involved in, but the foreign source, in
3 this case, has worked out just fine. It sounds scary,
4 to begin with, if you're not used to buying three
5 months ahead of time or six months sometimes; we place
6 orders six months in advance.

7 VICE CHAIRMAN PEARSON: I thought there
8 might be an argument here that the German suppliers
9 were providing superior customer service relate to the
10 domestic suppliers, and if you want to make that
11 argument, you're not making it very forcefully, so
12 maybe I should just leave it there.

13 MR. SANDT: I don't want to start an
14 argument.

15 VICE CHAIRMAN PEARSON: Okay. Well, if
16 anyone would care to add something in the post-
17 hearing, I would be glad to read it there, but,
18 otherwise, I'm certainly not going to lean on you
19 harder. I was struck by the different view of the
20 marketplace by the morning panel and by your panel, so
21 I'm trying to understand a little better what might
22 explain that.

23 Madam Chairman, I have no further questions.
24 Thank you all very much for your participation.

25 CHAIRMAN ARANOFF: I don't believe there are

1 any further questions from the dais. Do the staff
2 have any questions for this panel?

3 MR. McCLURE: Jim McClure, Office of
4 Investigations. Mr. Bernstein has one request.

5 MR. BERNSTEIN: That is correct. I have one
6 request for the counsel for the German Respondents.

7 At pages 51 to 53 of your prehearing brief,
8 you suggest the Commission take into account dumping
9 calculations the Department of Commerce made for
10 various product models within the single product
11 category of lightweight thermal paper.

12 You cite the 1989 Federal Circuit Algoma
13 decision as authority for the Commission to conduct
14 such an analysis. Even if your reading of Algoma is
15 correct, the opinion was issued before the Uruguay
16 Round Agreements Act amendments to the antidumping
17 laws. It would require the Commission to take into
18 account the magnitude of the margin of dumping and
19 specify the pertinent margin is the one published by
20 the U.S. Department of Commerce.

21 The final determination for Germany that
22 Commerce published in the Federal Register today does
23 not contain dumping margins on individual product
24 models.

25 In light of this, please explain, in your

1 post-hearing submission, how your reading of Algoma is
2 consistent with the URAA amendments concerning
3 Commission consideration of the dumping margins. And,
4 parties supporting imposition of duties, if you would
5 like to address this question in your post-hearing
6 submission, you're welcome to do so as well. Thank
7 you.

8 MR. McCLURE: Chairman Aranoff, the staff
9 has no further questions.

10 CHAIRMAN ARANOFF: Thank you. Do
11 Petitioners have any questions for this panel?

12 MR. DORN: No, Madam Chairman.

13 CHAIRMAN ARANOFF: Okay. The game plan for
14 the rest of the evening, and there is quite a bit of
15 it left: We are going to turn now to the first in-
16 camera session, the Respondents' in-camera session,
17 so, in a moment, I will ask that the room be cleared.

18 When we complete that session, we are going
19 to take a very short, 15-minute-ish dinner break so
20 that the Commission can get our energy level back up
21 so that we do justice to the rest of the evening.

22 That will be followed by the Petitioners'
23 in-camera rebuttal, to the extent that they want any,
24 and then the public closing statements.

25 I'm not quite sure we're going to get

1 everyone out of here in time to hear the debate
2 tonight, but I think our first obligation is to do
3 justice to all of you who have traveled so far to
4 present your case to us today, so we will persevere.

5 For those of the witnesses who are not
6 aware, our all-time record for concluding a hearing is
7 10:58 p.m. I'm hopeful that we will not break that
8 record tonight.

9 So, Madam Secretary, I'll now ask that the
10 room be cleared so we can prepare for the first in-
11 camera session.

12 MS. ABBOTT: And I'll ask if the 17 persons
13 on the protective order, since they are personally
14 known, will identify themselves to me. You may stay
15 in the room.

16 (Whereupon, a short recess was taken.)

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PUBLIC RECORD

CHAIRMAN ARANOFF: Mr. Dorn, Mr. Horlick,
please proceed.

MR. HORLICK: Thank you, Madame Chairman,
Jerry Horlick. On behalf of Kanzaki, I'd just want to
emphasize a few key points.

As was mentioned earlier, the vast majority
of Kanzaki's sales are 2.2, actually a little less
sometimes, caliper, which works out to 53 grams. So
this whole debate that I've listened to about 48
versus 55. We're right in the middle, yes 48 and 55
compete with both of them. This idea that there are
two separate products isn't true in the marketplace.
We've submitted for the record voluminous
contemporaneous business records showing that we lost
sales to imports of both 48 and 55.

The other point I want to reiterate is that
we did not place people on allocation. Kanzaki runs
on a lean program with rolling forecasts. Sometimes
if people come in at the last minute, we can't fulfill
those but we didn't put anyone on allocation. We
didn't turn down people who didn't -- if we didn't
get acceptances from people who wanted lower prices
than we were willing to charge. Thank you.

MR. DORN: With regard to the issue of

1 alleged shortages, what did you hear from the other
2 side? Mr. Jansen from Paper Solutions said he had "no
3 exposure to that situation."

4 Mr. Kyriss, formerly of NCR, said that they
5 never were cut back on their existing volume. He
6 talked about switching volume back and forth to
7 various sources, and he always asked for price
8 concessions. So that was about price.

9 Mr. Swadish of Discount Papers said that he
10 had heard rumors about allocation but he had no
11 evidence to provide that he'd been allocated or had
12 any shortage situation.

13 And Mr. Endsley from Register Tapes said it
14 didn't want to pay a higher price for Appleton's
15 product. That's his shortage allegation.

16 I would also add that Register Tapes was a
17 credit risk and Sandt Products was also a credit risk
18 in the eyes of at least Appleton. Sandt's testimony
19 was that he didn't know exactly when this allocation
20 was. But, then, when he was asked later, he said:
21 Well, it was five years ago. so it was before the
22 period of investigation.

23 So, the bottom line: There was no evidence
24 today about any shortages or allocations that would
25 suggest that the increased imports were needed. there

1 has been a lot of focus on Appleton's capacity and so
2 forth, but there's no question raised by anyone that
3 Kanzaki had open capacity at all times during the POI,
4 as you heard.

5 I thought the testimony regarding warranty
6 and certification was extremely interesting today,
7 especially given the fact that NCR, which I understand
8 has very tight quality requirement, brought in product
9 from China, which was not certified by OEM but NCR had
10 no problem bringing in product from China and selling
11 it.

12 NCR is also a major provider of service
13 agreements. But again, it didn't have any problem
14 bringing in product from China. It was interesting
15 that Mr. Greene indicated that Koehler just gets
16 certification with respect to IBM where EPSON is
17 really the majority of the U.S. markets. So this idea
18 that you're going to blow your warranty if you don't
19 have the certification with respect for that
20 particular printer just makes no sense at all.

21 With regard to Mr. Swadish's testimony that
22 there was a problem with 48-gram paper offered by
23 Appleton, he says that was a problem that he suffered
24 in March of 2008. That's just not true. The product
25 was up and running and very well received in the

1 marketplace in Nashua, which I think is one of the top
2 two converters in the country, was using it in the
3 spring of 2008. They said they loved it. It's
4 interesting that Nashua is not here today.

5 It was also interesting hear Mr. Greene when
6 asked about certification, really making our case that
7 there is no difference between KT-48 and KT-55. He
8 said that the coating is exactly the same. In fact he
9 said that he'd already gotten the 55 certified, so why
10 even bother to get the KT-48 certified. It's just the
11 same product.

12 With regard to Koehler's price
13 announcements, what Appleton and Kanzaki tell us is
14 that those announcements are fine but that they don't
15 stick. What you need to look at is the real pricing
16 data in the record.

17 And I thought it was interesting that we got
18 confirmation from the other side that the reverse --

19 CHAIRMAN ARANOFF: Your light is on, Mr.
20 Dorn, can you wrap up real quick please?

21 MR. DORN: Just the last point: We got
22 confirmation that the reverse Internet auctions are
23 becoming increasingly important and they'll all about
24 price was the testimony.

25 Thank you.

1 CHAIRMAN ARANOFF: Thank you very much.

2 Can we have the Respondents come forward for
3 their closing. Please proceed.

4 MR. SILVERMAN: I was here for the record
5 night. I remember it well, so we're not going to
6 break their record.

7 CHAIRMAN ARANOFF: Me, too.

8 MR. SILVERMAN: You heard a lot of numbers,
9 a lot of back and forth on who said what to whom. I
10 want to come back to what's really happened in the
11 marketplace. Let's not get buried by some of these
12 numbers.

13 As I said at the beginning, the growth of
14 48, as the Germans introduced it in a strong way
15 explains a lot about what went on in the market. I
16 went back and looked at the transcripts from the
17 preliminary conference. The witness for Appleton said
18 with respect to lower-weight paper: We had that paper
19 out in the market until 2006 and we decided to
20 discontinue it. There wasn't a tremendous demand for
21 it. That's on p. 109 in Ms. Hatfield's comments.

22 They missed the boat. They blame it on
23 price but the fact is that they didn't realize all the
24 benefits that various people, in various market
25 segments, were realizing. I hate to use the term but

1 if you read their testimony on p. 105-106, they dumped
2 on the product. They thought that product was not
3 going to go anywhere. There's no market demand.

4 And that's because they didn't realize the
5 characteristics that would be successful.

6 Koehler came in. It took it's customers
7 from 55 and persuaded them that the 48 had numerous
8 benefits and that they're converter customers would
9 have numerous benefits. Interestingly, somewhere
10 along the line, the light did go off. In January
11 2008, Appleton introduced a new product, and what did
12 they advertise as one of the major reasons to buy
13 their light-weight product, their 48 product, were
14 freight costs. Just the kind of thing that Mr.
15 Malashevich mentioned. I think the Staff has that and
16 we'll attack it to our brief where they said it.

17 Now, they go back and forth at least a
18 hundred times saying that 55 is the same thing as 48.
19 That's critical to their case. If they were exactly
20 the same, why did they back out of selling 48. They
21 didn't figure that it sold in the market. That's
22 their testimony.

23 Now, they recognize it and now they're
24 selling it because there is a difference. There is an
25 advantageous. So their own commercial behavior

1 conflicts with the testimony that they've given.

2 On pricing, I think from your questions in
3 various parts of this conference, you've seen some of
4 the problems with that pricing data for them. They
5 hate that pricing data. They tried so many times in
6 so many ways to have it changed. The Staff caught
7 them numerous times. There is footnote in the Staff
8 Report about it and they'd come up with all kinds of
9 ways to get around it, one plus one equals two, as I
10 said earlier, but in the confidential session, they
11 came up with a new one. I can't tell you what it was,
12 but if you go back in the testimony there was a
13 question about one of the producers and they came up
14 with another reason: You should disregard the pricing
15 data.

16 It was really damaging to them and I hope
17 you won't let them spin you around with the latest way
18 to play the shell game with the prices.

19 As to the question about combining products
20 in the pricing data, please refer, Commissioner Okun,
21 to Exhibit 9. You asked a question and we provided
22 that as Exhibit 9 in the pricing.

23 Last, you talk about sales to retail stores.
24 Koehler does not sell to retail stores. Koehler sells
25 to converters. So any discussion about what

1 retailers bought or didn't buy is germane because we
2 don't sell to retailers.

3 MS. JEONG: Let me just address a few points
4 related to the bid analysis and some of the
5 speculation that's been flying around this evening.
6 First, given that the Chinese got started with
7 virtually nothing in the first part of the POI, it's
8 absurd to use words like an astronomical increase over
9 an increase in their imports.

10 An increase from one ton to a thousand tons
11 would be a thousand fold increase, an astronomical
12 number, but not really when you're looking at a market
13 the size of a million tons.

14 We'd like the Commission to really look at
15 the relative terms, the fact that in relative terms,
16 the Chinese imports remain quite small.

17 Second: How should the Commission interpret
18 the fact that not many Chinese companies responded to
19 the questionnaires. I personally found it incredibly
20 offensive that some of the allegations that were
21 flying around based on some devious document for which
22 there is absolutely no evidence that any thermal paper
23 company even saw the document, much less followed it.

24 I can tell you that I've been working with
25 Chinese companies for a number of years, and I can

1 tell you that the Commission's response to any AD/CVD
2 actions based solely on the company's financial
3 resources and their interest in the U.S. market and
4 whether they have the money and the effort to go out
5 and hire counsel to make sense of the whole thing.

6 The lack of participation in this case
7 really confirms that Hanhong, along with maybe two
8 other companies to a lesser extent, is the only
9 company with the interest and the level of qualify
10 that is finally acceptable in this U.S. market.

11 In light of the Chinese domestic market and
12 the absolute market cap imposed by the lack of
13 certification that Chinese goods have, this also means
14 that Chinese imports are not likely to increase much
15 in the near future.

16 Thank you.

17 CHAIRMAN ARANOFF: Thank you.

18 We're now short of our record for which I
19 think we can all be profoundly grateful. Post-hearing
20 briefs and statements responsive to questions and
21 requests of the Commission and corrections to the
22 transcript must be filed by October 9, 2008.

23 The closing of the record and the final
24 release of data to parties is due October 23, 2008,
25 and final comments are due on October 27, 2008.

1 I want to extend a special thank you to our
2 hearty Staff for hanging in with us all this time, and
3 as well for all of your work on this case.

4 With that, this hearing is adjourned.

5 (Whereupon, at 9:57 p.m., the hearing in the
6 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Lightweight Thermal Paper

INVESTIGATION NOS.: 701-TA-451, 731-TA-1126-1127 (Final)

HEARING DATE: October 2, 2008

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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: October 2, 2008

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) 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 proceeding(s).

SIGNED: Carlos E. Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) 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 proceeding(s).

SIGNED: Christina Chesley
Signature of Court Reporter