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July 31, 2018

VIA ELECTRONIC FILING

The Honorable Lisa R. Barton
Secretary
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Inv. Nos. 701-TA-584
& 731-TA-1382 (Final)
Total Pages: 145

PUBLIC VERSION

Business Proprietary Information
deleted from Brief pages 3-11,
Q&A pages 1-21, 23,
and Attachments A-H

***Re: Uncoated Groundwood Paper From Canada, Inv. Nos. 701-TA-584 & 731-TA-1382
(Final): Post-Hearing Brief***

Dear Secretary Barton:

On behalf of News Media Alliance, we hereby submit the enclosed post-hearing brief in the above-captioned proceeding.

The public version deleted the business proprietary information contained in the confidential version. Disclosure of that information, which is not otherwise publicly available, would cause substantial harm to the competitive position of the parties submitting such information. It has not been possible to prepare meaningful public summaries of the redacted materials. *See* §19 U.S.C. 1677f(b)(1)(A)(i).

Please do not hesitate to contact me if you have any questions.

Respectfully submitted,

/s/ Shara L. Aranoff _____

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COMPANY CERTIFICATION

U.S. International Trade Commission

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

Uncoated Groundwood Paper from Canada

In accordance with the certification requirements of Sections 206.8(a) and 207.3(a) of the Commission's Regulations, I, Paul Boyle, Senior Vice President, Public Policy at News Media Alliance, hereby certify on behalf of News Media Alliance that (1) I have read the attached submission, and (2) the information contained in the submission is, to the best of my knowledge, accurate and complete.



Paul Boyle
Senior Vice President, Public Policy
News Media Alliance

Date:

July 30, 2019

COUNSEL CERTIFICATION

U.S. International Trade Commission

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

Uncoated Groundwood Paper from Canada

I, Shara L. Aranoff, of Covington & Burling LLP, counsel to News Media Alliance, having been duly sworn on this 30th day of July, 2018, do hereby certify, pursuant to 19 C.F.R. § 201.6(b)(3)(iii), that to the best of my knowledge and belief, information for which proprietary treatment has been requested in this submission is not available to the general public.

Further, in accordance with 19 C.F.R. § 207.3(a), I hereby certify that (1) I have read the attached submission, and (2) to the best of my knowledge, the information contained in this document is accurate and complete.



Shara L. Aranoff
Covington & Burling LLP
One City Center
850 Tenth Street, NW
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District of Columbia: SS

Subscribed and sworn before me this

30th day of July, 2018


Notary Public

My Commission expires: 03/31/2021



CERTIFICATE OF SERVICE
Uncoated Groundwood Paper from Canada
Public Service List: 701-TA-584 and 731-TA-1382(F)

I, James M. Smith, hereby certify that on the 31st day of July, 2018, copies of the foregoing documents were served on the following parties by first class mail:

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/s/ James M. Smith
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**BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

**IN THE MATTER OF
UNCOATED GROUNDWOOD PAPER FROM CANADA**

**POST-HEARING BRIEF OF
NEWS MEDIA ALLIANCE**

Covington & Burling LLP
One CityCenter
850 Tenth Street, NW
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Counsel to News Media Alliance

July 31, 2018

Purchasers have told the Commission loud and clear that when they choose newsprint suppliers, geography matters.¹ Using a nearby supplier saves transportation costs, improves reliability of supply, allows delivery flexibility, and spares publishers from holding expensive inventory. Regardless of overall market prices and price trends, a nearby producer will always be more competitive on a delivered basis. For that reason, newspapers in the East buy newsprint from eastern suppliers, while those in the West buy from western suppliers.

Beyond proximity, publishers value reliable long-term suppliers who provide newsprint rolls that match the idiosyncratic runnability requirements of their presses. Even as publishers work to control their costs in the struggle to manage declining demand for print media, the immediate costs of paper breaks during short, late-night print runs make publishers highly unlikely to switch suppliers for small price differences. Saving a few dollars per ton on newsprint from an untried supplier is not worth missing a deadline for getting the morning paper to subscribers' doors.

At the Hearing, purchasers' real-life experience in the uncoated groundwood paper ("UGW") paper market went largely unchallenged by Petitioner. The News Media Alliance, which represents nearly 2,000 news organizations ranging from individual newspapers to conglomerates, accounts for a significant portion of newsprint purchasers, which in turn account for some 75 percent of the UGW paper at issue in this investigation.² The Commission should afford substantial weight to newspapers' and other purchasers' assessment of conditions of

¹ This submission relies on U.S. Purchasers' Questionnaires that News Media Alliance members provided directly to Covington & Burling LLP with their written consent that such responses could be used for purposes of representing the News Media Alliance in this investigation.

² See Prelim. Det. (Public Version) at II-1 ("An estimated 75 percent of all UGW paper is currently classified as newsprint."); Prehearing Report (Public Version) at II-1 ("Newspaper publishers are the largest users of UGW paper.").

competition in this market, regardless of whether the Commission finds one like product or two.³ These competitive conditions fully explain the volume and price trends in the UGW paper market and demonstrate why any injury to the domestic industry is not by reason of subject imports.

The Commission should also credit the extensive record evidence demonstrating that antidumping and countervailing duties on UGW paper from Canada will decimate the already struggling newspaper industry, permanently and significantly reducing demand for the domestic industry's production. There is no economically viable scenario in which NORPAC can sell significant newsprint tonnage to purchasers in the East. Due to high transportation costs, those purchasers are far more likely to close their doors or go digital rather than pick up NORPAC as a long-term supplier, a conclusion fully supported by the empirical analysis by Dr. Peter Boberg of Charles River Associates (the "CRA Report").⁴

I. Conditions of Competition Described by Purchasers Demonstrate Why Any Injury to the Domestic Industry is Not By Reason of Subject Imports

Under the statute, the Commission must make its injury determination in the context of conditions of competition distinctive to the affected industry.⁵ In assessing how conditions of competition affect volume and price trends in the market, the Commission typically gives

³ The News Media Alliance agrees with Resolute and Kruger that under the Commission's six-factor test, newsprint should be a separate like product distinct from other UGW paper. Evidence supporting this conclusion is set forth in News Media Alliance's Responses to Commissioner Questions at 1.

⁴ See Report of Dr. Peter Boberg of Charles River Associates (**Att. A**).

⁵ 19 U.S.C. § 1677(7)(C)(iii); see also *Altx, Inc. v. United States*, 370 F.3d 1108, 1115 (Fed. Cir. 2004) (citations and quotations omitted) (instructing the Commission "to consider the significance of subject import volume within the context of the conditions of competition.").

substantial weight to purchaser evidence.⁶ Here, extensive purchaser evidence demonstrates that declining demand, regional shipment patterns for newsprint, and purchasers' focus on non-price factors fully explain why any injury to the domestic industry is not by reason of subject imports.

A. Purchasers and Mills Must Manage Declining Demand

As evidence from purchasers makes clear, declining demand is the overriding force in the newsprint market.⁷ In recent years, newspapers have responded to a decline in demand for their product by aggressively managing costs so they can continue to play their vital role in our democratic society, informing the American public, and connecting local communities. They have shrunk page sizes, reduced out-of-market circulation, and switched to lighter weight newsprint that provides a higher yield of pages per roll.⁸ Advertisers have also reduced their page counts and frequency of running pre-printed newspaper inserts. Because newspapers are UGW paper mills' primary customers, mills have been directly affected.

To manage the decline in newsprint demand, mills periodically reduce supply by shuttering production on less efficient machines.⁹ Such periodic reductions in newsprint supply avert a free-fall in newsprint pricing, but lead to short-term price spikes when "lumpy" supply reductions briefly overshoot declining demand. [

⁶ See, e.g., Bottom Mount Combination Refrigerator-Freezers from Korea and Mexico, Inv. Nos. 701-TA-477 and 731-TA-1180-1181 (Final), USITC Pub. 4318 (May 2012), at 15-17 (relying on purchaser testimony to conclude that consumers bought more Korean refrigerators due to better styling and features rather than due to discounts).

⁷ See Prehearing Report (Public Version) at IV-18.

⁸ See *id.* at II-1.

⁹ See, e.g., Tr. at 219 (Mr. LaFave) ("Since 2000, 98 uncoated groundwood paper machines have closed. Today we're left with fewer mills, the most cost-efficient mills, concentrated in certain geographic areas.").

].¹⁰ Despite the imperfect match between reductions in demand and supply, planned capacity closures or conversions are the best way to manage declining demand, and are not a sign of material injury by reason of subject imports.

B. Purchasers Overwhelmingly Report that Newsprint Consumption and Pricing Are Regional, Not National

In Hearing testimony, affidavits, and questionnaire responses, purchasers emphatically confirmed the existence of distinct newsprint markets in the eastern and western United States. Because it is a heavy, low-value product, newsprint produced in the eastern U.S. or eastern Canada seldom crosses the Rocky Mountains, while western production seldom crosses in the opposite direction. For example, Mr. Frank O’Toole of Gannett testified that “{t}here is very little overlap of competition” between East and West newsprint markets, and that Gannett “would not choose to source newsprint from a western producer to supply print locations in the East if {the company} had any way around it.”¹¹ Mr. O’Toole characterized the “{t}he concentration of supply in the Pacific Northwest” as “the most significant driving, competitive force to pricing pressure in the western market, the domestic market.”¹² Even NORPAC

¹⁰ See [] U.S. Purchasers’ Questionnaire at III-10(b) (stating that [] U.S. Purchasers’ Questionnaire at III-33 (reporting [] and that [] U.S. Purchasers’ Questionnaire at III-12 (pointing to [] U.S. Purchasers’ Questionnaire at III-33 (stating that []).

¹¹ Tr. at 231 (Mr. O’Toole).

¹² Tr. at 278 (Mr. O’Toole).

acknowledged that “{w}e do not see much” Canadian product coming across the Rockies and that NORPAC “did not ship much newsprint into the East during the POI.”¹³

This testimony is consistent with other evidence from News Media Alliance members.

[] describes []
].¹⁴

Similarly, according to [], the newsprint market is []
].¹⁵ [] similarly reported that
the []

].¹⁶ [] similarly noted that it []
].¹⁷ [] of []
explained that the newspaper []

].¹⁸ [] reported that
[]

].¹⁹ As stated in response to Question 3 of the News Media Alliance’s Responses to Commission Questions, at least [] purchasers have attested to an East-West newsprint market divide in this investigation.

¹³ Tr. at 158, 151 (Mr. Crowley).

¹⁴ Second Affidavit of [], ¶ 3 (Att. B).

¹⁵ [] U.S. Purchasers’ Questionnaire at III-10(a).

¹⁶ [] U.S. Purchasers’ Questionnaire at III-35(a).

¹⁷ See [] U.S. Purchasers’ Questionnaire at III-35(a).

¹⁸ Affidavit of [], ¶ 3 (Att. C).

¹⁹ See [] U.S. Purchasers’ Questionnaire at III-35(a).

Because the U.S. consists of two distinct regional newsprint markets, the volume of subject newsprint imports into the western United States, where NORPAC is located, has no significance for domestic producers located in the East, and vice versa. Similarly, price levels in the West do not affect those in the East, or vice versa, and purchasers report that within-region price differences [].²⁰ Regardless of prevailing price levels in either region, all else being equal a nearby supplier's newsprint will always be more competitive on a delivered price basis for purchasers in the same region.²¹

NORPAC argues that if prices were higher, it could sell newsprint in the East. But evidence from purchasers makes clear that price levels do not and cannot defeat geography. Indeed, this argument is inconsistent with [].²² As long as there are eastern suppliers, NORPAC will be less competitive on a delivered basis in the East due to transportation costs and reliability concerns, regardless of whether market prices in the East are high or low.²³

Furthermore, purchaser statements directly contradict NORPAC's claim that price arbitrage between the East and West allows alleged low pricing from Canadian suppliers in the East to drive down prices for domestic producers in the West. First, national purchasers do not

²⁰ See Second Affidavit of [], ¶¶ 5, 6 (Att. D).

²¹ Tr. at 280-81 (Ms. {Aranoff}) (explaining that “what makes you competitive is proximity to the customer. As long as there's another supplier who's closer to the customer, {NORPAC} is always at a cost {dis}advantage in terms of serving that customer.”); see also Affidavit of [], ¶ 8 (Att. E).

²² [] Second Affidavit, ¶ 2 (Att. D) (stating that []).

²³ Gannett's recent purchases of NORPAC's product for its sites in the East do not show otherwise. As Mr. O'Toole made plain, such purchases addressed critical immediate needs at a “huge” premium that is not sustainable. See Tr. at 232, 289, 281-82 (Mr. O'Toole).

engage in or observe such arbitrage. As [] of [] states,
“[

].”²⁴ Similar statements by other purchasers are set forth in the News Media Alliance’s Responses to Commissioners’ Question 3. Second, as index pricing data from RISI show, East and West prices for newsprint have long diverged, and Eastern prices are *higher* than those in the West.²⁵ In addition, numerous purchasers reported that there are different price leaders in the U.S. East and West.²⁶ Thus, purchaser evidence on regional markets and pricing explains that the inability of domestic producers in the West to compete for newsprint sales in the East is not a result of subject import volume and disproves Petitioner’s theory of price injury.

C. Non-Price Factors Including Availability of High-Quality 40 Gram Newsprint, as well as Runnability and Reliability of Supply, Limit Purchasers’ Willingness to Switch Suppliers

Evidence from newsprint purchasers demonstrates that a number of non-price factors—particularly the availability of quality 40 grams per square meter (“gsm”) newsprint, and the runnability and reliability of newsprint—are determinative for purchasers as they consider where to source their newsprint. In prior investigations, the Commission has reached a negative determination when non-price factors such as “quality, safety, and cost issues” are “the

²⁴ [] Affidavit, ¶ 8 (Att. C); see also [] Second Affidavit, ¶ 6 (Att. D).

²⁵ See Exhibits to the Testimony of Jennifer Lutz, Economic Consulting Services (July 17, 2018), Slide 2 (provided in Resolute’s Prehearing Brief (Public Version) at Exhibit 18) (Ex. 1).

²⁶ See News Media Alliance’s Response to Question 7.

predominant factors” that lead purchasers to choose subject imports over domestic products.²⁷

Because evidence from purchasers makes clear that non-price factors dominate newsprint purchasing decisions, the Commission should reach a similar determination in this investigation.

1. Availability of quality 40 gsm basis weight newsprint is a significant non-price factor that newsprint purchasers consider as they source newsprint

Newspapers’ shift to 40 gsm newsprint has been a significant factor affecting purchasers’ decisions of where to source newsprint, as set forth in purchasers’ Hearing testimony, affidavits, and questionnaire responses. For example, as Mr. O’Toole of Gannett stated, although “{i}n 2014, Gannett was more than 95 percent 45 gram or higher newsprint,” today all but one of Gannett’s in-house newspapers is printed on 40 gsm newsprint, and Gannett is working to convert this paper as well.²⁸ Similarly, [] explains that [

].²⁹ At

present, [

].³⁰ In fact, it is only [

].³¹

²⁷ *Sodium Metal from France*, Inv. No. 731-TA-1135 (Final), USITC Pub. 4045 (Nov. 2008), at 21 n.188; *see also id* at 16 (“quality, logistics, safety, and other non-price factors were paramount considerations in their purchasing decisions.”).

²⁸ Tr. at 230 (Mr. O’Toole).

²⁹ [] Second Affidavit, ¶ 11 (Att. D).

³⁰ [] Second Affidavit, ¶¶ 11–12 (Att. D).

³¹ [] Second Affidavit, ¶ 12 (Att. D).

Questionnaire responses from [] and [] similarly state that they had shifted some [] percent and [] percent of their purchases, respectively, to lighter weight paper since 2015.³² In fact, of the [] News Media Alliance members who provided questionnaire responses for this submission, [] rated 40 gsm newsprint availability as “very important” or “somewhat important” in purchase decisions.³³

Purchaser testimony also makes clear that the shift to 40 gsm newsprint aims to achieve greater efficiencies, rather than to exact price concessions from mills. While 40 gsm newsprint costs more per ton than higher basis weight newsprint, the cost is [

].³⁴ If the lighter weight newsprint is of acceptable quality, [

].³⁵ Due to these advantages, newsprint purchasers value the availability of lighter weight newsprint and will pay more to get it.

Importantly, eastern U.S. mills located in the South cannot produce quality 40 gsm newsprint from the trees available to them,³⁶ and as a result, U.S. purchasers in the East have

³² [] U.S. Purchasers’ Questionnaires at III-34.

³³ See [

] U.S. Purchasers’ Questionnaires at III-24.

³⁴ [] U.S. Purchasers’ Questionnaire at III-15, III-32, III-34 (noting that []); see also [] U.S. Purchasers’ Questionnaires at III-34(b).

³⁵ [] U.S. Purchasers’ Questionnaire at III-34(b).

³⁶ Tr. at 230 (Mr. O’Toole).

increasingly sourced newsprint from Canadian producers, whose ready access to trees with longer and stronger fiber makes them far better suited to producing quality 40 gsm newsprint.

Moreover, purchaser testimony makes clear that [

].³⁷ The growing use of lightweight newsprint and the failure of [] to supply it have led many U.S. purchasers to buy newsprint from Canada. Any import volume shifts during the POI must be considered in light of this important condition of competition.

2. Runnability and reliability of supply are significant factors in newsprint purchasers' decisions of where to source product

Two additional non-price factors that significantly affect newsprint purchasing decisions are runnability and reliability of supply. "Runnability" refers to the ability of a roll of newsprint to run smoothly and without breakage through a press that has unique characteristics. Newsprint with runnability problems will [

].³⁸

As Mr. Tash of the *Tampa Bay Times* explained, the occurrence of paper roll breaks during the printing process due to poor runnability are "a huge problem" which causes "tremendous disruption and delay," because printing presses are running at a very high speed and may produce on the order of 40,000 copies of a newspaper in an hour.³⁹ Mr. Henderson of Quad/Graphics similarly emphasized that paper breaks in his company's press room are "a very

³⁷ See [] Second Affidavit, ¶ 12 (Att. D) ([]); Affidavit of [], ¶¶ 16-17 (Att. E) (stating that [] and that []).

³⁸ First Affidavit of [], ¶ 3 (Att. G); Affidavit of [], ¶ 4 (Att. H).

³⁹ Tr. at 273 (Mr. Tash).

big problem” because when presses are down they may be down for one to two hours at a time.⁴⁰ For this reason, “press crews sometimes will request, not only newsprint from a particular supplier, but from a particular supplier for a particular press. And a particular machine from a particular supplier.”⁴¹ In sum, ensuring the runnability of newsprint through a particular newspaper’s press is “enormously important” to newsprint purchasers.⁴²

Reliability relates to the supplier’s ability to timely deliver the quality and quantity of newsprint the publisher needs. Not having enough newsprint means that publishers are not able to deliver newspapers to their subscribers. In fact, more purchasers cited reliability than price as “very important” to purchasing decisions, and purchasers were as likely to cite reliability as the *most* important factor in their purchasing decisions as they were to cite price.⁴³

Geographic proximity, runnability, and reliability are non-price factors that often dictate newsprint purchasing decisions and make newspaper publishers highly risk-averse when considering changing suppliers. As [] of [] explains, [

].⁴⁴

In sum, if purchasers choose Canadian suppliers and stick with them, it is not due to low prices, but because those suppliers consistently and reliably provide the type and quantity of

⁴⁰ Tr. at 274 (Mr. Henderson).

⁴¹ Tr. at 273 (Mr. Tash).

⁴² Tr. at 273 (Mr. Tash).

⁴³ See Prehearing Report (Public Version) at II-20, Table II-9 & II-21.

⁴⁴ [] Affidavit, ¶ 9 (Att. C).

newsprint required. As purchasing decisions depend on non-price factors, any price-based injury to the domestic industry is not by reason of subject imports.

D. The Domestic Industry's Performance is Fully Explained by Declining Demand and Competitive Dynamics

With demand declining rapidly, the logical response by the domestic industry would be to reduce production and periodically remove capacity, with attendant loss of jobs and little or no investment in paper machines. Imports would be expected to fall under such circumstances, and during the POI they did fall. With suppliers independently managing consistent demand declines through periodic lumpy reductions in supply, periods of oversupply (with attendant lower prices) will naturally occur, as will periods of undersupply (with attendant higher prices). Precisely these effects occurred during the POI, with oversupply occurring early in the period, and later (but before the Petition) giving way to undersupply and rising prices. Through it all, purchasers stuck with the regional suppliers who provided the runnability, reliability, and basis weight they required, and switched suppliers only when forced to do so by capacity closures. Any injury to the domestic industry is thus the expected result of market conditions and not by reason of subject imports.

II. NORPAC's Claims of Injury Rest on the Implausible Assumption that the Domestic Industry Can Benefit at Its Customers' Expense

Had NORPAC not filed its Petition, the temporary shortage in newsprint supply that occurred in 2016-2017 due to capacity closures would have been alleviated as demand continued to decline. Instead, as purchasers have told the Commission, imposing duties in this investigation has significantly raised prices, created a far more serious supply shortage, and forced newspapers to accelerate cutbacks in consumption that are largely irreversible. Purchasers' real-life experience confirms the conclusions in the CRA Report, which posits that a supply-side shock of this magnitude will result in a permanent reduction in newsprint demand well beyond what

would otherwise be expected. In brief, as the CRA Report concludes and newsprint purchasers' experiences confirm, the imposition of tariffs in this investigation will harm all involved, including newspapers, readers, American society, and domestic mills. Such a result is not consistent with the remedial purpose of the AD/CVD laws,⁴⁵ and the Commission should not permit itself to be misused when the record so clearly supports a finding of no injury or threat.

A. A Supply Shock of the Magnitude Involved in this Case Will Lead to a Permanent Reduction in Newsprint Demand

The CRA Report concludes that the elasticity of demand for newsprint *increases* over time after a price shock, so that newsprint customers react more strongly and negatively to price increases over time. The longer duties remain in effect, the more newsprint demand is permanently destroyed, and the fewer customers are left to buy from the domestic industry. Testimony from purchasers at the Hearing confirms this effect. As Mr. Henderson of Quad/Graphics stated, its customers “react quickly to price increases and that reaction is to print less and therefore demand less paper.”⁴⁶ Mr. Henderson also observed that the number of newsprint pages that Quad printed “has steadily declined” since preliminary duties were announced in January.⁴⁷ Further, he stated that “{t}he volume decline is growing as the full impact of the tariffs is being realized.”⁴⁸

As Mr. Paul Boyle of the News Media Alliance observed, 71 percent of the Alliance's members reported cutting pages to save on newsprint costs since tariffs were imposed in this

⁴⁵ *Guandong Wireking Housewares & Hardware Co., Ltd. v. United States*, 745 F.3d 1194, 1206 (Fed. Cir. 2014) (“{T}he primary purpose of antidumping and countervailing duties generally is remedial, not punitive.”).

⁴⁶ Tr. at 238 (Mr. Henderson).

⁴⁷ Tr. at 239 (Mr. Henderson).

⁴⁸ *Id.*

investigation, and 14 percent reported that they were reducing or considering a reduction in the frequency of circulation.⁴⁹ As Mr. Boyle explained, when such reductions in demand occur, demand does not recover if prices fall in the future, meaning that the ultimate effect of imposing tariffs here will be the demise of print newspapers and a significant reduction in demand for newsprint. In this environment, newsprint producers will follow print newspapers into extinction.

B. Newspapers Will Not Be Able to Absorb Newsprint Price Increases, and Passing on These Costs to Subscribers Will Accelerate the Downward Spiral of the Newsprint Industry

The CRA Report also concludes higher newsprint prices will force newspaper publishers to raise subscription prices, and that increased print subscription prices will further reduce demand for print media, reduce advertising revenue, and thereby accelerate the downward spiral of the print newspaper industry and its suppliers.⁵⁰ Testimony from News Media Alliance members at the Hearing confirms the effects predicted in the CRA Report. As Mr. Tash of the *Tampa Bay Times* explained, “the single biggest drag on subscribers’ propensity to renew is whether the price has increase or not,” and the likelihood of scaring off subscribers rises with higher subscription rate increases.⁵¹

Such concerns affect subscription prices of smaller community newspapers as well. Mr. Johnson—who publishes three weekly newspapers circulated to under 5,800 homes—described holding his breath after raising his annual subscription price from \$39 to \$42 last year.⁵² This subscription rate increase was the first one Mr. Johnson had made in ten years, and he described

⁴⁹ Tr. at 296-97 (Mr. Boyle).

⁵⁰ News Media Alliance Pre-Hearing Brief at 20.

⁵¹ Tr. at 261 (Mr. Tash).

⁵² Tr. at 242 (Mr. Johnson).

any additional increase in rates as “suicide” for the newspaper.⁵³ The inability of newspapers to pass on cost increases to readers further demonstrates that imposing tariffs here will simply result in newspapers’ reducing their consumption of newsprint, and further accelerate the decline in demand for newsprint to the detriment of domestic mills.

III. Conclusion

Newspaper publishers know better than anyone what drives newsprint purchasing decisions. Collectively, they told the Commission that they prefer regional suppliers who provide the desired basis weight, runnability, and reliability. Although the best match for those needs is sometimes a Canadian supplier, that does not make such imports injurious.

Newspapers are doing their best to survive a decades-long shift of readers and advertising from print to digital platforms that has resulted in a secular decline in demand for newsprint. Imposing tariffs here will only accelerate the decline of both newspapers and the domestic UGW paper industry. For all these reasons, the News Media Alliance and its nearly 2,000 members urge the Commission to reach a negative determination in this investigation.

Dated: July 31, 2018

Respectfully submitted,

/s/ Shara L. Aranoff

Shara L. Aranoff

Peter Lichtenbaum

James McCall Smith

Catherine H. Gibson

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**Member of the Bar of Florida. District of Columbia bar application is pending; supervised by principals of the firm.*

⁵³ Tr. at 242, 262 (Mr. Johnson).

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product than other types of UGW paper⁵ and will rapidly yellow, while high bright and other types of UGW paper are more often used in products that are intended to last and stay white longer.⁶ [] of [] describes newsprint as [

].⁷ In sum, inserts printed on newsprint, as opposed to high bright paper, [].⁸ Newsprint is used primarily for printing newspapers, while high bright and other UGW paper are used to print books and advertising materials, including advertising inserts that are stuffed into (but physically distinct from) newspapers.⁹

The Prehearing Report in this investigation identifies newsprint as “UGW paper designed exclusively for newspapers and similar publications” which are “commonly disposed within a day.”¹⁰ Newsprint also has a lower basis weight than high bright and other UGW paper products.¹¹ The weight of standard newsprint typically ranges from 40 grams per square meter (gsm) to 48.8 gsm and has brightness levels ranging from 56 to 62.¹² High bright, by contrast, has brightness levels of 65 or greater.¹³ These differences between newsprint and high bright paper in particular are of the same magnitude as the differences that have already led the Commission to conclude that supercalendered paper is a distinct like product from other forms of UGW paper,¹⁴ and the Commission should reach a similar determination here.

⁵ Prelim. Det. (Public Version) at I-10 (listing “Newsprint—a low quality uncoated groundwood paper designed exclusively for newspapers and similar publications commonly disposed of within a day,” separately from “Uncoated groundwood” among the “five broad categories of printing and writing paper products”).

⁶ See generally Prelim. Det. (Public Version) at I-10-I-11 (describing the primary physical characteristics of UGW paper as brightness, basis weight, finish, opacity, smoothness, and caliper.)

⁷ [] Affidavit, ¶ 2 (Att. E).

⁸ *Id.*

⁹ See, e.g., [] Second Affidavit, ¶ 4 (Att. B) (reporting that []).

¹⁰ Prehearing Report (Public Version) at III-12 n. 10.

¹¹ Compare NORPAC Newsprint, http://norpacpaper.com/site/assets/files/1035/norpac_newsprint.pdf (Ex. 5 to News Media Alliance Prehearing Brief), with NORPAC 92 Max (high bright), http://norpacpaper.com/site/assets/files/1034/norbrite_92_max.pdf (Ex. 6 to News Media Alliance Prehearing Brief).

¹² Prehearing Report (Public Version) at III-12 n. 10.

¹³ *Id.*

¹⁴ *Supercalendered Paper from Canada*, Inv. No. 701-TA-530 (Final), USITC Pub. 4583 (Dec. 2015), at 6.

The second and fourth factors also support finding that newsprint and other UGW are separate “like products.” Specifically, newsprint and other UGW paper products are not practically interchangeable, and customers perceive significant differences between these products. [] of [] explains that [] due to the differences between the products.¹⁵ As the Prehearing Report in this case observes, “{m}ost of the paper used by newspapers is newsprint” while newspapers’ use of high bright UGW has been historically limited to items such as “advertising and other inserts.”¹⁶ Moreover, questionnaire responses and affidavits of News Media Alliance members reveal that substitution of high bright paper for newsprint to print newspapers—while theoretically possible—is [].¹⁷ There is only a small amount of substitution in the other direction, as retailers with []

[].¹⁸ Even where this limited substitution occurs, purchasers perceive high bright to be a distinct and higher quality product—indeed [].¹⁹

The channels of distribution also differ as between newsprint and other UGW products, particularly high bright. Specifically, distinct eastern and western U.S. markets have developed for newsprint in the United States, because purchasers and suppliers are unwilling to ship this heavy, low-value product over long distances. As a result, newsprint produced in the eastern U.S. or eastern Canada seldom crosses the Rocky Mountains, while western U.S. or western Canadian production seldom crosses in the opposite direction.²⁰ Indeed, as NORPAC acknowledged at the Hearing, it “did not ship much newsprint into the East during the POI” but that it “sold all of {its} other uncoated groundwood grades consistently throughout.”²¹ UGW products other than newsprint, particularly high bright paper, “are available from fewer sources, tend to be purchased in smaller amounts, and are typically shipped further.”²² As [] of []

¹⁵ [] Affidavit, ¶ 2 (Att. E).

¹⁶ See Prehearing Report (Public Version) at II-1. As suggested above, this historical use of high bright paper may have []. See First Affidavit of [], ¶¶ 12-13 (Att. G).

¹⁷ See News Media Alliance Prehearing Brief at 8-9.

¹⁸ [] Affidavit , ¶ 4 (Att. E).

¹⁹ *Id.* at ¶¶ 2-3.

²⁰ See News Media Alliance Prehearing Brief at 9-10.

²¹ Tr. at 136-37, 151 (Mr. Crowley).

²² Prehearing Report (Public Version) at II-2.

explains []²³

While newsprint and other UGW paper do share some common manufacturing facilities, there are distinct differences in the production processes used to make them. As NORPAC acknowledged at the Conference in the preliminary phase, the difference in whiteness between newsprint and other UGW products over time is a result of adding a higher percentage of high bright fillers, chemicals, and bleached pulp to the slurry mix during the production process.²⁴ In addition, as both Kruger and Resolute have stated, a costly peroxide bleaching system is required to make high-quality high bright or book paper, but not for producing newsprint.²⁵

Finally, high bright and other UGW paper are considerably more expensive than newsprint. As explained above, this is why there is no substitution of such products for newsprint used to print newspapers.

In light of these considerations, it is clear that newsprint should be considered a separate “like product” from other forms of UGW paper for purposes of this investigation. In prior investigations, the Commission has found “a clear dividing line” between various types of paper based on these factors²⁶ and it should draw a similar line here between newsprint and other types of UGW paper.

II. Questions about Regionality

2. *Western Suppliers Do Not Compete in the East.*

COMMISSIONER BROADBENT (p. 149): Yes, you all provided this chart which I’m trying to get clear in my mind and you show that national shipments, you’re showing national shipments here and I understand that you’re saying it’s an indication that Norpac ships a diverse product mix all over the country. Can you explain a little more what the bubbles mean in this chart? {...} Because {the bubble sizes} are all pretty much the same. {...} (p. 150) Okay, so you’ve got pie charts here so it depends on the type of paper I guess and they’re different colors meaning different types of paper? {...} (p. 151) And then this data is for this year 2018; May, June and July you say at the top? Would it look much different from 2015 to 2017? {...} Okay, so we really have a really different map for the POI?

COMMISSIONER BROADBENT (p. 151): Mr. Crowley, in your posthearing brief can you provide greater detail on where your shipments are sent out of the western region during the Period of Investigation? Were these shipments

²³ [] Affidavit, ¶ 8 (Att. E).

²⁴ Conf. Tr. at 31 (Mr. Buckingham).

²⁵ Tr. at 210 (Mr. Wise); Conf. Tr. at 193 (Mr. D’Amours).

²⁶ *Supercalendered Paper from Canada*, Inv. No. 701-TA-530 (Final), USITC Pub. 4583 (Dec. 2015), at 6.

primarily sent to states nearby in the Western region like Texas or Oklahoma or were they sent to other locations? We really need some granularity on that if possible and something that I can understand because I'm sorry, I'm having a little hard time with this map.

COMMISSIONER WILLIAMSON (p. 173): Let's see going back to this chart, I'm not going to question on it, but when you address it post-hearing, I would also appreciate some indication of the magnitudes of relative you say to your total production, the magnitudes of these shall we say exports to the east? Just to help us put it in context.

Answer:

At this point in the investigation, the record before the Commission is clear: newsprint is sold regionally in the East or the West, while shipments of other UGW paper products are shipped farther. Throughout this investigation, NORPAC has tried to cast doubt on this market reality. In the preliminary phase, NORPAC claimed to ship all UGW paper products nationwide, and only reluctantly admitted that its newsprint shipments were limited to the West.²⁷ The “bubble chart” that NORPAC provided at the Hearing²⁸ is NORPAC’s latest attempt to obfuscate. The chart contains no data for the POI—it covers only the period May to July 2018. At the Hearing, no key was provided to clarify the meaning of the different colors used in the chart, and copies of the chart were provided only in black-and-white. When asked, NORPAC’s witness Mr. Peter Harnish was unable to explain what UGW paper products were depicted on the chart or what the volume of any such shipments might have been.²⁹

In contrast to NORPAC’s uninformative chart and evasive testimony, News Media Alliance members have confirmed through unambiguous testimony, affidavits, and questionnaire responses that they simply do not purchase newsprint from western producers like NORPAC for their operations in the East. Specifically:

- [] of [] definitively states that []³⁰

²⁷ See Conf. Tr. at 48 (Mr. Anderson) (claiming that “{e}ven for newsprint, there’s no clear east coast / west coast divide”); Tr. at 151 (Mr. Crowley) (acknowledging that its recent distributions of newsprint to the East are “a new trend for us after the imposition of the preliminary duties”).

²⁸ See Tr. at 136 (describing “a bubble chart” allegedly showing NORPAC’s U.S. UGW shipments for May, June, and July 2018).

²⁹ Tr. at 149–150 (Mr. Harnish and Commissioner Broadbent).

³⁰ [] Affidavit, ¶¶ 3-4 (Att. C).

- As [] of [] explains in his affidavit, []³¹ As [] explains, []³²
- [] of [] explains in his affidavit, []
].³³ Thus []³⁴
- [] of [] describes that []
[]³⁵
[]³⁶
- As [] stated in its questionnaire response that []
].³⁷
- As [] similarly observed, this regional divide in the newsprint market means that []³⁸

³¹ [] Second Affidavit, ¶ 4 (**Att. B**).

³² *Id.* ¶ 3.

³³ [] Second Affidavit, ¶ 2 (**Att. D**).

³⁴ [] Second Affidavit, ¶ 2 (**Att. D**).

³⁵ [] Affidavit, ¶¶ 7, 8 (**Att. E**).

³⁶ *Id.* ([] explains in further detail at ¶ 7: []

]).

³⁷ [] U.S. Purchasers' Questionnaire at III-35(b).

³⁸ [] Purchaser Questionnaire at III-35(a); *see also* [] U.S. Purchasers' Questionnaire at III-35(a) (reporting that []

]).

In the face of such unanimous testimony from newsprint purchasers, the unexplained bubble chart that NORPAC presented at the Hearing in this matter is simply not credible.

Finally, to the extent that NORPAC's chart purports to show recent shipments to the East from its Western mill, testimony from Mr. Frank O'Toole of Gannett at the Hearing makes clear that such shipments are only due to the "irrational" nature of current market conditions, which have arisen due to supply shocks and shortages.³⁹ As Mr. O'Toole noted, the premium for such long-distance newsprint shipments is "huge," and such shipments are not part of the ordinary course of conduct for Gannett or other newsprint purchasers.⁴⁰ Accordingly, regardless of what NORPAC's "bubble chart" purports to show, the evidence collected in this investigation clearly demonstrates that newsprint purchasers do not purchase newsprint from suppliers in the West for their eastern U.S. operations and have good reasons for not doing so.

3. *Eastern Suppliers Do Not Compete in or Affect Prices in the West.*

COMMISSIONER SCHMIDTLEIN (p. 156): So my question is how often do you see competition in the West from producers that are located in the East? How often are producers that are manufacturing in the East shipping across the Rocky Mountains? {...} (p. 157) Okay, so if Eastern producers aren't shipping that much into the West, when you testified that large buyers will insist on the same price that they get in the East also in the West how do they have that kind of leverage, if they're not really, you know because obviously you're not going to get that price unless you can source it from an alternative supplier, but if these East Coast suppliers aren't really shipping across the Rocky Mountains then you know, how do they have the leverage to lower their prices with a price that is in the East? {...} (p. 158) Okay, so I still don't understand how then, why {East Coast suppliers} would meet that price if in fact no one's really going to supply that product at that price, especially if they are going to have to incur the additional transportation cost to get it all the way to the West Coast, right? {...} (pp. 158-159) So do you have any you know communication with these large buyers that's been documented that you could put on the record where they're using East Coast prices to leverage down the price that you're getting in the West?

Answer:

Since very little (if any) newsprint is actually shipped across the Rockies, NORPAC's claim that its Western prices are significantly affected by Canadian suppliers' prices in the Eastern United States is not credible. The sworn statements of at least [] purchasers in this

³⁹ See Tr. at 232, 289, 281-82 (Mr. O'Toole).

⁴⁰ *Id.*

investigation⁴¹ makes clear that North American newsprint shipments are regional, divided East and West, with the Rocky Mountains as a natural division point. Specifically:

- Mr. O’Toole of Gannett stated that “{t}here is very little overlap of competition” between the markets for newsprint in the eastern and western parts of the United States, and Gannett “would not choose to source newsprint from a western producer to supply print locations in the East if {the company} had any way around it.”⁴² Similarly, in its questionnaire response [] explicitly [], and stated that [].⁴³
- In his affidavit, [] of [] characterizes [] and states that [].⁴⁴
- In its questionnaire response, [] stated that the newsprint market is [].⁴⁵
- [] similarly reported in its questionnaire response that the [].⁴⁶
- [] observed in its questionnaire response that it []⁴⁷ In her affidavit, [] of [] confirmed that the newspaper [].⁴⁸
- [] likewise reported that [].⁴⁹

⁴¹ News Media Alliance has access only to the confidential questionnaire responses of [] of its members. Additional purchaser questionnaire responses may further confirm the existence of an East-West divide in the North American newsprint market.

⁴² Tr. at 231 (Mr. O’Toole).

⁴³ [] U.S. Producers’ Questionnaire response at III-14.

⁴⁴ [] Second Affidavit, ¶ 3 (Att. B).

⁴⁵ [] U.S. Purchasers’ Questionnaire at III-10(a).

⁴⁶ [] U.S. Purchasers’ Questionnaire at III-35(a).

⁴⁷ [] U.S. Purchasers’ Questionnaire at III-35(a).

⁴⁸ [] Affidavit, ¶ 3 (Att. C).

⁴⁹ [] U.S. Purchasers’ Questionnaire at III-35(a), V-1.

- [] similarly stated that, because its []⁵⁰
- [] of [] states in his affidavit that his company []⁵¹
- As [] stated in its questionnaire response: []⁵²

Indeed, even Kruger (located in eastern Canada) testified that its supply contract with a major customer states that Kruger will not ship newsprint to that customer’s printing sites in the western United States because transportation costs are too high.⁵³ Evidently, Kruger’s preference to ship to print sites closer to its mills is so clear-cut that the customer is willing to make it contractually binding.

The fact that Eastern suppliers do not ship to the West is not contested by NORPAC. At the Hearing, Mr. Crowley testified that they “do not see much of” Canadian product from the East coming across the Rockies.⁵⁴ Yet NORPAC is trying to argue that, even if there are not East-West *shipments* of newsprint, Eastern prices still have negative effects on Western prices. The weight of the evidence is to the contrary, however, as numerous affidavits and questionnaire responses from newsprint purchasers demonstrate the existence of separate Eastern and Western *prices*. Specifically:

- As [] of [] states in her affidavit, []⁵⁵
- Similarly, [] stated in his affidavit that []

⁵⁰ [] U.S. Purchasers’ Questionnaire at III-35(b).

⁵¹ [] Affidavit, ¶ 8 (Att. E).

⁵² [] U.S. Purchasers Questionnaire at III-35(b).

⁵³ Tr. at 223 (Mr. Angel) (“Kruger does not ship newsprint west of the Rockies” and in fact “the contract for one of {Kruger’s} largest customers states that Kruger will not ship newsprint to the west — the transportation cost is simply too high.”).

⁵⁴ Tr. at 158 (Mr. Crowley).

⁵⁵ [] Affidavit, ¶ 8 (Att. C).

].⁵⁶

- In his affidavit, [] of [] likewise confirmed that [

].⁵⁷

- As [] states in its questionnaire response [].⁵⁸
- [] similarly stated in its questionnaire response that [].⁵⁹

The Commission's question regarding price leaders in the West and our responses thereto (Question 7 below) also make clear that different suppliers are known as price leaders in each region. The existence of separate price leaders for the Eastern and Western United States is wholly inconsistent with NORPAC's claim that prices in the Western United States are controlled by prices in the Eastern United States.

Moreover, during the POI eastern prices for newsprint were *higher* than western prices, so even if prices in the Eastern United States did affect prices in the West—which the evidence in this investigation indicates that they do not—Eastern prices would serve to *raise* Western prices. The existence of higher prices in the East than in the West is demonstrated by the economic analysis of Jennifer Lutz presented at the Hearing in this investigation. As shown in Slide 2 of Ms. Lutz's Hearing presentation—copied and pasted below at Figure 1—Eastern U.S. newsprint prices were typically *higher* than Western U.S. prices during the POI, based on data from RISI.

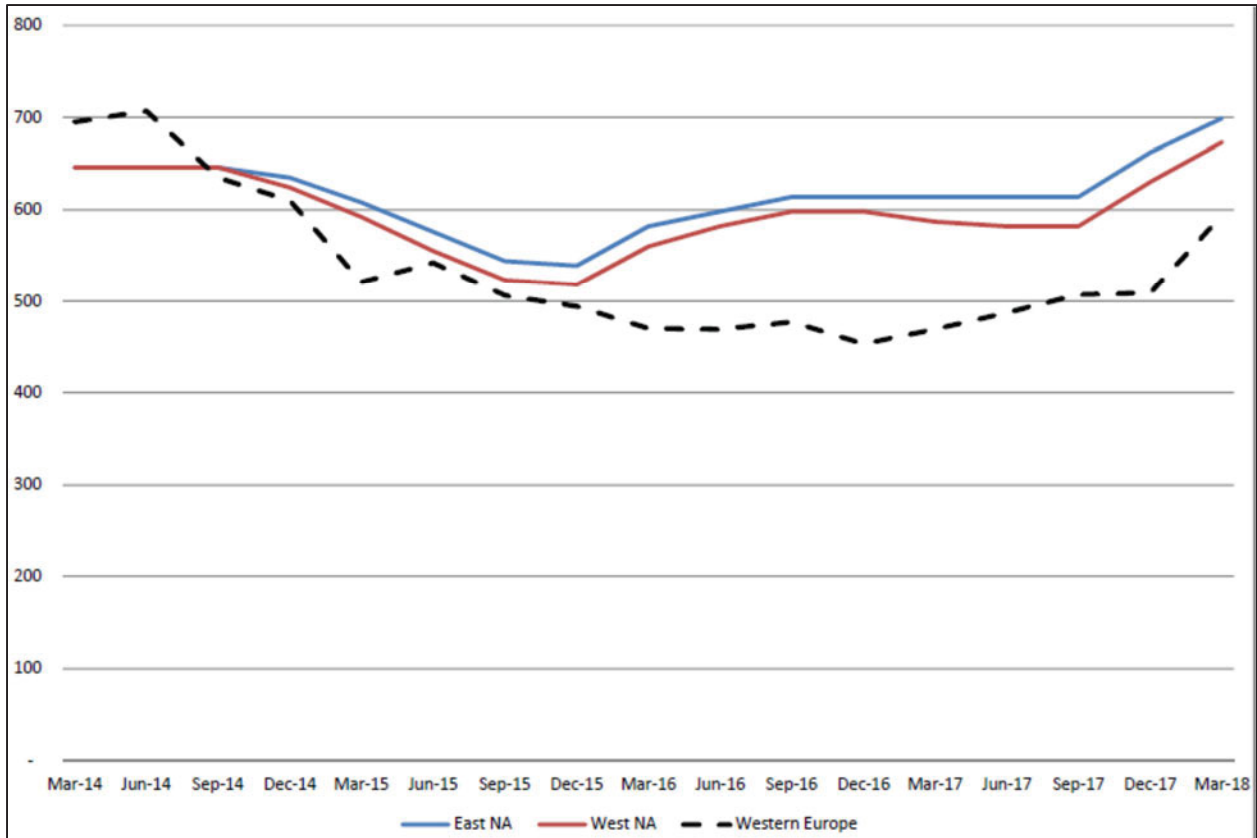
Figure 1: RISI 45 Gram Newsprint Prices: Easter North America, Western North America, and Western Europe (\$/MT)

⁵⁶ [] Second Affidavit, ¶ 6 (Att. D).

⁵⁷ [] Affidavit, ¶¶ 9, 10 (Att. E).

⁵⁸ [] U.S. Purchasers' Questionnaire at III-35.

⁵⁹ [] U.S. Purchasers' Questionnaire at III-29.



As this chart demonstrates, there has been a persistent gap between prices for newsprint in the East and West of the United States, and Eastern prices are *higher* than those in the West. This fact is confirmed by several affidavits from News Media Alliance members.⁶⁰ Thus, to the extent that Canadian imports in the East affect NORPAC’s prices in the western United States, the effect of those imports would be to *raise* (not lower) prices in the West.

Finally, NORPAC argues that they could ship farther, and even into the eastern United States, if prices were higher. During the POI, however, newsprint prices in the East *were* consistently higher and NORPAC, by its own admission, did not ship significant volumes of newsprint to the East.⁶¹ NORPAC’s inability to make sales to the East, even in times of increased prices—such as during the POI—is logical because even in such times mills that are geographically closer would still maintain their cost advantage over NORPAC with respect to shipping costs based on their proximity. As [] of [] explains,

⁶⁰ [] Second Affidavit, ¶ 4 (Att. D) ([]); [] Affidavit, ¶ 9 (Att. E) ([]).

⁶¹ Tr. at 151, 158 (Mr. Crowley).

[]⁶² There are also non-price reasons why purchasers prefer suppliers located in the same region as their printing sites, such as []⁶³ []⁶⁴ []⁶⁵ and []

].⁶⁶ Thus, even if NORPAC were willing to ship to the East, these non-price barriers would still cause printing sites in the East to prefer newsprint coming out of the same region. For all of these reasons, NORPAC’s various arguments that the prices it receives for its newsprint shipments from the West are depressed by prices offered in the East are simply not credible.

III. Questions about Other Conditions of Competition

4. Demand for Lighter Weight Newsprint.

COMMISSIONER WILLIAMSON (p. 144): And I was particularly going to ask maybe post-hearing, look at Tables III-8 and IV-4, and kind of so we can assess the significance of this. Is this a significant condition of competition I guess? Is the lighter weight paper and an indication of a trend towards that a significant condition of competition? {...} (p. 145) So I guess the question, are you saying that they are -- are they more unfairly pricing in the 40 GSM compared to the other weights, and is this distorting the consumption? {...} (p. 146) I’m just trying to assess the significance of their argument about 40 GSM.

Answer:

Newspapers have told the Commission in no uncertain terms that access to 40 gsm newsprint is important to them and that they expect consumption of 40 gsm newsprint to continue to rise while overall use of newsprint declines. Indeed, the president of NORPAC announced in 2014 that “{d}emand is growing for lightweight printing papers” and that its 40 gsm newsprint is “the right choice for publishers and printers who are looking to reduce cost”.⁶⁷ The Commission should give significant weight to this condition of competition in making its determination.

The record includes multiple examples of newspapers that have switched most or all of their newsprint consumption to 40 gsm basis weight. Among the purchasers who provided their

⁶² [] Affidavit, ¶ 8 (Att. E).

⁶³ [] U.S. Purchasers’ Questionnaire at III-35(a).

⁶⁴ [] U.S. Purchasers’ Questionnaire at III-35(a).

⁶⁵ [] Affidavit, ¶ 7 (Att. E); Affidavit of [], ¶ 2 (Att. H).

⁶⁶ [] U.S. Purchasers’ Questionnaire at III-35(a).

⁶⁷ RISI, *Norpac offering lightest weight newsprint in market – 40 g – from Washington mill* (Dec. 16, 2014) (Ex. 2).

final questionnaire responses to the News Media Alliance, [] reported that their firm had shifted purchases to lighter weight newsprint since 2015.⁶⁸ For example, as Mr. O’Toole of Gannett stated at the Hearing, although “{i}n 2014, Gannett was more than 95 percent 45 gram or higher newsprint,” such usage of heavier weight newsprint has dropped sharply in the last four years.⁶⁹ Today all but one of Gannett’s many in-house newspapers are printed on 40 gsm newsprint, and Gannett is converting that last newspaper to 40 gsm newsprint as well.⁷⁰ This move toward 40 gsm newsprint is a worldwide trend, and extends to operations in the UK, among other places.⁷¹

Similarly, as [] explains in his second affidavit, []⁷²

At present, [

].⁷³ In fact, [] explains that it is only []⁷⁴

Questionnaire responses from [] similarly state that they have shifted some [] of their purchases, respectively, to lighter weight paper since 2015.⁷⁵ In fact, of the [] News Media Alliance members who voluntarily provided their questionnaire responses for preparation of this submission, [] rated the availability of 40 gsm newsprint as either “very important” or “somewhat important” in purchasing decisions.⁷⁶ Even companies that focus on other parts of the UGW market have observed this trend. As [] of [] states in his affidavit, []⁷⁷

Among the handful of purchasers who did not report undergoing this shift during the period of investigation, [] reported that [

⁶⁹ Tr. at 230 (Mr. O’Toole).

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² [] Second Affidavit, ¶ 11 (Att. D).

⁷³ *Id.* at ¶ 12.

⁷⁴ *Id.*

⁷⁵ [] and [] U.S. Purchasers’ Questionnaires at III-34.

⁷⁶ *See* [] U.S. Purchasers’ Questionnaires at III-24.

⁷⁷ [] Affidavit, ¶ 18 (Att. E).

responded that [],⁷⁸ while [] and that []

].⁷⁹ According to purchasers, 40 gsm newsprint is [].⁸⁰

Because Canadian producers typically produce higher-quality 40 gsm newsprint than most U.S. producers, this shift to 40 gsm newsprint has naturally been accompanied by a shift toward purchasing Canadian newsprint. For example, [] stated in its questionnaire response that []

].⁸¹ [] similarly stated that []

].⁸² Likewise [] stated in its questionnaire response that, []
[] purchases of 40 gsm newsprint, the company was []
] but rather that []
].⁸⁴

Purchasers have been equally clear that the market shift toward 40 gsm newsprint is not a ploy to exact price concessions from mills. To the contrary, for mills that can make 40 gsm newsprint and newspapers whose presses can run it, expanded use of 40 gsm newsprint is mutually beneficial—a true win-win. Critically, 40 gsm newsprint is more expensive than 45 gsm newsprint on a per ton basis. For mills, this means receiving a higher price per ton while also saving on shipping costs to the publisher. For newspaper publishers, the shift to 40 gsm newsprint has the effect of []

].⁸⁵ Since []

], thus purchasers that have shifted to lighter

⁷⁸ [] U.S. Purchasers' Questionnaire at III-34(b).

⁷⁹ [] U.S. Purchasers' Questionnaire at III-33, III-34(b).

⁸⁰ See [] U.S. Purchasers' Questionnaire at III-14.

⁸¹ [] U.S. Purchasers' Questionnaire at II-5 and III-34.

⁸² [] U.S. Purchasers' Questionnaire at II-5.

⁸³ [] U.S. Purchasers' Questionnaire at III-34.

⁸⁴ [] U.S. Purchasers' Questionnaire at V-1.

⁸⁵ *Id.* at III-32(a).

weight newsprint effectively [].⁸⁶
 Newspaper publishers get an additional benefit from switching to 40 gsm newsprint, because lighter weight newspapers cost less to deliver to their subscribers.⁸⁷

The shift in demand away from 45 gsm and toward 40 gsm newsprint also has the effect of []. Specifically, [

], which is exacerbated by the fact that [

].⁸⁸ Accordingly, while the switch to lighter basis weight newsprint [], there is an [] that is [].

Numerous purchasers have also testified that []. Specifically, although NORPAC started offering 40 gsm in late 2014,⁸⁹ it [].⁹⁰ According to [], []

According to purchaser statements, this decision is based on [],⁹¹ rather than the demands of the market. As [] of [] states in his affidavit, [

].⁹² [] observes that [] has [] but that the company [].⁹³

In sum, the growth in demand for 40 gsm newsprint is important in this investigation because newspaper publishers have good reasons to prefer it, but not every mill can produce it. Newspapers cannot get 40 gsm newsprint from Resolute, which testified to its unsuccessful efforts to produce a saleable 40 gsm product from Southern Yellow Pine.⁹⁴ Bear Island also relied on Southern Yellow Pine and was not able to successfully produce newsprint below

⁸⁶ [] First Affidavit, ¶ 15 (Att. G).

⁸⁷ See, e.g., [] U.S. Purchasers' Questionnaire at III-15 (reporting that []).

⁸⁸ [] First Affidavit, ¶ 14 (Att. G).

⁸⁹ RISI, *Norpac offering lightest weight newsprint in market – 40 g – from Washington mill* (Dec. 16, 2014) (Ex. 2).

⁹⁰ [] U.S. Purchasers' Questionnaire at III-15.

⁹¹ [] First Affidavit, ¶ 10 (Att. G).

⁹² [] Affidavit, ¶ 16 (Att. E).

⁹³ *Id.* ¶ 17.

⁹⁴ Tr. at 285 (Mr. LaFave) (“{W}e’ve tried and decided not to produce the 40 {gsm product}.”).

45 gsm before it shut down;⁹⁵ even if Bear Island were to reopen, it would be unlikely to produce 40 gsm newsprint given such fiber supply. Indeed, []⁹⁶ Purchasers also cannot obtain 40 gsm newsprint from []⁹⁷ There is [] and no supply in the eastern United States, so newspapers have turned to Canadian supply.⁹⁸

5. Supply Shortage.

COMMISSIONER WILLIAMSON (p. 276): {To Gannett} And you also made reference to irrational shipment patterns in this period of time. And I was wondering to what extent can you document that and show me how we should take that into account in this case, post-hearing, of course.

CHAIRMAN JOHANSON (p. 267): Prices for newsprint have increased since the imposition of preliminary antidumping and countervailing subsidy tariffs on imports of Canadian uncoated groundwood paper. Do you believe that this increase is predominantly due to the tariff or to some other factor?

CHAIRMAN JOHANSON (p. 272): If less-efficient mills have been shutting down between 2015 and 2017, how has this impacted prices of paper?

Answer:

Newsprint prices have increased recently due to two supply shocks, leading to a persistent shortage of supply that began during the latter part of the POI and has since worsened.

First, a temporary supply shortage emerged as lumpy capacity reductions—which occurred when several large paper machines in the U.S. and Canada were closed or converted in 2016 and 2017—[

⁹⁵ Conf. Tr. at 127 (Mr. Lowder) (“The quality disadvantages at Bear Island were compounded by the recent trend towards lower basis weight papers. Given the fiber supply available, {Bear Island} cannot produce quality paper at a basis weight below 45 gram. And even our 45 gram basis weight paper was increasingly rejected by our customers.”).

⁹⁶ [] Second Affidavit, ¶ 10 (**Att. D**) (noting that []); [] Second Affidavit, ¶ 5 (**Att. F**).

⁹⁷ [] Affidavit, ¶ 17 (**Att. E**) (reporting that [

]).

⁹⁸ *See id.* at ¶ 17 (stating that [

]).

].⁹⁹ This type of temporary supply shortage typically resolves itself in the normal course, as demand for newsprint continues its secular decline.

The effects of such a temporary supply shortage were exacerbated by a second supply shock, the imposition of preliminary duties in this investigation. In response to this larger second shock, which has led to price spikes on the order of 30 percent, some newsprint purchasers made immediate cutbacks in consumption, by reducing the number of days for print distribution, the number of pages, and the web width (page width) of their newspapers.¹⁰⁰ Other purchasers may have short-term commitments that limit immediate changes. As soon as they can, however, newspapers will logically make further adjustments to reduce their consumption of newsprint.

Moreover, the Commission should not assume that a short-term willingness to pay “irrational” prices for newsprint to be shipped cross-country, such as Gannett’s Mr. O’Toole described at the Hearing, means that such purchasers are buying the same quantity of newsprint at those prices as they were buying before. As described in the News Media Alliance’s Prehearing Brief, a number of newspapers have already announced reductions in the frequency of their print distributions since the imposition of tariffs in this investigation,¹⁰¹ and even more newspapers have made similar announcements in the intervening weeks,¹⁰² while others have

⁹⁹ News Media Alliance Prehearing Brief, at 26-27.

¹⁰⁰ Tr. at 246 (Mr. Tash) (“After payroll, newsprint is our single biggest expense, and we are cutting back there too. Until last month, we published a free tabloid five mornings a week, but we cut that back to weekly, sharply curtailing a news source for tens of thousands of readers. In May, our newsprint consumption was down 19 percent from the previous year.”).

¹⁰¹ News Media Alliance Prehearing Brief at 19 and Exhibit 20.

¹⁰² See *The Daily Sentinel, Paper Prices Trigger Changes At the Sentinel* (July 15, 2018) (**Ex. 3**) (announcing that Monday and Tuesday editions of *The Daily Sentinel* in Grand Junction, Colorado will appear online only because “recently the U.S. imposed tariffs on Canadian paper in an effort to support an American paper mill”); *The Athens Messenger, Changes Coming to Weekend Messenger Print Schedule* (July 21, 2018) (**Ex. 4**) (noting that *The Athens Messenger* will combine its Saturday and Sunday editions because “the escalating costs of newsprint — due to the newsprint tariff and soon to be enacted tariff on aluminum printing plates — is increasing our cost to produce each print edition”); U.S. News, *Northern Nevada-Area Newspapers Reducing Print Editions* (July 3, 2018) (**Ex. 5**) (noting that, due to “tariffs on newsprint” and other factors, *The Nevada Appeal* in Carson City will publish only two days per week, rather than six; *The Record-Courier* in Gardnerville will publish only two days per week, rather than three; *The Lahontan Valley News* in Falon will publish only one day per week rather than two, and *Tahoe Daily Tribune* will publish only one day per week rather than three).

moved wholesale from print to digital,¹⁰³ or simply shuttered their operations.¹⁰⁴

In sum, (1) newsprint [], but (2) the extraordinary price spikes set off by preliminary duties in this investigation have already triggered permanent demand reductions beyond the long-term trend line, and those will only grow worse with time.

6. Bear Island.

COMMISSIONER SCHMIDTLEIN (pp. 291-292): Well at some point, enough capacity will go off or will come back on. In fact, I thought we heard this morning that Bear Island was going to start operating again.

MR. CHANG (ADDITIONAL QUESTION TO WHITE BIRCH): Bear Island is slated to be reopened later this year and Cascades Inc. will be investing \$275 million to open a pulp production facility in Hanover, Virginia. In his comments concerning the reopening, White Birch's CEO, Chris Brant, appears to suggest that Bear Island will continue to produce newsprint to provide continuity to customers in a market that is supply-deficient. However, Mr. Feldman noted in the hearing that Bear Island will be producing packaging paper in the reopened mill. What UGW paper products will the reopened plant produce? Which company will own the plant? Since some news reports suggest that price may have been a factor in the reopening of the plant, did the imposition of the preliminary tariffs have any role in White Birch's decision to reopen this plant?

Answer:

Since the Hearing, Cascades Inc. has issued a press release announcing its acquisition of the Bear Island mill and its intention to convert the mill to produce linerboard beginning in 2021.¹⁰⁵ According to Cascades' press release, White Birch will temporarily operate the site as a newsprint mill under a 27-month lease during the period prior to its conversion.¹⁰⁶

¹⁰³ The Columbus Dispatch, *Madison Press Newspaper in London to Drop Print Edition, Publish Online Only* (July 11, 2018) (announcing that the London, Ohio-based newspaper would publish online only due to, among other factors, "increases in the price of newsprint due to tariffs that began earlier this year") (Ex. 6).

¹⁰⁴ The Telegram, *Times-Journal Closes its Doors*, (July 27, 2018) (describing the closure of *The Jackson County Times-Journal* due to factors including "the ongoing tariff on newsprint") (Ex. 7).

¹⁰⁵ Cascades Inc., *Cascades Announces Acquisition of the Bear Island, Virginia Newsprint Mill and Plans to Convert Facility to Recycled Containerboard Production* (July 26, 2018) (Ex. 8).

¹⁰⁶ *Id.*

Thus, the only thing we know for certain about White Birch’s plans to produce newsprint at Bear Island is that, if such plans were to materialize, production will be for a maximum of 27 months. White Birch has not yet disclosed any concrete details such as when newsprint production will restart, what grade of paper it will produce, or whether it has secured a sufficient book of orders to justify restarting the paper machine.

News Media Alliance was able to collect information from members knowledgeable about Bear Island’s potential reopening and place it in the Commission’s record in the form of affidavits attached to this post-hearing brief. Consistent with Cascades’ press release, [] reported that [], after which [

].¹⁰⁷ The [

].¹⁰⁸

There seem to be clear business reasons for both White Birch and Cascades to be on board with a temporary reopening, regardless of this Petition; thus the imposition of the preliminary tariffs likely did not play much of a role in White Birch’s decision to reopen this plant, if any. From White Birch’s perspective, it can take advantage of a temporary tightening of supply in the newsprint market, which resulted from [

].¹⁰⁹ White Birch’s president & COO himself has said that Bear Island intends to provide “some relief from recent shortages in supply”, because “the market is in a temporary state of undersupply” albeit “the long-term trend for the consumption of newsprint is assuredly on the decline.”¹¹⁰ From Cascades’ perspective, [

].¹¹¹

Still, other reasons remain to consider the Bear Island reopening as purely speculative at this time. Given that a paper machine is not profitable unless it can achieve a high rate of capacity utilization, it would not make sense for White Birch to restart the mill unless it had

¹⁰⁷ [] Second Affidavit, ¶¶ 7, 9 (Att. D); [] Affidavit, ¶¶ 13, 14 (Att. E); [] Second Affidavit, ¶ 3 (Att. F).

¹⁰⁸ *Id.*

¹⁰⁹ *See* [] U.S. Purchasers’ Questionnaire Responses at III-12.

¹¹⁰ Area Development, *White Birch Paper Mill to Reopen Hanover Operations* (July 13, 2018) (Ex. 9).

¹¹¹ [] Second Affidavit, ¶ 7 (Att. D); [] Affidavit, ¶ 13 (Att. E).

enough orders to continuously run the paper machine on a near 24/7 basis.¹¹² That is why [

].¹¹³ Doubts of [] that Bear Island is likely to [

].¹¹⁴ Thus White Birch may be [

].¹¹⁵ [], because [

].¹¹⁶

In sum, there are several variables that put Bear Island’s reopening plans on shaky ground, but if they do restart newsprint production, it will be [

]. Given that demand for newsprint is in secular decline, and [] have resulted in the current temporary supply shortage, this scheme would make business sense— regardless of this Petition and the preliminary tariffs—for both White Birch and Cascades, if it were to materialize. However, at this point in time, any potential reopening of Bear Island remains far too speculative for the Commission to give it much weight in this investigation.

IV. Questions about Price

7. Price Leaders in the West.

COMMISSIONER WILLIAMSON (pp. 172-173): Okay, and post-hearing, could you also address the question of competition in the west and who might be sort of price leaders there and {...} the imports are,{or} domestic producers.

Answer:

Questionnaire responses and affidavits of News Media Alliance members indicate that [], and in particular that [] tend to be price

¹¹² Prehearing Report (Public Version) at VI-19.

¹¹³ [] Second Affidavit, ¶ 8 (Att. D).

¹¹⁴ [] Second Affidavit, ¶ 5 (Att. F); [], Second Affidavit, ¶ 10 (Att. D).

¹¹⁵ [] Second Affidavit, ¶¶ 11, 12 (Att. D); [] Affidavit, ¶¶ 17, 18 (Att. E). Regarding the increasing demand for 40 gsm newsprint, *see* response to Question 4 above.

¹¹⁶ [] Affidavit, ¶ 15 (Att. E).

leaders with respect to price *increases*. For example, [] stated that [], as did [], who reported that [] with price increases.¹¹⁷ [] likewise observed that [] while [] confirmed that [].¹¹⁸

Importantly, when it comes to price *decreases*, with respect to the market in the West in particular, numerous News Media Alliance members recognize [] as low-price leaders in the West. As [] of [] explains, [].¹¹⁹ Similarly, [] of [] reported that [], while [].¹²⁰

According to purchasers, [].¹²¹ Any price movements depend on [], with downward movement occurring only when [].¹²² Indeed, it is this basic principle of supply and demand that has caused []

[].¹²³ Thus NORPAC’s ability to [], nor would [], because [].¹²⁴

¹¹⁷ [] and [] U.S. Purchasers’ Questionnaire at III-29.

¹¹⁸ [] and [] U.S. Purchasers’ Questionnaire at III-29.

¹¹⁹ [] Affidavit, ¶6 (Att. C).

¹²⁰ [] Second Affidavit, ¶¶ 3, 4 (Att. D). []

].

¹²¹ *Id.* at ¶ 5.

¹²² *Id.* at ¶ 4; [] Affidavit, ¶ 5 (Att. C).

¹²³ [] Second Affidavit, ¶ 4 (Att. D).

¹²⁴ [] Affidavit, ¶ 8 (Att. C).

8. *Demand Elasticities and the Effect of Tariffs.*

COMMISSIONER SCHMIDTLEIN (pp. 259–60): Do you want to respond to the report that I believe the Petitioners put in the record, suggesting that due to the elasticities that {the imposition of tariffs} actually wouldn't cause a substantial drop {in demand}? At least that was the argument they made, that people who buy newspapers will go ahead and continue to buy them, even if they raise costs, even if newspaper publishers raise the cost or recover the cost?

Answer:

The “study” submitted by NORPAC does *not* show that newspaper readers will accept rising subscription prices without a meaningful diminution in subscription demand. Indeed, as the Charles River Associates study submitted by the News Media Alliance shows, and as confirmed by the actual experience of newspaper publishers, the opposite is true.

As an initial matter, NORPAC relies only on an *article* about a 2012 study to support its argument that newspapers can increase subscription rates without causing a substantial drop in their print subscribers. Counsel for the News Media Alliance requested a copy of the study from the consultancy firm that produced it, but was informed that the consultancy was unable to locate the report in its archives. Thus, there is no way to review or verify the study.

In any event, even NORPAC’s article describing the study makes clear that the study was looking only at large, high profile urban newspapers. The study did not consider whether smaller newspapers, which represent the vast majority of U.S. newspapers, had readership that was relatively insensitive to increases in subscription costs. As the Commission heard at the Hearing, Mr. Andrew Johnson—who publishes *The Dodge County Pionier* and two other weekly newspapers that are circulated to under 5,800 homes—held his breath when raising the annual subscription price of the *Dodge County Pionier* from \$39 to \$42 last year.¹²⁵ This subscription rate increase was the first one that Mr. Johnson had made in ten years, and he described any additional increase in subscription rates at this time as “suicide” for *The Dodge County Pionier*.¹²⁶ Mr. Paul Tash of the *Tampa Bay Times* similarly explained “the single biggest drag on subscribers propensity to renew is whether the price has increase{d} or not. In the higher price increase, the less likely it is that a subscriber will renew.”¹²⁷

In contrast with NORPAC’s unverifiable article/study, the News Media Alliance submitted with its prehearing brief a detailed empirical study of the effect of newsprint tariffs on U.S. demand and on the domestic UGW paper industry prepared by Dr. Peter Boberg of Charles River Associates. Petitioner’s economist, Mr. Klett, presented a brief, four-point critique of the CRA Report at the Hearing, but NORPAC’s criticisms of the CRA report are unconvincing and unfounded, and do nothing to undermine the ultimate conclusions of that report.

¹²⁵ Tr. at 242 (Mr. Johnson).

¹²⁶ Tr. at 242, 262 (Mr. Johnson).

¹²⁷ Tr. at 261 (Mr. Tash).

To begin, Mr. Klett claims that he was not able to replicate Dr. Boberg’s analysis, but fails to provide any record of his attempts to replicate Dr. Boberg’s analysis, or any of his own estimates that contradict those put forth by Dr. Boberg. Upon request, counsel for News Media Alliance provided to counsel for NORPAC a complete list of the data sources relied on by Dr. Boberg, most of which are publicly available at no charge. Several sources were publicly available for purchase, under licensing terms. For those data, counsel for News Media Alliance provided to NORPAC and placed on the Commission record a list of the precise data series purchased from each provider. Notwithstanding their knowledge that these are licensed data and that NORPAC could easily obtain them by purchasing them from the provider, NORPAC asked the Commission to require News Media Alliance to submit the data on the record – a request the Commission has, to date, not resolved. As an intellectual property rights enforcement agency, the Commission should view such a request with extreme caution. In any event, the two for-purchase data suppliers at issue are [] and [], both of which NORPAC relies on in its submissions in this investigation (including in Mr. Klett’s Slide 11 criticizing the CRA study). It is therefore not plausible that NORPAC lacked access to or the wherewithal to purchase the data needed to replicate Dr. Boberg’s analysis.

Turning to specific criticisms, Mr. Klett first objected to the CRA report’s reliance on a News Media Alliance survey regarding price effects of the tariffs imposed in this investigation.¹²⁸ In fact, the CRA report does not rely on survey responses, but rather uses survey responses to corroborate certain aspects of the economic analysis. Mr. Klett criticizes the survey question (which asked participants about newsprint price increases) because the question did not specify that such increases must be caused by the tariffs. Mr. Klett’s criticism makes sense only if there are factors other than the tariffs at work in the UGW paper market that are raising prices—something respondents have argued throughout the investigation and that NORPAC has consistently denied.

Second, Mr. Klett questioned the CRA report’s assumption that newsprint accounts for 20 percent of newspapers’ total operating cost.¹²⁹ Dr. Boberg did not have access to the Commission’s confidential record and could not use questionnaire data as the basis for his estimate of newsprint’s share in newspapers’ operating costs. In any event, even if substantially lower cost share figures were adopted, Dr. Boberg’s overall conclusions still stand. In the CRA report, cost share is used to assess the extent to which a newsprint price increase would reduce demand for newsprint through pass-through to newspaper prices.¹³⁰ This pass-through elasticity contributed only -0.13 percentage points to the estimated -1.5 elasticity of demand for newsprint. If the assumed cost share of newsprint is reduced from 20 percent to 10 percent of newspapers’ total operating costs, the estimated pass-through elasticity would fall only -0.065, and reduce the

¹²⁸ Tr. at 115 (Mr. Klett).

¹²⁹ *Id.*

¹³⁰ In brief, the larger is newsprint’s cost share, the higher is the likely pass-through of a newsprint price increase to subscription prices, and the greater is the reduction in demand for newspapers and, concomitantly, the greater is the reduction in demand for newsprint.

estimated elasticity of demand from -1.5 to -1.435. Such a small difference—only 0.065 percentage points—has no substantive impact on the conclusions of the CRA report.

Mr. Klett’s also criticizes the CRA report’s use of NBSK pulp prices on the grounds that “almost all US newsprint manufacturers are vertically integrated and they produce their own pulp from whole logs or wood chips.”¹³¹ In the CRA report, NBSK pulp prices are used as one of several instrumental variables; such variables are used to isolate price variations that are due to supply side factors exogenous to consumers’ demand. Without such instrumental variables, elasticity of demand may be underestimated (in magnitude), because changes in price can be driven by both changes in supply (which imply a negative relationship between consumption and price), and shifts in demand (which imply a positive relationship between consumption and price).

An instrumental variable correlates with price changes that occur due to changes in supply, and need not precisely measure any particular suppliers’ actual production costs. The NBSK pulp price satisfies this condition because, even if U.S. suppliers are integrated and produce their own pulp, newsprint prices are still highly correlated with NBSK pulp prices. Specifically, non-integrated mills will purchase at prices determined by the NBSK pulp price, and integrated mills face internal costs that are also highly correlated with the NBSK pulp price both because the pulp prices are correlated with the prices of logs they do purchase, and integrated manufacturers sell NBSK on the open market so that internal consumption bears an opportunity cost equal to the market price of pulp. Thus, the fact that US suppliers are integrated does not invalidate the use of the NBSK pulp price as an instrumental variable for purposes of estimating the elasticity of demand.

Furthermore, even if we take from Mr. Klett’s criticism that he believes the price of NBSK pulp is not highly correlated with the internal costs of an integrated US mill and therefore is a weak instrumental variable for purposes of estimating demand (something he has not made clear in his testimony or slides), his criticism would, if anything, imply that Dr. Boberg’s estimate is conservative. Use of weak instrumental variables may produce a smaller (in magnitude) estimate of the elasticity of demand.

Mr. Klett’s final criticism is that the CRA report “only covers newsprint and not high bright or book papers, which the staff report notes accounts for one-third of the U.S. uncoated groundwood market.”¹³² Mr. Klett fails to explain how this alleged criticism has any impact on the reliability of Dr. Boberg’s analyses, or the validity of Dr. Boberg’s conclusions. Even if Dr. Boberg’s conclusions applied to only newsprint, this analysis still requires the conclusion that tariffs would result in harm to three-quarters of the production of the industry that those tariffs are supposedly intended to protect.¹³³

¹³¹ *Id.* at 115–16 (Mr. Klett).

¹³² *Id.* at 116 (Mr. Klett).

¹³³ *See* Prelim. Det. (Public Version) at II-1 (“An estimated 75 percent of all UGW paper is currently classified as newsprint....”)

List of Attachments and Exhibits

No.	Description	Status
A	CRA Report	APO
B	Second Affidavit of [REDACTED]	APO
C	Affidavit of [REDACTED]	APO
D	Second Affidavit of [REDACTED]	APO
E	Affidavit of [REDACTED]	APO
F	Second Affidavit of [REDACTED]	APO
G	First Affidavit of [REDACTED]	APO
H	Affidavit of [REDACTED]	APO
1	Exhibits to the Testimony of Jennifer Lutz, Economic Consulting Services, Slide 2	Public
2	RISI, <i>Norpac offering lightest weight newsprint in market – 40 g – from Washington mill</i> (Dec. 16, 2014)	Public
3	The Daily Sentinel, <i>Paper Prices Trigger Changes At the Sentinel</i> (Jul. 15, 2018)	Public
4	The Athens Messenger, <i>Changes Coming to Weekend Messenger Print Schedule</i> (Jul. 21, 2018)	Public
5	U.S. News, <i>Northern Nevada-Area Newspapers Reducing Print Editions</i> (Jul. 3, 2018)	Public
6	The Columbus Dispatch, <i>Madison Press Newspaper in London to Drop Print Edition, Publish Online Only</i> (Jul. 11, 2018)	Public
7	The Telegram, <i>Times-Journal Closes its Doors</i> , (Jul. 27, 2018)	Public
8	Cascades Inc., <i>Cascades Announces Acquisition of the Bear Island, Virginia Newsprint Mill and Plans to Convert Facility to Recycled Containerboard Production</i> (Jul. 26, 2018)	Public
9	Area Development, <i>White Birch Paper Mill to Reopen Hanover Operations</i> (Jul. 13, 2018)	Public

PUBLIC VERSION

ATTACHMENT A

**Analysis of the Impact of Newsprint Tariffs on the
Newsprint Industry**

**Submitted on behalf of News Media Alliance
& Quad Graphics**

**by
Peter Boberg**

**Vice President
Charles River Associates**

July 3, 2018

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Exhibit 4 – Forecasted Monthly US Demand for Newsprint (With and Without Proposed Tariffs)

Exhibit 5 – Short Run Impact of Proposed Tariffs

Exhibit 6 – Long Run Impact of Proposed Tariffs

PUBLIC VERSION

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APPENDIX A: Curriculum Vitae

APPENDIX B: List of Sources and References

I. INTRODUCTION

1. My name is Peter Boberg and I am a vice president in the Antitrust and Competition Economics practice at Charles River Associates (“CRA”). CRA is an economic consulting firm headquartered in Boston, MA, that specializes in the application of economics to law and regulatory matters. I have been retained by counsel for News Media Alliance (“NMA”) and Quad Graphics to serve as an economics expert in the matter of uncoated groundwood paper (“UGW”) from Canada.

A. Qualifications

2. I hold a PhD in economics from the University of Michigan and a BA in Economics and Japanese from the University of Alberta.

3. I am an economist specializing in industrial organization and applied micro economics. Industrial organization economics is the study of the incentives and behavior of individual firms. Micro economics is the study of supply and demand and how industry prices and output levels are determined in equilibrium. During my PhD, I studied international trade economics, including the effects of tariffs. In my consulting, I frequently study the effects of mergers on firm behavior, analyzing the potential incentive for firms to raise price or reduce output following a merger. I have also frequently analyzed and estimated demand systems, including demand elasticities, and have often employed estimated demand systems to simulate the effects of mergers or of policy changes on the incentives, prices, output levels and profits of firms.

4. I have extensive experience analyzing the paper industry. I have frequently been retained by paper companies to assist in the economic analysis of the likely effects of mergers on pricing and output decisions before and during the antitrust review of mergers by the US Department of Justice, as well as antitrust agencies in other jurisdictions. I have conducted economic analyses, including the estimation of supply and demand, related to containerboard (liner and medium), coated and uncoated recycled board (“CRB” and “URB”), boxboard, pulp (NBSK, SBSK) and fluff pulp. In my consulting work, I have frequently employed a methodology known as the capacity closure model, which models the decisions of individual paper mills in response to changes in prices and costs, and which has been used by the

Department of Justice to analyze the effects of mergers in the newsprint industry and other paper product industries.

5. My curriculum vitae is attached to this report as Appendix A.

B. Assignment

6. I have been asked by counsel for NMA and Quad Graphics to assess the price, supply and demand for newsprint in the US and to estimate the likely impact of US tariffs against imports of UGW papers from Canada on the U.S. industry producing such paper.

C. Summary of Opinions

7. Uncoated groundwood papers are primarily used to produce newsprint in North America. The newsprint industry is in systemic decline due to steeply and continuously declining demand for printed news media. As a result, it is unlikely that tariffs could produce much, if any, economic relief to newsprint producers. In fact, I find that tariffs will likely have a deleterious effect on newsprint producers by accelerating the downward financial spiral of the newspaper industry and thereby hastening the decline in demand for newsprint. While tariffs may create limited immediate profit gains to newsprint producers due to higher prices in the US for newsprint, any such gains will be eroded quickly as consumers of newsprint and Canadian suppliers adjust to higher US prices, putting downward pressure on price and, ultimately, reducing demand for US newsprint output. Higher newsprint prices due to tariffs will force newspaper publishers to raise subscription prices, leading to reduced circulation and concomitantly reduced demand for newspaper advertising. This, in turn, will hurt newsprint manufacturers by permanently reducing demand for newsprint and depressing prices for newsprint.

8. The imposition of tariffs against Canadian imports of UGW will lead to substantial increases in the price of newsprint in the US in the immediate term. I estimate that the proposed tariffs could raise US prices by as much as [■] percent, or \$193 per metric ton, relative to their pre-tariff levels. My estimates are consistent with evidence from a survey of newspaper publishers in which around 40 percent of respondents reported experiencing price increases greater than 15 percent. Applying this estimated price increase to total newsprint consumption over 2017 shows that the value of the price increase from the tariff in terms of higher costs of

newsprint to printers and newspaper publishers is on the order of [REDACTED]. The price effects of the tariffs are likely to moderate over time as consumers reduce their demand and some Canadian and US producers increase their supply in response to the tariffs. I estimate that the longer-run impact of the tariffs on price is likely to be an increase on the order of 12 percent.

9. As a result of higher prices due to tariffs, US output will decline. While the demand for newsprint is relatively inelastic in the very short run so that US output is likely to expand initially as a result of the tariffs, high prices will inevitably and quickly result in declining demand as consumers adjust to the higher prices by reducing their consumption of newsprint. For example, newspaper publishers may reduce the number of printed pages in a newspaper, reduce the number of circulation days or rely on lighter weight papers. In addition, they may pass on the higher cost of newsprint to readers in the form of higher prices leading to reduced circulation. Finally, some printers and publishers may find that cost increases and reduced demand by readers in response to higher prices due to the tariffs reduce their profits sufficiently to shut down. I estimate the elasticity of US demand for newsprint with respect to price to be around -1.5, which indicates somewhat elastic demand, consistent with the fact that newsprint is a declining industry.

10. The impact of declining demand due to the tariffs will likely fall on US producers of newsprint rather than Canadian producers. In response to high US prices due to the tariffs, Canadian firms that face low individual tariffs will continue to sell into the US and will have an incentive to expand their sales into the US, replacing sales by Canadian firms that face high tariffs. In addition, the continued strengthening of the US dollar relative to the Canadian dollar since the imposition of the tariffs will create a stronger incentive for Canadian firms to sell into the US. US firms, which are primarily located in the Pacific Northwest, are also relatively disadvantaged by high transportation costs with respect to markets served by many Canadian firms subject to the preliminary tariffs.

11. While tariffs may lead to limited immediate output gains, those gains will be quickly eroded as consumers and producers respond to higher prices. I estimate that the proposed tariffs will ultimately reduce US output by as much as 343,000 metric tons annually, or approximately [REDACTED] percent of the US output at its pre-tariff levels. Some of this output reduction is likely to be

borne by NORPAC's Longview PM1 mill, which recently temporarily re-opened after closing earlier in 2017. However, even if Longview, which has the capacity to produce as much as about [REDACTED] metric tons of newsprint, were to close, there would still need to be additional closures of US mills to satisfy the reduction in demand by consumers brought about by higher prices due to the tariffs. Translating these output effects of the tariff into employment terms, I estimate that the long-run effect of the tariffs on employment in the US newsprint industry would likely be a headcount reduction of around [REDACTED].

12. In short, tariffs are likely to harm rather than help US newsprint producers, and will likely to lead to capacity closures and reduced employment in the newsprint industry. In particular, idled US capacity that has temporarily re-opened in response to the initial increase in prices following imposition of the tariffs, will be re-idled or closed. Furthermore, because newsprint is a declining industry with no prospect for a reversal in that trend, the tariffs will not create any sustained incentive for US firms to invest in capacity expansion or improvements.

13. My opinions in this report are based on my general expertise in economics and my specific expertise in the paper industry, as well as on my analysis of documents provided by the parties in this matter and information from public sources.

II. CASE BACKGROUND AND NEWSPRINT INDUSTRY OVERVIEW

A. Overview of the Case in Front of the USITC

14. On August 9, 2017, North Pacific Paper Company ("NORPAC") filed petitions with the US Department of Commerce ("ITA" or "Commerce") and the US International Trade Commission ("USITC" or "Commission") alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of UGW from Canada that are sold in the United States at less-than fair value and subsidized by the government of Canada.¹

15. The merchandise covered in this investigation is certain paper that has not been coated on either side and with 50 percent or more of the cellulose fiber content consisting of groundwood pulp, including groundwood pulp made from recycled paper, weighing not more

¹ USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.I-1.

than 90 grams per square meter. Groundwood pulp includes all forms of pulp produced from a mechanical pulping process, such as thermos-mechanical process (“TMP”), chemi-thermo mechanical process (“CTMP”), bleached chemi-thermo mechanical process (“BCTMP”) or any other mechanical pulping process. The scope includes paper shipped in any form, including but not limited to both rolls and sheets.²

16. Certain uncoated groundwood paper includes but is not limited to standard newsprint, high bright, book publishing, and printing and writing papers. The scope also includes paper that is white, off-white, cream, or colored. Of these, newsprint is the largest product category, accounting for 75 percent of volume of sales in the US in 2017.³ In this report, I focus my analysis on newsprint.

17. Specifically excluded from the scope are imports of certain uncoated groundwood paper printed with final content of printed text or graphic. Also excluded are papers that otherwise meet this definition, but which have undergone: 1) a supercalendering process; or 2) a creping process over the entire surface area of the paper. Also excluded are: 1) uncoated groundwood construction paper and uncoated groundwood manila drawing paper in sheet or roll format; and 2) uncoated groundwood directory paper.⁴

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

² USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, pp.I-8-I-9.

³ USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.II-1.

⁴ International Trade Administration, US Department of Commerce, Fact Sheet, Commerce Preliminarily Finds Dumping of Imports of Uncoated Groundwood Paper from Canada, March 13, 2018.

provided for convenience and customs purposes, the written description of the merchandise is dispositive.⁵

19. These HTSUS subheadings also contain other products outside the scope of these investigations. In 2017, the general rate of duty for all of these HTSUS subheadings was “free.”⁶

20. On September 22, 2017, The Commission determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of UGW paper from Canada.⁷ On January 16, 2018 Commerce published its preliminary determination that countervailable subsidies are being provided to producers and exporters of UGW, based on a period of investigation of January 1, 2016 through December 2016.⁸ On March 19, 2018 Commerce published its notification of its determination that UGW from Canada, is being, or is likely to be, sold in the United States at less than fair value.⁹ Commerce is scheduled to make its final determinations on August 1, 2018.

B. Preliminary UGW Duties

21. Commerce published its preliminary countervailing investigation results on January 16, 2018. The following table provides Commerce’s preliminary estimated subsidy rates:

Company	Ad valorem, subsidy rate (percent)
Catalyst Paper Corporation	6.09
Kruger Trois-Rivieres	9.93
Resolute FP Canada	4.42
White Birch Paper Canada Company NSULC	*0.65
All Others	6.53

⁵ International Trade Administration, US Department of Commerce, Fact Sheet, Commerce Preliminarily Finds Dumping of Imports of Uncoated Groundwood Paper from Canada, March 13, 2018.

⁶ USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.I-9.

⁷ USITC, USITC Votes to Continue Investigations on Certain Uncoated Groundwood paper from Canada, News Release 17-132, September 22, 2017.

⁸ Certain Uncoated Groundwood Paper from Canada: Preliminary Affirmative Countervailing Duty Determination, and Alignment of Final Determination With Final Antidumping Duty Determination, 83 FR 2133, January 16, 2018, pp.2133-2135.

⁹ Certain Uncoated Groundwood Paper from Canada: Preliminary Affirmative Determination of Sales at Less than Fair Value, Postponement of Final Determination, and Extension of Provisional Measures, 83 FR 11960, March 19, 2018, pp.11960-11963.

*de minimis

22. These rates went into effect on January 16, 2018. Commerce has instructed U.S. Customs and Border Protection (“CBP”) to apply these rates to any subject product entered, or withdrawn from warehouse, for consumption on or after January 16, 2018. Since the subsidy rate for White Birch is *de minimis*, product from this company is not subject to any additional duties.

23. Commerce published its preliminary dumping investigation results on March 19, 2018. The following table provides Commerce’s preliminary estimated weighted-average dumping margins:

Exporter/producer	Weighted-average dumping margin (percent)
Catalyst Paper and Paper Sales, Inc./Catalyst Paper General Partnership	22.16
Resolute FP Canada Inc./Donohue Malbaie Inc.	0.00
White Birch Paper Canada Company/Papier Masson WB LP/ FF Soucy WB LP/Stadacona WB LP	0.00
All Others	22.16

24. These rates were effective March 19, 2018. Commerce instructed CBP to apply these rates to any subject merchandise that entered or was withdrawn from warehouse, for consumption on or after March 19, 2018. Commerce directed CBP not to suspend liquidation of entries of subject merchandise produced and exported by Resolute and White Birch. Entries of shipments of subject merchandise from Resolute and White Birch in any other producer/exporter combination, or by third parties that sourced subject merchandise from the excluded producer/exporter combinations, are subject to the provisional measures at the all other rate.

C. Brief Overview of the Current State of Newsprint in the US

25. Newsprint is a low quality UGW paper designed exclusively for newspapers and similar publications that are commonly disposed of within a day. End-uses of newsprint include newspapers, newspaper inserts, advertising circulars and coupon flyers. Newsprint can differ in quality in respect to features like runnability, printability, and brightness. Newsprint ranges in weight between 40 grams per square meter (“gsm”) and 48.8 gsm, with 45 gsm newsprint

comprising the majority of newsprint consumed in the US.¹⁰ Newsprint, like other paper products, has experienced a trend toward lighter weights. While 45 gsm newsprint is generally regarded as standard weight, previously standard weight was 48.8 gsm, and lighter weights such as 43 gsm and 40 gsm are growing in share of consumption.¹¹ Brightness levels generally range from 56 to 62.¹² Standard newsprint can be white, off-white, or colored. Direct consumers of newsprint usually receive the product in large rolls on a relatively frequent basis, regardless whether domestically produced or imported.

26. Newsprint is a declining industry. Demand for newsprint has fallen steadily for at least the last 17 years largely as a result of declining demand for print media. Between 2010 and 2017, US demand for newsprint declined from [REDACTED] metric tons to [REDACTED] metric tons or by [REDACTED] percent ([REDACTED]% CAGR).¹³ Most recently, between 2015 and 2017, US demand declined [REDACTED] percent ([REDACTED]% CAGR) and in the first three months of 2018, the most recent data available, demand declined by [REDACTED] percent relative to the same three months of 2017.¹⁴

27. Declining demand has led to a sustained contraction of supply as newsprint manufacturers either shutter capacity or convert capacity to alternative uses such as medium or liner for containerboard, which is expanding due to increased demand from online retailers, or tissue paper. In the United States for example, Bear Island shut down its mill in Ashland, Virginia in June 2017 citing quality problems and high costs relative to other White Birch facilities.¹⁵ Resolute shut down a paper machine at its Augusta facility in May 2016 and has closed two paper machines in the third quarter of 2017 and converted a third machine to tissue

¹⁰ USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.I-12.

¹¹ USITC, *Uncoated Groundwood Paper from Canada*, Prehearing Report, June 22, 2018, p.III-15.

¹² USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017. p.I-12.

¹³ Calculations based on RISI data.

¹⁴ Calculations based on RISI data.

¹⁵ USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, “Views of the Commission”, p.17.

production at its Calhoun, Tennessee facility.¹⁶ Four Canadian producers also reported plant closures for UGW production.¹⁷

28. In aggregate, over the 2015-2017 period, US capacity declined from [REDACTED] metric tons to [REDACTED] metric tons or by [REDACTED] percent ([REDACTED]% CAGR).¹⁸ The decline in US capacity has been a long-run, sustained phenomenon. Between 2010 and 2015, US capacity declined from [REDACTED] metric tons to [REDACTED] metric tons or by [REDACTED] percent.¹⁹

29. These patterns of declining demand and supply are also observed outside of the US. Canadian producers' capacity declined from [REDACTED] metric tons to [REDACTED] metric tons or by [REDACTED] percent during the 2015-2017 period and between 2010 and 2015, from [REDACTED] metric tons to [REDACTED] metric tons or by [REDACTED] percent.²⁰ Excluding North America, global newsprint demand fell an average of [REDACTED] percent or [REDACTED] metric tons in 2011-2015 and accelerated to [REDACTED] percent or [REDACTED] metric tons in 2014-2015.²¹ In 2016 alone, global demand fell [REDACTED] percent.²² Correspondingly, the rest of the world's capacity has also been declining. Rest-of-world capacity declined [REDACTED] percent between 2015 and 2017 and [REDACTED] percent between 2010 and 2015.²³

30. As can be seen by comparing the level of US demand and US domestic capacity to produce newsprint, imports are required to meet US demand. Canada is the largest supplier of newsprint to the U.S. market. Canada accounts for nearly all U.S. imports of newsprint. Between 2010 and 2017, imports have declined from 2.3 million metric tons to 1.7 million metric tons or by 24.1 percent.²⁴ Between 2015 and 2017, imports from Canada to the US

¹⁶ Resolute Forest Products Inc. Form 10-K dated March 1, 2018.

¹⁷ USITC *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.VII-4.

¹⁸ Calculations based on RISI data.

¹⁹ Calculations based on RISI data.

²⁰ Calculations based on RISI data.

²¹ RISI, "Newsprint" in *North American Graphic Paper Forecast*, vol. 17, No. 3, 2017, p.41.

²² RISI, "Newsprint" in *North American Graphic Paper Forecast*, vol. 17, No. 2, 2017, p.41.

²³ Calculations based on RISI data.

²⁴ USITC Dataweb, HTSUS codes 4801000020, 4801000120, 4801000040, 4801000140.

declined 13.4 percent and during the first quarter of 2018 they declined by 1.0 percent.²⁵ Seven firms produce and/or export UGW paper from Canada.²⁶ These firms are Resolute FP Canada, Irving Paper Limited, Tembec, Catalyst Paper Corporation/Catalyst Pulp and Paper Sales Inc, Kruger Inc., White Birch Paper Canada Company NSULC, and Alberta Newsprint Company. In 2016, these companies were reported to hold a combined production capacity of 4.5 million metric tons annually and combined produced 4.2 million metric tons.²⁷ According to USITC data, these firms exported 55.2 percent of their 2016 production to the United States.²⁸

31. The largest driver of demand for newsprint is newspapers. Print newspaper circulation has been declining since the 1990s as demand has increasingly shifted toward electronic media. Since 2005, the improvement and increasing availability of portable internet service has accelerated the rate of decline in printed news. Between 2008 and 2016, total circulation (digital and print) of US weekly dailies declined by an estimated 40.2 percent (-4.1% CAGR), Sunday editions by an estimated 29.9 percent (-3.2% CAGR).²⁹ Total circulation of alternative weeklies declined by 29.3 percent (-8.3% CAGR) during the 2012-2016 period.³⁰

32. As a result of declining demand for print media, advertisers have increasingly turned to advertising via electronic media, resulting in a decline in demand for print advertising, particularly newspaper advertising, and, consequently, lower prices for advertising through print media. Between 2008 and 2016, for example, total newspaper advertising revenue (print and digital) declined an estimated 51.7 percent (-8.7% CAGR).³¹ Digital ad revenues are not growing as fast as the decline in print ad revenue.³² Part of the difficulty in attracting online

²⁵ USITC Dataweb, HTSUS codes 4801000020, 4801000120, 4801000040, 4801000140.

²⁶ USITC *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.VII-3.

²⁷ USITC *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.VII-5.

²⁸ USITC *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.VII-3.

²⁹ Pew Center for Research Data.

³⁰ Pew Center for Research Data. For Alternative weeklies, data only available for 2012-2016.

³¹ Pew Center for Research Data.

³² Suzanne Vranica and Jack Marshall, "Plummeting Newspaper Ad Revenue Sparks New Wave of Changes", *wsj.com*, Oct 20, 2016, <https://www.wsj.com/articles/plummeting-newspaper-ad-revenue-sparks-new-wave-of-changes-1476955801>

advertisement is the dominance of Google and Facebook in the digital ad space. Google and Facebook account for over 60 percent of digital advertisement in 2017.³³ The decline in circulation demand coupled with the decline in demand for newspaper advertising has left newspaper publishers with few options. Many have cut costs by reducing the frequency of publication, reducing page counts, reducing page size, cutting staff and shifting to lighter basis weight papers. The New Orleans *Times Picayune*, the Birmingham News, the Huntsville Times, and the Press Register in Mobile are examples of papers reducing the number of publication days.³⁴ In December 2008, the *Detroit Free Press* and *The Detroit News*, announced the reduction of home delivery days to Thursday, Friday and Sunday and scaled-down print versions for the rest of the week.³⁵ On February 3, 2018, the Decatur Daily (an Alabama newspaper) announced that it will no longer produce print versions on Saturdays and Mondays, beginning March 5, 2018, citing rising costs of newsprint and changes in reader habits.³⁶

33. However, newspapers have also found it necessary to raise newspaper subscription prices in an attempt to offset losses. While circulation has been declining rapidly, circulation revenues have been stable or increasing slightly since 2012 as publishers have raised subscription rates.³⁷ However, the increase in circulation revenues has been more than offset by declining advertising revenues leading to declining overall revenues for newspapers.

34. This pattern creates a downward financial spiral from which there seems to be no escape—reduced circulation creates lower advertising demand and revenues, which leads newspaper publishers to raise subscription prices, which in turn further reduces circulation. This

³³ eMarketer Inc, “Google and Facebook Tighten Grip on U.S. Digital Ad Marketing”, Sept 21, 2017, <https://www.emarketer.com/Article/Google-Facebook-Tighten-Grip-on-US-Digital-Ad-Market/1016494>

³⁴ Steve Myers, “Times-Picayune to publish three days a week, cut staff”, May 24, 2012, <https://www.poynter.org/news/times-picayune-publish-three-days-week-cut-staff>; Associated Press, *3 Alabama newspapers drop daily circulation*, Times Daily.com, May 25, 2012

³⁵ National Public Radio, Inc., “Detroit Newspapers Cut Back Home Delivery,” December 16, 2008. <https://www.npr.org/templates/story/story.php?storyId=98348242>

³⁶ Waaytv.com, “Decatur Daily cutting paper editions 2 days a week”, posted February 3, 2018, <http://www.waaytv.com/content/news/Decatur-Daily-cutting-paper-editions-2-days-a-week-472526073.html>

³⁷ Pew Center for Research, “Despite subscription surges for largest US newspapers, circulation and revenue fall for industry overall”, June 1, 2017, Pew Center for Research, <http://www.pewresearch.org/fact-tank/2017/06/01/circulation-and-revenue-fall-for-newspaper-industry/>

financial spiral has led to a dramatic shrinking of the newspaper industry with numerous newspapers declaring bankruptcy and/or closing. The Journal Register Company declared bankruptcy in 2009 and 2012.³⁸ The owners of *The Philadelphia Inquirer* and *The Philadelphia Daily* filed for bankruptcy in 2009 as did *The Minneapolis Star Tribune*.³⁹ The *Boston Herald* declared bankruptcy in 2017.⁴⁰ The Charleston Gazette-Mail in West Virginia declared bankruptcy in 2018.⁴¹ The *Cincinnati Post* ceased publication in 2007, and the *Rocky Mountain News* serving Denver stopped publishing in 2009.⁴² Small town papers have been particularly susceptible to the downward financial spiral. The *Malden Evening News* and *Medford Daily* in Massachusetts shut down in January 2017 after almost 140 years of continuous publication. Issaquah Press Group located in Washington, announce the shutdown of *The Issaquah Press*, the *Sammamish Review*, the *SnoValley Star* and the *Newcastle News* in February 2017. Also in February 2017, the *Calhoun Times*, a weekly paper in South Carolina, ceased publication after 124 years in business. Alternative weekly papers such as the *Boston Phoenix*, the *Providence Phoenix*, the *San Francisco Bay Guardian* and the *Philadelphia City Paper* have all ceased publication.⁴³

35. In turn, this implies that the newsprint industry is facing a secular decline in demand from which there is unlikely to be any recovery. Indeed, newsprint demand is forecasted to

³⁸ Joshua Benton, “Journal Register Co. declares bankruptcy...again: Is this the industry’s first real reboot?”, Niemanlab.org, September 5, 2012, <http://www.niemanlab.org/2012/09/journal-register-co-declares-bankruptcy-again-is-this-the-industrys-first-real-reboot/>

³⁹ Richard Perez-Pena, “Philadelphia Newspapers Seeking Bankruptcy,” *Nytimes.com*, February 22, 2009, <https://www.nytimes.com/2009/02/23/business/media/23philly.html>

⁴⁰ Douglas A. McIntyre, “Boston Herald: Another American Paper Goes Bankrupt”, *247wallstreet.com*, December 9, 2017, <https://247wallst.com/media/2017/12/09/boston-herald-another-american-paper-goes-bankrupt/>

⁴¹ Steven Mufson, “A West Virginia newspaper is in bankruptcy. The powerful coal industry celebrates.”, *The Washington Post*, February 16, 2018, https://www.washingtonpost.com/business/economy/a-west-virginia-newspaper-is-in-bankruptcy-the-powerful-coal-industry-celebrates/2018/02/16/f0e3d4e4-085c-11e8-8777-2a059f168dd2_story.html?noredirect=on&utm_term=.5c19045f4f1a

⁴² Richard Perez-Pena, “Rocky Mountain News Fails to Find Buyer and Will Close,” *Nytimes.com*, February 26, 2009, <https://www.nytimes.com/2009/02/27/business/media/27paper.html> and *Nbcnews.com*, “Cincinnati Post stops the press after 126 years”, updated December 31, 2007. http://www.nbcnews.com/id/22452666/ns/business-us_business/t/cincinnati-post-stops-press-after-years/#.WzKe-IWcGUK

⁴³ Daniel C. Vock, “The Biggest Victim of Weekly Newspapers’ Demise: Good Government”, *governing.com*, December 2015, <http://www.governing.com/topics/politics/gov-alternative-weeklies-demise.html>

continue to decline at an average annual rate of [] percent over the period 2018 through 2022,⁴⁴ despite a growing economy that may help slow the decline in demand for print advertising.

36. Five US producers account for the vast majority of US production of UGW, and therefore newsprint, during the 2015-2017 period. These firms are: NORPAC, located in Longview, Washington, Ponderay Newsprint in Usk, Washington, Inland Empire Paper Company in Spokane, Washington, Resolute with mills in Augusta, Georgia, Calhoun Tennessee, and Grenada, Mississippi, and Bear Island in Ashland, Virginia.⁴⁵ Three of the US producers are related to Canadian producers: Resolute, Bear Island and Ponderay, which is a joint venture between Resolute and several large publishing companies including McClatchy, Media News and Gannett.⁴⁶

37. This provides the context for analyzing the effects of the proposed tariffs.

III. NEWSPRINT AND THE ECONOMICS OF TARIFFS

A. Economic Effects of Tariffs

38. As noted above, the spiraling decline of the newsprint industry is driven fundamentally by declining demand for newspapers. As a result, it is unlikely that tariffs could produce much, if any, economic relief to newsprint producers. In fact, it is likely that tariffs will have a deleterious effect on newsprint producers by accelerating the downward financial spiral of the newspaper industry and thereby hastening the decline in demand for newsprint. While there may be limited immediate profit gains to newsprint producers due to higher prices in the US for newsprint, any such gains would dissipate quickly and, in the context of the spiral of declining demand for newsprint, higher prices will translate quickly into reduced demand for US output and downward pressure on prices. Higher newsprint prices due to tariffs will force printers and

⁴⁴ RISI, "Newsprint" in *North American Graphic Paper Forecast*, vol. 17, No. 3, 2017, p.40.

⁴⁵ USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, p.III-1 and RISI

⁴⁶ USITC, *Uncoated Groundwood Paper from Canada*, Publication 4732, October 2017, III-2 and Becky Kramer, "Efforts to save Ponderay Newsprint plant lead to lawsuit settlement", *The Spokesman-Review*, Updated Monday, February 12, 2018, 7:10pm. <http://www.spokesman.com/stories/2018/feb/12/efforts-to-save-ponderay-newsprint-plant-lead-to-s/>

publishers either to raise prices, or cut costs by cutting output, or both. Raising prices would depress demand leading to lower demand for advertising. This, in turn, will hurt newsprint manufacturers by permanently reducing demand for newsprint and depressing prices for newsprint.

39. The economic effects of tariffs are well understood. When tariffs are put in place on a product, imports of that product become more expensive. This allows domestic producers to raise price and thereby increase profits. However, at higher prices, consumers will demand less output, which has an offsetting effect on domestic producers' profits. If the reduction in demand from higher prices is large enough, and if the impacts of declining demand are borne by domestic producers, then the net effect of a tariff on domestic producers could be negative, so that domestic producers are worse off with a tariff than without a tariff, despite the higher price they are able to charge. Thus, a key factor in determining whether tariffs will be harmful or helpful is the elasticity of demand. The more elastic is demand, the less likely tariffs will be helpful to the domestic industry.

40. This may initially seem counter-intuitive as domestic producers would presumably set their output levels and prices to maximize their profits. Therefore, if it were in their interest to restrain their pricing after the imposition of a tariff, and instead simply expand output to take share from imports, they could presumably do so. However, there are several reasons that this is not likely to be the case for newsprint.

41. First, individual US producers will not likely internalize the effects of their output or pricing decisions on demand, and will have a short-term incentive to raise price by as much as they are able, given the tariff. In particular, relatively high cost US producers that previously closed down due to competition from imports will seek large price increases to reopen idled or closed capacity.

42. Second, US producers of newsprint will not likely internalize the accelerating and permanent effect that any price increases will have on demand. In the short-run, US printers and newspaper publishers will be seeking supply to replace high-tariff Canadian imports and will be willing to pay a relatively high price. However, if printers and publishers cannot secure

replacement supply at sufficiently favorable prices, they may reduce their demand for newsprint permanently by reducing days of circulation, reducing page counts or by shutting down.

43. In the context of the downward economic spiral of US newspaper publishers, tariffs may then lead to so great a reduction in demand that US newsprint producers are made worse off with the tariffs than without the tariffs. While US newsprint producers may profit from a higher price initially, the hastening of the decline in demand will ultimately make them worse off. This means that the tariff will lead, ultimately, to lower, not higher, levels of output and employment, than would have been the case without the tariffs in place.

44. The magnitude of a tariff's impact will also depend on the size of the tariff and the volume of affected commerce. If the tariff is small, or is applied to a small volume of imports, then its overall effects are likely to be small and any benefits to domestic producers will, in turn, be small. In the case of newsprint, the tariff has been applied unevenly so that its full effects are borne only by a small amount of Canadian production capacity, while the vast majority of Canadian production capacity will, under the proposed tariffs, experience a small or *de minimis* tariff amount. As a result, the tariffs cannot be expected to produce much benefit for US producers. Furthermore, the tariffs, perversely, will give Canadian producers facing low individual tariff rates an incentive to increase their sales to the US to take advantage of higher price levels in the US. This makes it more likely the tariffs will, ultimately, harm US producers, rather than helping them.

45. The proposed tariffs against newsprint from Canada are also more likely to result in harm to US producers because of the strengthening of the US dollar against the Canadian dollar. As the US dollar becomes stronger, Canadian imports become relatively cheaper, offsetting, at least to some extent, the effects of the tariffs. Particularly for Canadian firms that face small proposed tariffs, a more favorable exchange rate, together with higher nominal prices in the US relative to other markets due to the tariffs, will provide an incentive for those firms to expand their sales into the US. US firms, which are overwhelmingly located in the Pacific Northwest, are also relatively disadvantaged in terms of production and transportation costs, in attempting to sell to geographic areas served by Canadian imports.

46. To assess empirically the effect of the tariffs on prices, I use standard econometric techniques that have been used previously in the paper industry to analyze the demand and supply of newsprint in the US. I estimate the elasticity of demand for newsprint, both in the short-run, and over a longer-run period, to capture the potential for tariffs to worsen the economic decline of the newspaper and newsprint industries. I combine the estimate of demand with a standard model of supply that is frequently used in analyzing the effects of mergers in the newsprint and other paper industries. Combining estimates of demand and supply I am able to provide an assessment of the extent to which the imposition of tariffs will raise prices and reduce output, and thereby determine whether tariffs will likely have a net positive or negative effect on the industry as a whole.

B. Survey and Anecdotal Evidence on the Effects of the Tariffs

47. Before turning to my empirical analysis, I first examine evidence from a survey of US newspaper publishers, as well as other evidence in the record, to understand the initial effects of the tariff on prices and output decisions. What I observe is consistent with my own analysis and corroborates the evidence I develop from my econometric analysis.

48. The NMA has conducted a survey of 90 newspaper publishers representing over 200 newspapers concerning the effects of the recent tariffs on their operations.⁴⁷ Survey responses were collected over the period March-April of 2018, after implementation of the tariffs. The responses provide clear evidence that the tariffs have had a large and immediate effect on prices paid by newspaper publishers for newsprint, and that newspaper publishers have already begun responding to higher prices due to the tariffs by reducing their demand for newsprint.

49. Fully 97 percent of respondents have reported experiencing price increases for newsprint since the summer of 2017 due to the tariffs. Of those, 50 percent reported price increases between 5 and 15 percent and 41 percent reported price increases greater than 15

⁴⁷ News Media Alliance Newsprint Price Survey 2018, April 4, 2018, <https://www.surveymonkey.com/results/SM-RGT89SRKL/>

percent. In addition, 70 percent of respondents have reported supply difficulties since summer 2017.⁴⁸

50. Seventy-five percent of the survey respondents reported reducing consumption of newsprint through some means in response to the tariffs. Of those, roughly a quarter reported reducing their consumption of newsprint by 10 percent or more, and roughly half reported reducing their consumption of newsprint by 5-10 percent. The primary means of reducing consumption included reducing employment, reducing the number of pages printed, reducing days of publication and reducing the basis weight of newsprint. This was particularly true for respondents representing small and medium sized papers.⁴⁹

51. The NMA survey evidence is consistent with evidence from other sources. Based on data from RISI, a third-party publisher of data on newsprint and other paper and wood product industries, the price of 45 gsm newsprint rose by [] percent over the first three months after the announcement of the USITC's finding of material injury, and a further [] percent in the first three months of 2018.⁵⁰

52. Reactions to the tariffs in public statements by newspapers also confirm the findings of the NMA survey. Bill Rogers, the Executive Director of the South Carolina Press Association stated "It's going to affect every newspaper in South Carolina. Some of the smaller papers might not be able to make it. They might fold. The bigger papers may cut pages or days. It could mean staffing cuts and newspapers have already had staffing cuts. This is a danger to the newsprint industry in South Carolina and across the country."⁵¹ Matt Davison, the publisher of the Idaho Press-Tribune indicated that "newsprint is a big expense, so any increases probably will force the paper to consider 'an immediate reduction in publication days' to 'keep the lights

⁴⁸ News Media Alliance Newsprint Price Survey 2018, April 4, 2018, <https://www.surveymonkey.com/results/SM-RGT89SRKL/>

⁴⁹ News Media Alliance Newsprint Price Survey 2018, April 4, 2018, <https://www.surveymonkey.com/results/SM-RGT89SRKL/>

⁵⁰ Calculations based on RISI data.

⁵¹ Stephanie Jadrnicek, "Like your local newspaper? Tariffs on Canadian newsprint could make it go away", *heardonline.com*, May 10, 2018, updated May 15, 2018, <http://www.heardonline.com/latest-news/article209643214.html>

on’.”⁵² Ralph Baldwin, publisher of the *Cleveland Daily Banner* in Tennessee, reported that the paper has seen five price increases since September 2017 and that its price for newsprint will be 22 percent higher in May 2018 than last September.⁵³ John Synder, CEO of PAGE, a cooperative of small to mid-sized newspapers, noted that several Canadian companies began raising prices even before the tariffs were imposed. He said that Resolute, the largest supplier to the cooperative, raised prices in October 2017 by \$80 per ton. He was expecting an additional price increase of \$44 per ton to take place during the July-August period.⁵⁴ In March, Jennifer Bertetto, President and CEO of Trib Total Media LLC reported that since January, newsprint prices have increased 25 percent or \$216 per ton with price increases announced for April and May.⁵⁵

IV. EMPIRICAL ANALYSIS OF THE IMPACT OF TARIFFS ON THE NEWSPRINT INDUSTRY

A. Overview of Approach

53. In this section I outline my approach to modeling the effects of US newsprint tariffs on US domestic prices and supply and demand for newsprint in the US. In the short-run, tariffs will raise the costs of Canadian supply into the US. As a result, US consumers of Canadian newsprint will be forced to pay higher prices to buy Canadian imports or seek alternative supply from US suppliers. In response, Canadian imports into the US will initially shrink and US supply will initially increase. However, incremental capacity in the US will be costly to bring online since it was not profitable at pre-tariff prices, so that prices in the US will increase. Due to the higher prices they have to pay to Canadian and US producers, US consumers will reduce

⁵² Jen Skerritt, “Newspapers’ Bad News in U.S. Gets Worse, Courtesy of Trade Spat”, *Bloomberg*, December 27, 2017, updated December 28, 2017, <https://www.bloomberg.com/news/articles/2017-12-28/bad-news-for-u-s-dailies-as-canada-trade-spat-boosts-paper-cost>

⁵³ Rick Norton, “Tariffs disrupting newspaper industry”, *Clevelandbanner.com*, April 4, 2018, <http://clevelandbanner.com/stories/newsprint-shortage-see-editorial-page-4,77607>

⁵⁴ Susan Taylor Martin, “Tariffs, paper shortage combine for financial pressure on newspapers”, *Tampa Bay Times*, published March 28, 2018, updated March 30, 2018, http://www.tampabay.com/news/business/corporate/Tariffs-paper-shortage-combine-for-financial-pressure-on-newspapers_166810209

⁵⁵ Kim Leonard, “Tariffs on Canadian newsprint taking toll on American newspapers”, *Triblive.com*, March 29, 2018, <https://triblive.com/state/pennsylvania/13473675-74/tariffs-on-canadian-newsprint-taking-toll-on-american-newspapers>

their demand for newsprint. This will tend to moderate the effects of the tariff on price, and will reduce demand for US supply. The net effect of tariffs on the US price and US supply will depend on the elasticity of US demand with respect to price, and the responsiveness of US and Canadian producers to the higher US prices and the tariffs. In this section, I discuss how I estimate these factors, and then turn to evaluating the net effect of the tariffs on prices and output.

B. Modeling the Demand for Newsprint

54. To estimate the elasticity of demand, I employ a standard econometric approach using historical data on prices and quantities. The approach I use has been employed in evaluating the potential effects of mergers on prices and output in paper industries such as containerboard. The basic approach is to estimate the relationship between the amount of newsprint consumed monthly and the price charged for newsprint, controlling for other factors that likely influence demand. Because prices typically vary simultaneously due to shifts in both supply and demand, it is difficult to isolate the impact of price on demand, from the impact of price on supply. I therefore employ a standard instrumental variable approach, using factors that shift supply as instrumental variables for price. An instrumental variable approach effectively isolates variation in price due to shifts in supply, thereby tracing out the demand curve and avoiding the simultaneity problem.

55. I use monthly data on US demand for newsprint together with US domestic price, both from RISI, over the period 2010-2018, to estimate a demand curve for newsprint. These series are depicted in Exhibit 1.

56. I then posit a linear relationship between demand and price and estimate a regression of the quantity of newsprint on the price of newsprint.⁵⁶ In a linear demand system, the estimated coefficient on price represents the slope of demand—i.e., the reduction in demand in tons for each dollar increase in price. The elasticity of demand at any point on the demand curve can then be calculated as the slope of demand times the ratio of price and quantity at that point.

⁵⁶ I have also alternatively estimated a log-log demand system and a semi-log demand system to ensure my conclusions are robust to alternative specifications of the demand system. The precise functional form does not affect my overall conclusions concerning the elasticity of demand.

The magnitude of the effect of the tariff on demand will then be increasing in the estimated slope of demand.

57. As discussed above, a prominent feature of the demand for newsprint over the period of estimation is the rapid and continual decline in demand owing to declining demand for newspapers. To account for the effects of this decline on the demand for newsprint, I include in the regression a measure of newspaper circulation volumes.

58. Adjustment to changes in price are likely to unfold gradually, as it takes time for newspapers to adjust to higher prices through reducing page counts, shifting to lighter weights of paper, reducing circulation or closing. Therefore I also include a 6-month lag of demand as an additional explanatory variable. This term allows the effect of the tariff through higher prices to have a larger impact on demand over the longer-run, as newspapers adjust to higher prices, than over the shorter-term. The larger is the coefficient on lagged demand, the greater will be the long-run impact of the tariff on demand.

59. Because prices can vary due to changes in both supply and demand, to isolate the relationship between demand and price, I employ a standard instrumental variables approach. I use cost shifters as instruments for price, including the price of NBSK (a type of pulp commonly used in manufacturing newsprint), the Canadian-US dollar exchange rate (which affects the cost of Canadian suppliers to the US), and an indicator for the period during which tariffs were in place (identified as beginning in October of 2017 when the preliminary findings were released and prices began to increase).

60. The demand equation to be estimated can be written as,

$$USDemand_t = \alpha + \beta(NewsprintPrice/MfgPPI)_t + \rho USDemand_{t-6} + \gamma Circulation_t + \epsilon_t,$$

where t indexes months, α, β, γ and ρ are parameters to be estimated and ϵ captures unobserved factors that influence demand. The equation is estimated over the period January 2010 through March 2018, the period for which data were available. I estimate the equation by two-stage least squares, using the US-Canadian exchange rate, the price of NBSK and an indicator for whether prices are influenced by the tariff as factors that shift supply as instrumental variables in the first stage equation. US demand, the newsprint price and the price of NBSK are from RISI. The

newsprint price is the average for east and west, monthly high and low RISI estimates for 45 gsm newsprint. I deflated price by the PPI from BLS for all manufacturing industries (series ID PPI_OMFG) to account for general inflation in manufacturing output prices in the US over the period of estimation. The exchange rate is the monthly price of a US dollar in Canadian dollars and is pulled from FRED. Finally, circulation is from PEW and represents annual total circulation of newspapers, combining print and digital circulation. I was not able to obtain a series isolating print circulation.

61. Results of the estimation are shown in Exhibit 2. The coefficient on price is estimated to be 124.6, which, at pre-tariff price and demand levels (I use September 2017 as the pre-tariff benchmark) implies an elasticity of approximately -0.34, or a reduction in monthly demand of about 0.34 percentage points for each percent increase in price. The coefficient is estimated with a high degree of statistical precision and is statistically significant at the usual 5 percent level of significance.⁵⁷

62. Because it would take time for consumers of newsprint to adjust their consumption levels to higher prices, the model includes a 6-month lag of demand and this, in turn, implies that the effect of a price increase on demand will grow over time, with the full effects unfolding over a period of about two years. Factoring in the longer-run impact of a price change, I find that the elasticities of demand estimated at 6, 12, 18 and 24 months after an initial price change are -0.6, -0.8, -1.0 and -1.1, respectively. Thus, the cumulative impact of a price change is estimated to be much larger than over the immediate term.

63. In addition to the direct effect of price on demand, a large increase in price is likely to reduce circulation. In the regression analysis, I have controlled directly for circulation and so the effects of higher prices on demand through reduced circulation must be added to the direct effect of higher prices on demand. There are two likely effects of higher prices on circulation that I quantify and add to my estimate of the direct effect: the effect of higher newsprint prices on demand for newspapers and other printed materials to the extent printers and publishers pass the higher cost of newsprint on to readers in the form of higher prices; and the effect of higher

⁵⁷ I report statistical significance based on robust standard errors.

prices on the profitability of printing and publishing leading potentially to closures and thereby reduced circulation. I estimate the first of these effects as adding an incremental -0.13^{58} to the elasticity holding circulation constant, and the second I estimate to be an additional -0.23^{59} points of elasticity. Combining these, the long-run elasticity of demand is estimated to be -1.5 .

64. This implies that in response to the tariffs, US suppliers may initially experience a relatively inelastic demand and so will have an incentive to implement large increases in price, but that in the longer-run, such price increases will drive a larger reduction in demand that is likely to push prices back down and force reductions in output and possible closures of capacity.

C. Modeling Newsprint Supply

65. To model supply, I employ an approach frequently used in evaluating the effects of mergers in the newsprint and other paper industries. I use data from Fisher International on the current North American cost curve for newsprint at the machine level, supplemented with information on recent mill closures, to develop an industry supply curve for newsprint.⁶⁰ The current industry cost curve based on Fisher International's estimates of delivered cost to Chicago and assuming a 90 percent utilization rate for each mill and machine, is depicted in Exhibit 3.⁶¹ The cost curve slopes up and to the right as the mills are arranged in order of their cash operating

⁵⁸ Based on the NMA survey results, I use an estimate that newsprint represents 20 percent of a newspaper's operating costs. I then assume a margin of 15 percent for a typical newspaper, which gives me an estimate of a newspaper's markup of price over cost as 1.18. I assume a rate at which cost increases are passed through to prices (pass-through rate) of 50 percent, which is consistent with profit maximization under linear demand. Finally, I assume that readers' elasticity of demand with respect to price is -1 , which is consistent with academic studies, and is also consistent with the fact that newspapers raise subscription prices without much impact on revenues. Combining these estimates, I obtain the estimate $0.2 \times 0.5 \times (1/1.18) \times (-1) = -0.085$. The elasticity of newsprint demand with respect to circulation I estimate to be 1.53 based on the results of demand estimation and evaluating the elasticity at pre-tariff circulation and demand levels. This gives $1.53 \times (-0.085) = -0.13$.

⁵⁹ Based on the NMA survey results, 2.2 percent of respondents indicated they would close down their newspapers in response to a 10-15 percent newsprint price increase. This gives me an approximate elasticity of circulation with respect to the price of newsprint between -0.15 and -0.22 ($-0.022/0.15 = -0.15$ and $-0.022/0.10 = -0.22$). Taking the lower bound of this range and applying it to the estimated elasticity of newsprint demand with respect to circulation of 1.53, I obtain an estimate of $1.53 \times (-0.15) = -0.23$.

⁶⁰ I obtained 2017Q1 data on the North American newsprint cost curve from Fisher to ensure I had data on mills that have recently been idled and could potentially re-open in response to higher prices due to the imposition of tariffs. I then inflated the costs reported by Fisher by \blacksquare percent, reflecting the average annual rate of inflation from 2017Q1 to 2018Q1 in the price of NBSK observed in the RISI data.

⁶¹ I used Chicago as a central point to make an apples-to-apples comparison of costs across mills. The cost curve would look slightly different if I were to pick a different delivery point in the US. However, the conclusions of my analysis would be robust to using an alternative delivery location.

costs from lowest cost mills, which are positioned closest to the origin, to highest cost mills, which are shown farthest to the right. The steeper the cost curve, the more sharply must prices increase to make additional capacity profitable. The North American cost curve combines Canadian and US mills.

66. Exhibit 3 also shows the pre-tariff price level at roughly [REDACTED] per metric ton, which intersects the industry cost curve at current output levels of about [REDACTED] metric tons of North American supply. As prices rise along the cost curve, additional mills become profitable to operate so that idled mills may be restarted. As prices decline along the cost curve, mills that had been profitable become unprofitable to operate and are idled, closed or converted to other uses.

D. Estimating the Net Effect of the Tariffs

67. Having estimated demand and supply, I now turn to using the estimated supply and demand to assess how the tariffs are likely to impact prices and quantities in the US.

1. Forecasting Newsprint Demand With and Without Tariffs

68. As a starting point for demonstrating the possible impacts of the tariffs on demand, I begin by using the estimated demand system to forecast newsprint demand both with and without tariffs and compare those forecasts. To forecast demand with tariffs, I initially assume that price increases roughly by the amount of the highest tariffs applied to Canadian suppliers. This is consistent with an assumption that the Canadian suppliers facing the highest tariffs are the marginal suppliers to the US market after the tariffs, so that US suppliers are able to raise prices by that amount in the initial period after the tariffs are imposed. Below, I will relax this assumption and estimate the responsiveness of Canadian and US suppliers to the tariff. However, this exercise serves to demonstrate how the effects of the tariffs grow over time following the imposition of tariffs.

69. Exhibit 4 depicts a plot of actual and estimated demand for newsprint in the US over the historical period used to estimate the model of demand. The estimated model captures the secular downward trend in demand fairly closely.

70. In addition, I have forecasted demand using the estimated model over the period 2018 to 2019. I do so both assuming no increase in price due to the tariffs, and also assuming the

tariffs are passed through to price in full as described above. I assume a 27 percent increase in price, combining the 22 percent antidumping tariff with an assumed 5 percent countervailing duty on the marginal Canadian supplier to the US. The comparison of forecasted demand with and without the tariff clearly shows the negative impact of the tariff on demand for newsprint, and clearly shows how the impact unfolds over time as newspapers are increasingly forced to reduce their consumption of newsprint in response to the higher prices. By increasing prices, the tariffs not only reduce demand in the short run, but this effect grows in magnitude over the longer run, accelerating the decline in demand for newsprint due to declining demand for newspapers.

71. Projecting out two years, my estimate of the demand function implies that the incremental effect of a 27 percent price increase due to tariffs on demand for newsprint is approximately a 40 percent reduction.

2. Simulating the Impact of the Tariff

72. The demand forecasts above assumed US prices rise by the full extent of the tariff. However, as prices in the US rise, US newsprint producers and those Canadian newsprint producers facing low tariff rates will likely increase output in response to the higher prices thereby putting downward pressure on price and mitigating the tariff-related price increase to some extent. Gains to US producers will depend on the magnitude of the resulting price increase and the extent to which US demand is satisfied by Canadian firms that continue to sell into the US, despite the tariffs. To determine the net effect of the tariff on prices, I therefore simulate the supply and demand for newsprint in the US, starting from a point in September of 2017 before the effects of the tariffs are observed, and imposing tariffs on imports of Canadian newsprint into the US.

73. To simulate the effect of the tariffs, I begin by specifying a US supply curve consisting of US mills together with Canadian mills based on the Fisher cost curve data, after shifting the position of Canadian mills in the cost curve by the amount of the individual tariff rates imposed on each Canadian supplier.⁶² I assume a utilization rate for mills of 90 percent of their capacity given by the Fisher data. Furthermore, I credit only 55 percent of the available

⁶² I construct the cost curve based on Fisher data at the machine level.

output from each Canadian mill to US supply, which is roughly consistent with US exports' share of Canadian output historically. The resulting supply curve is shown in Exhibit 5. I then combine the estimated supply curve with my estimate of US newsprint demand. In Exhibit 5, I show the demand and pre-tariff supply curves intersecting at pre-tariff price and output levels of [REDACTED] per metric ton, and [REDACTED] metric tons.

74. To model the impact of the proposed tariffs, I shift the supply curve out by applying the individual proposed tariff rates to the costs for the machines of each Canadian firm. In addition, I reduce the percent of available output from Canadian mills supplied to the US from 55 percent to 45 percent to account for the addition of NORPAC's (One Rock Capital) PM1 paper machine in Longview, which has restarted since the imposition of the proposed tariffs.⁶³ This gives me a post tariff estimated supply curve shown in Exhibit 5.

75. Given demand and supply, I can determine their intersection and read the equilibrium price and quantity of newsprint from their intersection. The effect of the tariffs can then be evaluated as the change in price and output from the actual pre-tariff price and output level to the simulated post-tariff price and output level, and the effective tariff rate can be measured as the amount by which US prices are higher than the starting price of [REDACTED] per metric ton.

76. In conducting the simulation, I initially assume a US demand elasticity equal to the estimated short-run elasticity of demand. However, I then shift demand to reflect the long-run elasticity of demand. This gives me an estimate of both the initial impact of the tariffs and the longer-run impact after US consumers and Canadian producers are fully able to adjust to the higher prices.

⁶³ Since the tariffs have been implemented, NORPAC (One Rock Capital) has restarted its PM1 in Longview WA, which has an estimated capacity of around [REDACTED] metric tons according to Fisher International's data. Assuming a 90 percent operating rate, this mill could produce around [REDACTED] metric tons of newsprint, which represents approximately [REDACTED] percent of Canadian capacity. To allow for Longview PM1 to displace Canadian supply, I therefore assume that Canadian firms that continue to export to the US after the tariffs reduce their exports by around 10 percentage points, from 55 percent down to 45 percent. I also consider a range from 5 to 15 percentage points to test the sensitivity of this assumption. In the long-run, based on this range, I estimate that the decline in demand due to the tariffs varies between 223,000 metric tons and 408,000 metric tons.

77. The simulation is depicted in Exhibit 5 for the shorter-term and in Exhibit 6 for the longer-term, respectively. Each exhibit shows the US demand curve together with US supply both before and after the imposition of tariffs. The intersection of these supply and demand curves then determines the price level and US output level in the short run and long run following the imposition of tariffs.

78. I find that in the immediate term following the imposition of tariffs, a number of Canadian producers that represent a small fraction of total Canadian supply, are pushed to the top of the US supply curve and so no longer find it profitable to sell into the US. However, there is insufficient US and Canadian supply to meet demand at pre-tariff price levels, so that prices must rise. To bring enough supply into the market to satisfy demand in the short-run, prices would need to rise by as much as \$193 per metric ton in the immediate term (around [REDACTED] percent).

79. These higher price levels post tariff drive demand down as consumers of newsprint respond to higher prices by reducing their consumption. Over the longer-run, I estimate that the decline in demand as a result of the proposed tariffs is likely to be on the order of approximately 343,000 metric tons annually. This reduction in demand is likely to fall on US firms for the reasons given above in Section III.A. Furthermore, while some of the reduction in output is likely to be accounted for by the re-idling of NORPAC's Longview PM 1, the reduction in demand will be larger than the capacity of NORPAC's Longview PM 1 so that additional closures would be necessary to satisfy the reduction in demand brought about by the tariffs. Translating this output reduction into likely effects on employment levels gives a reduction in headcount of around [REDACTED].⁶⁴ In short, the tariffs will likely result in substantial harm to the US newsprint industry by reducing output and employment.

80. These results are consistent with the findings from the NMA survey and other sources and show that the imposition of tariffs will ultimately harm, not help, the US industry, by

⁶⁴ To quantify employment effects, I use the experience of White Birch' Bear Island mill closure from the second quarter of 2017, when the company reportedly laid off 165 employees. ("White Birch Paper to close Bear Island newsprint mill," May 19, 2017. EUWID Pulp and Paper.) Combining this with the mill's output based on Fisher data, I estimate that output per employee at Bear Island was approximately [REDACTED] metric tons per employee. Using this estimate of productivity, I take the estimated long-run impact of the tariffs on output and divide by the Bear Island productivity estimate of [REDACTED] to obtain an estimate of the employment effects of the tariffs.

accelerating the decline in demand for newsprint and permanently reducing demand. While some US firms will experience an initial financial benefit from the tariffs in the form of a higher price, the tariffs will ultimately hasten the decline in demand for newsprint by accelerating the downward financial spiral of the newspaper industry, and so lead to mill closures and employment losses.

81. The tariffs will also reduce the incentive for US firms to invest in capital. This is seen immediately in the predicted impact of the tariffs. Whereas the higher prices due to the imposition of tariffs allow NORPAC to temporarily re-open its shuttered machine in Longview in the immediate term following the imposition of tariffs, this effect will be temporary, as the tariffs will ultimately lead to a reduction in demand for newsprint that will require the closure of NORPAC's temporarily re-opened machine. The temporary uptick in US producers' profits brought about by the tariff will not be sufficient to spur an increase in investment in capacity or employment over the longer term. Any such investments would require the prospect of sustained growth in demand, which is simply not realistic given the declining state of the industry. The tariffs will reduce the long-run prospects of the industry by accelerating the downward economic spiral of the newspaper industry.

V. CONCLUSIONS

82. I have assessed the likely impact of US tariffs against imports of UGW from Canada on US prices and supply and demand for US newsprint. I have estimated that the demand for newsprint in the US is elastic, with an estimated elasticity of approximately -1.5, consistent with the fact that newsprint is an industry in rapid and continuous decline. Combined with an assessment of the responsiveness of Canadian and US mills to an increase in price, I have used the estimated demand system to simulate the effects of the tariffs on prices, supply and demand in the US.

83. I find that the immediate effect of the tariffs will be to raise prices substantially. The effect of higher prices initially will be to raise costs for consumers of newsprint (printers and publishers), thereby accelerating the downward spiral in demand for newspapers and consequently accelerating the decline in demand for newsprint. Higher prices will also provide an incentive for Canadian suppliers that face low individual tariff rates to increase their exports

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into the US. As a result, whereas the immediate effects of the tariffs on US output may be to increase US output, as US consumers and Canadian producers adjust to higher US prices, any gains to US producers will quickly evaporate. Tariffs will ultimately harm US producers by reducing demand for their output below pre-tariff levels.

Signed, July 3, 2018, at Boston, Massachusetts

A handwritten signature in black ink, appearing to read 'Peter Boberg', written in a cursive style.

Peter Boberg



Exhibit 2

US Newsprint Demand Estimation

Second Stage 2SLS IV Regression	US Newsprint Demand SADJ
Price Newsprint 45g	-124.6** (58.50)
6-Months Lag US Newsprint Demand SADJ	0.804*** (0.102)
Weekday Circulation	0.00298** (0.00116)
Constant	1,867 (34,937)
Observations	93
R-squared	0.950
1-Month Elasticity	-0.336
6-Months Elasticity	-0.606
12-Months Elasticity	-0.824
18-Months Elasticity	-0.998
24-Months Elasticity	-1.139

Notes:

[1] Robust standard errors in parentheses

[2] Significance Levels: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

[3] Instruments for Price of Newsprint in First Stage Regression: 6-Months Lag US Newsprint Demand SADJ, Price NBSK, USD CAD Exchange Rate, Weekday Circulation, and Preliminary Phase Tariff Indicator (October 2017)

[4] Nominal variables are deflated by total manufacturing industries producer price index

[5] All indices are rebased such that 2010=100









APPENDIX A: Curriculum Vitae

Peter J. Boberg
Vice President

PhD, Economics
University of Michigan

BA, Economics and Japanese
University of Alberta

Dr. Boberg is an economist specializing in antitrust litigation and mergers. He has particular expertise in the application of econometric techniques and economic modeling to the analysis of the competitive effects of mergers as well as the assessment of damages and liability claims in complex antitrust and IP litigation cases. His work has spanned a wide range of industries including retail, distribution services, consumer products, aerospace and defense, transportation services, healthcare, pharmaceuticals, pharmaceutical benefit management, industrial materials, building materials, paper products, payment cards, computer software and hardware, financial markets and professional services, among others. He has assisted clients with litigation matters involving a wide array of allegations including price fixing, predatory pricing, monopolization, exclusionary conduct, patent infringement, copyright violation, theft of trade secrets, antitrust counter-claims, breach of contract and reputational harm.

Dr. Boberg has presented economic and econometric evidence to the US FTC and DOJ, as well as to antitrust authorities in Canada and Latin America, in numerous mergers, and has provided written and oral expert testimony in arbitration and in US district court. He has designed econometric and simulation models used in numerous large-scale merger analyses as well as market simulation models in numerous patent infringement damage cases to derive estimates of lost profits and price erosion damages. Dr. Boberg received his PhD in economics from the University of Michigan and taught at Michigan State University and at the University of Michigan while he was a doctoral student.

Testifying experience

- *MacDermid Printing Solutions, LLC v. Cortron Corporation* before the United States District Court for the District of Connecticut. Provided written, deposition, and oral testimony on behalf of defendant, Cortron Corporation.
- *SmithKline Beecham Corporation, SmithKline Beecham P.L.C., and Beecham Group P.L.C. v. Apotex Corporation, Apotex, Inc., and TorPharm, Inc.* before the United States District Court for the Eastern District of Pennsylvania. Provided written testimony on behalf of defendant, SmithKline Beecham.
- *Mofet Etzion Ltd. v General Dynamics Land Systems, Inc.* before the International Center for Dispute Resolution at the American Arbitration Association. Provided written and oral testimony on damages, on behalf of plaintiff, Mofet Etzion.

Other consulting experience

- Provided economic consulting services in numerous mergers, including antitrust risk assessment, analysis of potential unilateral and coordinated effects, presentations to the FTC and DOJ, and assistance with Second Request responses. Work has covered a range of industries including grocery chains, office supply stores, home appliances, food distribution, motion picture exhibition, commercial real estate management, outdoor advertising, rental trucks, rental cars, auto hauling, television networks, telecoms, computer hardware, defense, aerospace, engine MRO services, stock exchanges, money transfer services, hospitals, medical testing labs, pharmaceutical benefit management, retail pharmacy, pharmaceutical distribution and manufacturing, beer, rum and other liquor products, various foods, confectioneries, baby food, pet food, over-the-counter medications, razors, batteries, diapers, epoxy resins, laminates, steel, tin mill products, aluminum, natural gas extraction, timber, wood and paper products, building materials, deicing salt, fertilizers, crop protection products, document shredding services and nuclear waste management.
- Provided management of expert testimony on liability and damages and provided economic and econometric modeling in a number of antitrust and intellectual property matters in industries, including passenger air travel, mixed martial arts, financial auditing, tobacco, retail chain stores, motion picture exhibition, credit cards, computer software and hardware, measuring devices, pharmaceuticals, retail pharmacy, hospitals, electronic health records, paper manufacturing, wood products, steel, food additives, vitamins, and rubber chemicals.
- Provided assistance to clients in calculating potential transaction synergies in the context of various acquisitions in industries including pharmaceutical benefit management, building supplies and medical diagnostic laboratories.
- Innovated econometric and simulation methodologies for assessing competitive effects in mergers and for estimating the value of a patent or portfolio of patents in numerous patent infringement cases.
- Provided economic and econometric modeling to numerous clients on a variety of topics including analyses of environmental cap & trade regulation, rail shipping rates for hazardous materials, mail processing costs, passenger rail on-time performance, defense R&D spending and supply and demand for legal aid services.

Publications and presentations

“Estimation of Antitrust Damages in the US,” Presentation to the Chilean Competition Tribunal, June 13-15, 2017.

“Prepping an Economic Expert for Trial,” *Panelist*, Fordham University 43rd Annual Conference on International Antitrust Law and Policy, October 2016.

“Preparing for Deposition and Dealing with *Daubert* Challenges,” *Moderator*, Fordham University 43rd Annual Conference on International Antitrust Law and Policy, October 2016.

“Regression Fundamentals for Antitrust,” Fordham University 42nd Annual Conference on International Antitrust Law and Policy, September 2015.

“Economics Fundamentals: Econometrics,” ABA Brown Bag, March 2015.

“Findings from the Second Request Compliance Burden Survey,” *The Threshold*, Summer 2014, pp. 26-37, with Andrew Dick.

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“Repositioning and the Revision of the Horizontal Merger Guidelines,” *The Antitrust Source*, December 2009, with John Woodbury.

“Regression Analysis,” *Antitrust*, Fall 2005, with Andrew Dick.

“Is Competition Going Out of Fashion? Early Termination of Competition in Defense Acquisition Programs,” Presentation at the Western Economic Association International Conference, Defense Economics Sessions, July 2004, with Steven Grundman.

Prior experience

Adjunct Lecturer, School of Labor and Industrial Relations, Michigan State University, East Lansing, MI.

Visiting Research Scholar, MITI Research Institute, Ministry of Economy, Trade and Industry, Japan.

Visiting Research Scholar, Institute of Social Science, University of Tokyo, Japan.

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PUBLIC VERSION

ATTACHMENT B

U.S. INTERNATIONAL TRADE COMMISSION

In the Matter Of:
Uncoated Groundwood Paper from Canada

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

SECOND STATEMENT OF [REDACTED]
PURSUANT TO 28 U.S.C. § 1746

I, [REDACTED], state the following:

1. I am [REDACTED]
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]
5. [REDACTED]

I declare under the penalty of perjury that the foregoing is true and correct.

[REDACTED]
[REDACTED]

Executed on this 25th day of July, 2018.

PUBLIC VERSION

ATTACHMENT C

U.S. INTERNATIONAL TRADE COMMISSION

In the Matter Of:
Uncoated Groundwood Paper from Canada

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

STATEMENT OF [REDACTED]
PURSUANT TO 28 U.S.C. § 1746

I, [REDACTED], state the following:

1. I am [REDACTED]

NORPAC Supplies Our Print Sites in the West

2. [REDACTED]

3. [REDACTED]

4. [REDACTED]

Price Movements Are Limited to Regional Market

5. [REDACTED]

6. [REDACTED]

7. [REDACTED]

8. [REDACTED]

[REDACTED]

9. [REDACTED]

[REDACTED]

I declare under the penalty of perjury that the foregoing is true and correct.

[REDACTED]

Executed on this 24th day of July, 2018.

PUBLIC VERSION

ATTACHMENT D

U.S. INTERNATIONAL TRADE COMMISSION

In the Matter Of:
Uncoated Groundwood Paper from Canada

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

SECOND STATEMENT OF [REDACTED]
PURSUANT TO 28 U.S.C. § 1746

I, [REDACTED], state the following:

1. I am [REDACTED]

NORPAC's Shipments

2. [REDACTED]

Price Leaders in the West

3. [REDACTED]

4. [REDACTED]

5. [REDACTED]

6. [REDACTED]

[REDACTED]

Bear Island Reopening

7. [REDACTED]

8. [REDACTED]

9. [REDACTED]

10. [REDACTED]

40 gsm Newsprint Demand

11. [REDACTED]

12. [REDACTED]

[REDACTED]

I declare under the penalty of perjury that the foregoing is true and correct.

[REDACTED]

Executed on this 26 day of July, 2018.

PUBLIC VERSION

ATTACHMENT E

U.S. INTERNATIONAL TRADE COMMISSION

In the Matter Of:
Uncoated Groundwood Paper from Canada

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

STATEMENT OF [REDACTED]
PURSUANT TO 28 U.S.C. § 1746

I, [REDACTED], state the following:

1. I am [REDACTED]

Retail Insert Printing

2. [REDACTED]

3. [REDACTED]

4. [REDACTED]

High Bright Paper for Books

5. [

[REDACTED]

6. [

[REDACTED]

Transportation Costs and Regional Markets

7. [

[REDACTED]

8. [

[REDACTED]

9. [

[REDACTED]

10. [

[REDACTED]

Supplier Selection Criteria

11. [

[REDACTED]

[REDACTED]

12. [

[REDACTED]

Bear Island

13. [

[REDACTED]

14. [

[REDACTED]

15. [

[REDACTED]

40 gsm Newsprint

16. [

[REDACTED]

17. [

[REDACTED]

18. [

[REDACTED]

[REDACTED]

Declining Demand for UGW Paper

19. [REDACTED]

20. [REDACTED]

I declare under the penalty of perjury that the foregoing is true and correct.

[REDACTED]

Executed on this 27th day of July, 2018.

PUBLIC VERSION

ATTACHMENT F

U.S. INTERNATIONAL TRADE COMMISSION

In the Matter Of:
Uncoated Groundwood Paper from Canada

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

SECOND STATEMENT OF [REDACTED]
PURSUANT TO 28 U.S.C. § 1746

I, [REDACTED], state the following:

1. I am [REDACTED]
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]
5. [REDACTED]

I declare under the penalty of perjury that the foregoing is true and correct.

[REDACTED SIGNATURE]

Executed on this 26th day of JULY, 2018.

PUBLIC VERSION

ATTACHMENT G

U.S. INTERNATIONAL TRADE COMMISSION

In the Matter Of:
Uncoated Groundwood Paper from Canada

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

STATEMENT OF [REDACTED]
PURSUANT TO 28 U.S.C. § 1746

I, [REDACTED], state the following:

1. I am [REDACTED]
[REDACTED]

Runnability

2. [REDACTED]

3. [REDACTED]

4. [REDACTED]

[REDACTED]

5.

[REDACTED]

6.

[REDACTED]

NORPAC

7.

[REDACTED]

8.

[REDACTED]

9.

[REDACTED]

10. [

[REDACTED]

11. [

[REDACTED]

Substitutability of UGW products

12. [

[REDACTED]

13. [

[REDACTED]

Distinctions between 40 gsm newsprint and heavier grades

14. [REDACTED]

15. [REDACTED]

16. [REDACTED]

PUBLIC VERSION

I declare under the penalty of perjury that the foregoing is true and correct.

[REDACTED]

Executed on this 2 day of July, 2018.

PUBLIC VERSION

ATTACHMENT H

U.S. INTERNATIONAL TRADE COMMISSION

In the Matter Of:
Uncoated Groundwood Paper from Canada

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

STATEMENT OF [REDACTED]
PURSUANT TO 28 U.S.C. § 1746

I, [REDACTED], state the following:

1. [REDACTED]

2. [REDACTED]

3. [REDACTED]

4. [REDACTED]

5. [REDACTED]

[REDACTED]

6.

[REDACTED]

7.

[REDACTED]

I declare under the penalty of perjury that the foregoing is true and correct.

[REDACTED]

Executed on this 20th day of June, 2018.

EXHIBIT 1

RISI 45 Gram Newsprint Prices: Eastern North America, Western North America, and Western Europe
(in \$/MT)

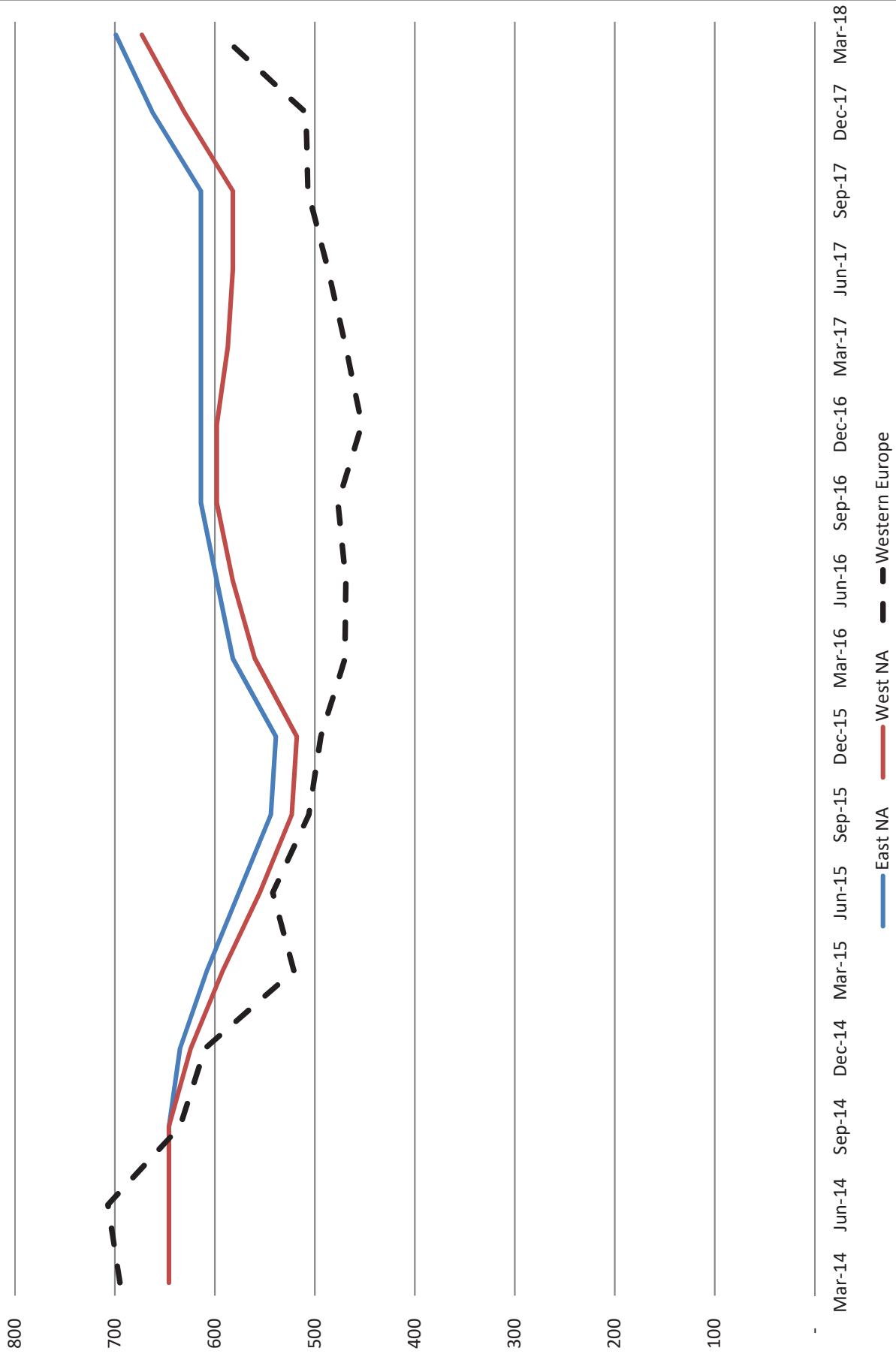


EXHIBIT 2

Norpac offering lightest weight newsprint in market – 40 g – from Washington mill

 technology.risiinfo.com/mills/north-america/norpac-offering-lightest-weight-newsprint-market-40-g-washington-mill

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December 16, 2014 - 08:57

Posted in:

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LONGVIEW, WA, Dec. 16, 2014 (Press Release) -North Pacific Paper Corporation (NORPAC) is now producing 40 gram newsprint, the lightest weight newsprint on the market.

"Demand is growing for lightweight printing papers, and we're excited to be able to offer the lightest option available to our customers around the world," said Paul Whyatt, president of NORPAC. "Our ultra-lightweight newsprint is also a great choice for the environment because it consumes fewer resources and has a reduced carbon footprint. And it's the right choice for publishers and printers who are looking to reduce cost while maintaining the same high-quality standards they have come to expect from NORPAC."

The move to offer lighter weight newsprint demonstrates NORPAC's continued effort to innovate its portfolio of products to better serve customers. This product offering follows the company's launch of Norbrite 92, the only 92 bright groundwood sheet on the market.

About North Pacific Paper Corporation (NORPAC)

NORPAC is a joint venture between Weyerhaeuser Company and Nippon Paper Industries. The facility began operations in 1979 in Longview, Washington. NORPAC produces newsprint and high brightness publication papers. The facility operates three machines that manufacture more than 750,000 tons annually and is the largest newsprint and uncoated groundwood printing papers facility in North America.

About Weyerhaeuser

Weyerhaeuser Company, one of the world's largest private owners of timberlands, began operations in 1900. We own or control nearly 7 million acres of timberlands, primarily in the U.S., and manage another 14 million acres under long-term licenses in Canada. We manage these timberlands on a sustainable basis in compliance with internationally recognized forestry standards.

We are also one of the largest manufacturers of wood and cellulose fibers products. Our company is a real estate investment trust. In 2013, our continuing operations generated \$7.3 billion in sales and employed approximately 13,000 people who serve customers worldwide. We are listed on the Dow Jones World Sustainability Index. Our common stock trades on the New York Stock Exchange under the symbol WY. Learn more at www.weyerhaeuser.com.

[Papermaking](#)

[Printing & Publishing](#)

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[Newsprint](#)

EXHIBIT 3

https://www.gjsentinel.com/news/western_colorado/paper-prices-trigger-changes-to-the-sentinel/article_52b13218-87f4-11e8-9b2b-10604b9ffe60.html

Jul 15, 2018

Paper prices trigger changes to the Sentinel

By JAY SEATON



JAY SEATON

The digital age of news coverage is turning out to be both a blessing and a curse.

The daily printed newspaper today is viewed as the stodgy dinosaur going about his business while meteors rain down upon the Earth. Digital-induced extinction has been imminent for some time now.

While paper remains an excellent medium for conveying large amounts of information in a very readable and portable way, the market for newsprint has gone completely bananas.

Newsprint rates have been rising for years, but recently the U.S. imposed tariffs on Canadian paper in an effort to support an American paper mill. That mill (North Pacific Paper Co.) has decided to significantly increase its rates along with just about every other mill in North America to keep pace with the now-higher prices of their competitors from Canada.

Newsprint prices have gone up 33 percent since January of 2016 — and most of that increase has occurred in the last eight months.

That's the primary reason we've made the difficult but necessary decision to convert Monday's and Tuesday's print editions of The Daily Sentinel to electronic delivery starting next month. More on that in a minute. First, we believe it's important to review how we arrived here — and look ahead to where we're going.

Despite our best efforts to reduce expenses over the past few years, the economic tide of increased minimum wage, double-digit increases in government-mandated health insurance and the rising cost of just about everything else has been rough. But the explosion of the price for paper — our second-biggest expense — has been devastating.

And that's bad, here and for the nation. Newspaper operations — with their editorial review process, layout and presentation efforts, and mainly local focus — are still the best means to understand what is going on in any given community.

It is the newspaper reporting staff that still generates 70 percent of the initial stories that end up on television and online — with little to no credit given to the scribe in the corner taking notes.

The written word remains the best way to get perspective and a comprehensive understanding of news information. Increasing paper prices, however, are putting the serious squeeze on print.

That leads me to the potential digital "blessing" that may come to newspapers now in the form of a digital replica of the printed edition.

The digital e-edition is not new, but may enable us to escape the corner that we have painted ourselves into — and give monetary relief to our loyal subscribers. Just as canned soda and beer manufacturers pass on tariff-heightened costs of aluminum to their customers, most printed newspapers across America are going to have to ask their print subscribers for help.

We don't want to do that. Nor do we want to gut our news staff.

It is for these reasons that we have determined that the Monday and Tuesday editions of The Daily Sentinel will be delivered only in a digital format beginning Monday, Aug. 13.

This is a change many newspapers have made, including most recently The Durango Herald, The Greeley Tribune and even the Pittsburgh Post-Gazette.

The Monday and Tuesday editions of The Daily Sentinel will look just like your print edition, but they will be delivered into subscribers' email inboxes and available to subscribers on their computers, tablets or smart phones. Editions for the remaining five days of the week will be delivered in both print and digital, and will remain largely unchanged.

We understand this is a major change for many of our readers, so we are taking a few steps to ease the transition.

First, the e-edition of The Daily Sentinel — the digital replica of the printed version — will be available to anyone for free beginning now on gjsentinel.com. That is, anyone — subscriber or not — can access the e-edition on any of their devices for free right now.

We want our subscribers as well as the general public to become comfortable with accessing the Sentinel's digital offerings. For your portable devices, our e-edition app is now available for free on all PC, android, Apple and Amazon devices. Search for "Grand Junction Daily Sentinel" in your device's app marketplace. (After Aug. 13, you will need a subscription to access the news content.)

Second, in the weeks before and after Aug. 13, we will have our entire customer service team ready to walk subscribers through getting their accounts set up for accessing their digital edition. We will also host seminars at the central branch of Mesa County Libraries for anyone desiring additional assistance. Look for ads previewing these events as well as additional information in this space.

You can also walk into our offices, where we'll be happy to help you with anything you need.

After the transition, Wednesday's edition will be more substantial than it has been, and it will include an "In Case You Missed It" feature to catch readers up on Monday's and Tuesday's local news if they elect not to access the digital edition. During the NFL season, look for a larger sports section in Monday morning's e-edition.

Again, all seven-day subscribers currently have access to the e-edition, though most have not set up their accounts. We will also be promoting a new "hybrid" subscription by which readers will receive three printed (on paper) editions each week — with all of our pre-printed inserts, coupons and magazines. Those print editions will be delivered every Wednesday, Friday and Sunday. "Hybrid" subscribers will also have access to our e-edition newspapers every day of the week.

Of course, we also offer a digital-only subscription with no paper delivery at all.

We have chosen to go this route in order to preserve as much rich local news content as we possibly can. Other newspapers have opted to decimate their newsrooms. We have not. We believe that move would undermine our First Amendment mission.

We will continue to deliver news information through a variety of media, including print. Survival in this fraught environment, however, requires adaptation.

We ask you to adapt with us.



Jay Seaton is the publisher of The Daily Sentinel. He can be reached at jay.seaton@gjsentinel.com.

EXHIBIT 4

https://www.athensmessenger.com/news_briefs/changes-coming-to-weekend-messenger-print-schedule/article_4d812b61-bb25-5e41-a354-4ffcf52d761a.html

Changes coming to weekend Messenger print schedule

Jul 21, 2018

Coming Sunday, Aug. 5 — An expanded Sunday edition of The Athens Messenger, featuring a more robust local sports section, a new and improved Entertainment Guide, and more news stories of Athens County and the surrounding area.

APG Media has decided to combine the Saturday and Sunday editions of The Athens Messenger into one larger weekend edition to be published on Sundays.

The last day for the Saturday edition is July 28, 2018.

This edition will include a larger local sports section with regional sports coverage from the surrounding counties' school districts on a more regular basis and more coverage of sports like soccer, volleyball, tennis and outdoor recreation. The edition will also include a new Entertainment Guide with stories on celebrities and what's streaming on Netflix, movie reviews, channel guides and puzzles.

We'd like to thank the local businesses that sponsored this new section so that we can offer this to you and hope you patronize their businesses as a result

The Messenger originally began printing the Saturday edition several years ago to provide quicker Friday night sports coverage to readers. However, the popularity of our writers' social media accounts on Twitter and the addition of our mobile site means that many readers are no longer waiting for the Saturday print edition to access that content.

Our sports writers will continue to immediately post game results online and breaking news will also be posted immediately online.

As always, readers are invited to follow The Messenger's social media pages on Facebook, Twitter and Instagram, as well as the individual Twitter pages for our news and sports writers.

The escalating costs of newsprint — due to the newsprint tariff and soon to be enacted tariff on aluminum printing plates — is increasing our cost to produce each print edition. In the interest of keeping The Messenger's operations stable for generations to come, it is more efficient to provide a larger Sunday edition for readers to enjoy.

All web content, including news and sports stories as well as the newspaper e-editions, are included in the cost of a print subscription. Those with subscriptions who need assistance setting up their web access are invited to call our Athens office at 740-592-6612.

We thank you for your loyalty and patronage and we hope to continue to serve you in the future in a new capacity.

EXHIBIT 5



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Northern Nevada-Area Newspapers Reducing Print Editions

The owner of four northern Nevada-area newspapers says it's reducing the number of days it prints the newspapers each week.

July 3, 2018, at 12:43 p.m.

[f \(https://w](https://w)

...

AP

CARSON CITY, Nev. (AP) — The owner of four northern [Nevada \(/news/best-states/nevada\)](/news/best-states/nevada)-area newspapers says it's reducing the number of days it prints the newspapers each week.

The Nevada Appeal in Carson City reports owner Sierra Nevada Media Group is cutting the paper's publishing schedule from six days a week to just Wednesdays and Saturdays.

Sierra Nevada Media Group is also cutting The Record-Courier in Gardnerville from printing three days a week to just Thursdays and Saturdays. The Lahontan Valley News in Fallon will shift from two days of print to Wednesday only and Tahoe Daily Tribune will shrink from publishing three days a week to Fridays only.

The newspapers will still publish online regularly.

Sierra Nevada Media Group says tariffs on newsprint, the impact of paper on landfills and changing habits of readers all influenced the decision to change the publishing schedule.

EXHIBIT 6

The Columbus Dispatch

Business

Madison Press newspaper in London to drop print edition, publish online only

By Tim Feran

The Columbus Dispatch

Posted Jul 11, 2018 at 5:39 PM

Updated Jul 11, 2018 at 6:11 PM

The Madison Press will stop publishing a printed newspaper and go to a digital format only beginning next week.

The London-based newspaper announced Wednesday that it will become a weekly, paid digital publication. For the remainder of July, it will be available for viewing free of charge. After that, viewing the Madison Press will require a paid subscription.

“While you will no longer receive a physical printed newspaper, we remain committed to London and surrounding Madison County,” said Lane Moon, publisher and regional vice president of the newspaper’s owner, AIM Media Midwest, in the announcement.

This new digital newspaper will be published once a week. It typically will run eight to 12 pages and will be available for viewing in digital format each Friday, Moon said.

The newspaper will provide additional coverage of London and surrounding communities in Madison County on its website: www.madison-press.com. In addition to the new digital version of The Madison Press, the company will continue to print the Madison Press Community Guide, he said.

The Madison Press is making the change from printed publishing to strictly digital because of “a variety of factors impacting the newspaper industry,” including the increases in the price of newsprint due to tariffs that began earlier this year, Moon said.

In addition, the newspaper's landlord in London has decided to seek other renters for the property, located at 55 W. High St.

"While it's true we will be closing the physical office in London, we won't be leaving the community as some of you may have heard recently," Moon said. "We remain deeply committed to continuing to provide you the very best in local coverage and continuing to serve the community."

The Madison Press has been in operation since 1842, according to its website. AIM Media Midwest bought the newspaper in 2017. In April, the company ceased publishing its Tuesday, Thursday and Friday editions and began delivering the publication on two days only: Wednesdays and Saturdays.

At that time, Moon said that in a market the size of London and Madison County, "it has become increasingly challenging to publish five days a week and remain a viable business."

Information about staffing of the publication and its future address were not immediately available.

tferan@dispatch.com

EXHIBIT 7

THE Telegram

www.theTelegramNews.com

Jackson and Vinton Counties Most Trusted Source for Local News and Information

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Vinton County

Obituaries

Opinion

Community News

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July 28, 2018

7/10/2018 3:38:00 PM

Times-Journal closes its doors



PETE WILSON
Editor

Without any advance public notice, *The Jackson County Times-Journal* closed the doors of its Jackson-based office on Monday, July 9 and will immediately cease publication of its three-times-a-week newspaper.

Customers and visitors going to the *Times-Journal* office at 73 Huron St. on Monday were told the office had closed and the newspaper was discontinuing publication. The edition of Sunday, July 8 was apparently its last one.

While no formal news release was immediately issued, Adams Publishing Group (APG) Media of Ohio, the chain which owns *The Jackson County Times-Journal*, explained the reasons for its decision in a letter which was circulated Monday to at least some of its major advertising customers. A copy was obtained by *The Telegram*.

"APG Media has decided to indefinitely suspend the print publication of *The Jackson County Times-Journal* and will begin serving our Jackson County readers and advertisers in a different way," the letter began.

That "different way" will be publishing some Jackson County news in the free-distribution *Jackson-Vinton Shopper* each weekend and also in APG's *Vinton County Courier* which is published on Wednesdays. APG also plans to post Jackson County news online on the *Jackson County Times-Journal* website.

Responding to a request for comment, APG Media of Ohio President Monica Nieporte told *The Telegram* that the plan will enable the company to continue to serve the Jackson County market, but in a much more efficient manner through the consolidation of operations by reducing the number of newspaper print editions and offices.

Nieporte confirmed that *The Vinton County Courier* would now contain Jackson County news and sports content as well as Vinton County content and that the Jackson County Community Shopper would be expanded to circulation in Vinton County and would also include news content from both counties. She also confirmed that the Jackson office has permanently closed. As for the personnel situation, she noted that most *Jackson County Times-Journal* employees displaced by the changes have been transferred to other APG Media of Ohio locations.

"We just needed to be more efficient and consolidate our operations," Nieporte explained, while also stating that the company remains committed to serving Jackson County with news and advertising services.

"The decision to suspend publication of the print edition of *The Times-Journal* was not made lightly," the APG Media of Ohio letter stated. "However, the escalating migration of print readership to online, combined with market pressures outside of our control have presented us with the immediate need to change how we serve our audience in Jackson County going forward."

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@TheTelegramNews

The Telegram
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Pete Wilson
@NewsmanPete

Thanks to Associate Editor Phil Buffington and Staff Writer Red Thompson, Jr. for covering the Vinton County Fair's Livestock Sale on Friday night. Look for coverage in Wednesday's edition of *The Telegram*.

7h

The Telegram
Retweeted



Pete Wilson
@NewsmanPete

Reminder: Jackson County Night will be Monday, July 30, at 7:05 p.m. as Chillicothe Paints host West Virginia Miners at VA Stadium. Tickets...

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The letter continued, "The closing of major retail chains, consolidations of other retailers and health-care providers and the ongoing tariff on newsprint have resulted in diminished revenue opportunity and increased costs. There has also been a steady migration in reader preference from print to online."

The Jackson County Times-Journal was established in 1997 by a merger of *The Jackson-Vinton Journal-Herald* and *The Jackson Times*, but the roots of the newspaper can be traced all the way back to *The Jackson Standard*, which was founded in 1847.

The closing of *The Jackson County Times-Journal* leaves *The Telegram* as the only locally-based newspaper serving Jackson County. *The Telegram* is part of Total Media, which also includes the Jackson County Broadcasting Co. radio stations, a digital billboard, and Zip Printing. All these components are based in an office at 295 E. Main St. in downtown Jackson.

Article Comment Submission Form

Please feel free to submit your comments about this story for possible publication online and/or in our print edition.

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EXHIBIT 8



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CASCADES ANNOUNCES ACQUISITION OF THE BEAR ISLAND, VIRGINIA NEWSPRINT MILL AND PLANS TO CONVERT FACILITY TO RECYCLED CONTAINERBOARD PRODUCTION

July 26th, 2018

KINGSEY FALLS, QC , July 26, 2018 /CNW Telbec/ - Cascades Inc. (TSX: CAS), a leader in the recovery and manufacture of green packaging and tissue products, announces the acquisition of the White Birch, Bear Island manufacturing facility in Virginia , for a cash consideration of US\$34.2 million . The newsprint paper machine presently located on the site will be reconfigured to produce high quality recycled lightweight linerboard and medium for the North American market. During the period prior to the conversion, White Birch will temporarily operate the site as a newsprint mill, under a 27-month lease.

The new machine is expected to have an annual production capacity of 400,000 tons and construction costs on a per ton basis that are competitive with similar conversion projects. As presently contemplated, the conversion would require an estimated investment of between US\$275 and US\$300 million , with production expected to begin in 2021. Details of the project will be announced when plans are finalized and approved by the Board of Directors, which is expected in the course of 2019.

Commenting on the project, Mr. Mario Plourde , CEO of Cascades, stated: "This project is directly in line with the goals of our strategic plan which include, among other things, investing in our core sectors of packaging and tissue through modernization, and expanding our geographical footprint. In addition to the paper machine that is particularly well suited for conversion, the Bear Island site is strategically located for raw material sourcing and logistics. Based on the success of our Greenpac Mill, we expect this to be a highly competitive facility that will significantly contribute to the success of our containerboard operations by supporting our geographic expansion in the US market, in addition to generating solid returns for our shareholders."

Mr. Charles Malo , COO of Cascades Containerboard Packaging stated: "The Bear Island site has several advantages including access to an experienced workforce with expertise in paper making. Moreover, the site provides a platform for continued growth through downstream converting capacity. It will also allow us to better serve our customers and to expand our market share by increasing our capacity to provide clients with high quality recycled lightweight linerboard similar to what we produce at our Greenpac Mill.

From a consolidated standpoint, the Bear Island acquisition costs will fall within the previously announced capex envelope for 2018. With Cascades' continued focus on projects like Bear Island aimed at modernizing production facilities in our core sectors of packaging and tissue, it is expected that capital expenditures in 2019 will remain at a level similar to 2018, subject to Board approval.

The Company expects cash flow to remain solid over the coming years as business conditions in North America and in Europe are projected to remain healthy, and gradual improvements are expected in the Tissue segment in the medium term as market conditions begin improving and recent investments generate positive momentum. Cascades is committed to successfully executing this conversion plan while simultaneously maintaining a healthy balance sheet and a judicious focus on returning cash to our shareholders.

The company will hold a conference call on July 26, 2018 , at 8:30 AM ET to discuss the project. The call can be accessed by phone or via the company's website:

Dial-in number:	1-888-231-8191 (N.A. toll free) 1-647-427-7450 (International)
Replay:	1-855-859-2056 (access: 8672029) Available until August 26, 2018
Webcast:	

www.cascades.com "Investor" section
(live and archived)

Founded in 1964, Cascades produces, converts and markets packaging and tissue products that are composed mainly of recycled fibres. The Company employs 11,000 women and men, who work in close to 90 production units in North America and Europe . With its management philosophy, half a century of experience in recycling, and continuous efforts in research and development as driving forces, Cascades continues to deliver the innovative products that customers have come to rely on. Cascades' shares trade on the Toronto Stock Exchange under the ticker symbol CAS.

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EXHIBIT 9

AREA DEVELOPMENT

White Birch Paper Mill to Reopen Hanover, Virginia Operations

Area Development News Desk (07/12/2018)

White Birch Paper Mill will reopen its 600,000-square-foot Bear Island paper mill in Hanover, Virginia.

"We are incredibly invested in the Richmond community," stated Chris Brant, President & COO, White Birch Paper. "This step allows us to help reinvigorate the mill, foster new momentum for the mill."

"The dynamics of the current newsprint market have made it clear that the market is in a temporary state of undersupply. Further anticipated capacity closures will expedite difficult decisions for consumers in an already tough environment," said Brant.

"While the long-term trend for the consumption of newsprint is assuredly on the decline, short to medium term market conditions will accommodate, if not welcome, some relief from recent shortages in supply. White Birch is a long-term player in this market, and we are dedicated to supplying continuity to those consumers with that same long-term outlook," he added.

According to the JLL website, a leading professional services firm that specializes in real estate and investment management, the company continues to market the mill. The sale is being handled by JLL's Danny Holly, Jimmy Appich and Chris Avellana.

According to published reports Cascades, a Canada-based company that produces high-quality paper and paperboard products, plans to invest \$275 million to restart pulp production. The mill was idled at the end of June 2017.

"We're thrilled with this next step for White Birch," added Danny Holly, Vice President, JLL. "It demonstrates their fierce commitment to Hanover County for the past 38 years and they are setting up the mill and the greater Ashland community for the utmost success in the future."

Governor Ralph Northam Office said, "This major investment and the 140 jobs it will create is a major win for Hanover County and the Commonwealth of Virginia," Northam said in a press release. "International companies continue to choose the commonwealth for its world-class workforce and outstanding infrastructure. The location in Hanover County offers Cascades a turnkey facility ready for the company to install equipment and put a shuttered asset back into use, creating good jobs for Virginia workers in the region."

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