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STATEMENT OF

EARL W. KINTNER, GENERAL COUNSEL.

FEDERAL TRADE COMMISSION


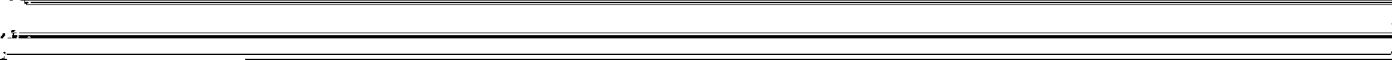
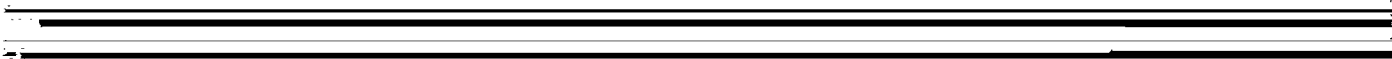





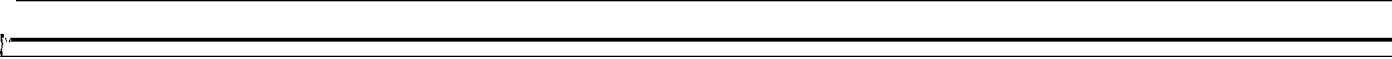




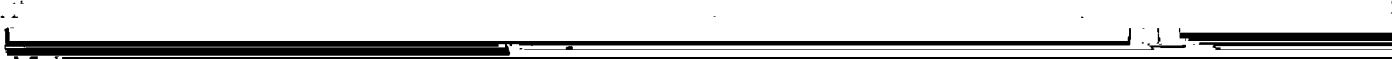




BEFORE THE

GENERAL INVESTIGATIVE BOARD

We thought that we might best serve this Committee at this stage of its inquiry by reviewing the materials in our newsprint industry files (which I might add date back to 1916) and the published materials, then briefly summarizing the background information that we found.

First Commission Investigation.

The Federal Trade Commission was activated early in



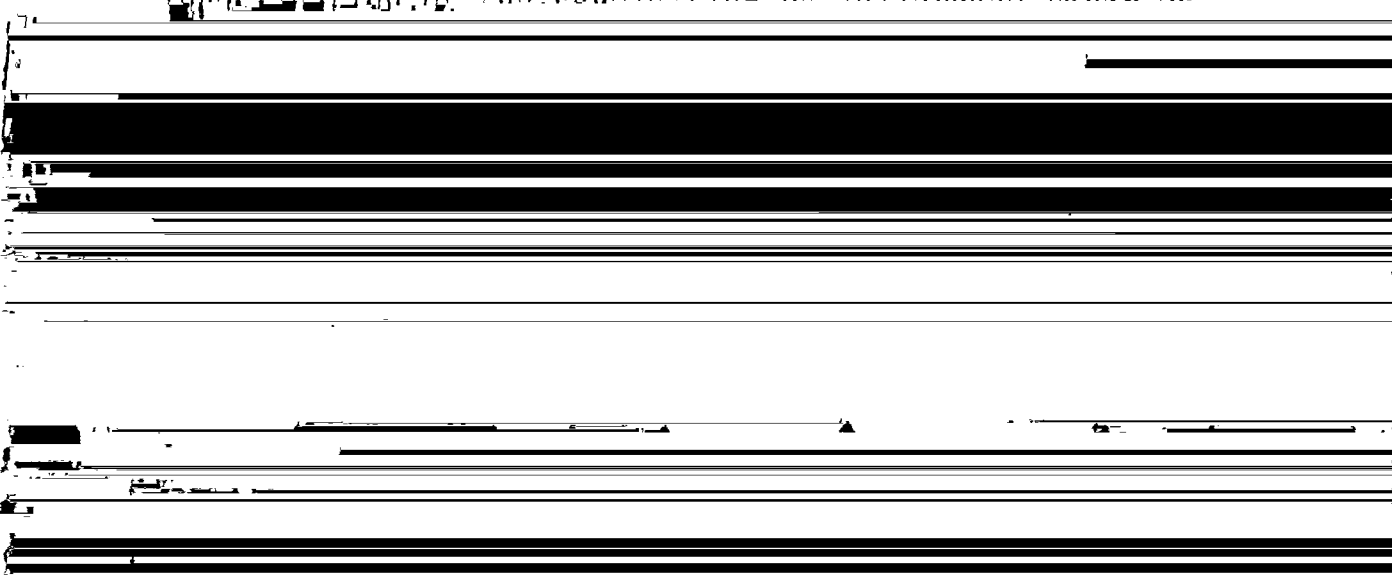
The Federal Trade Commission investigation led to
Justice Department proceedings against 45 newsprint

Second Commission Investigation.

In 1929-1930, another investigation of the newsprint industry was made pursuant to a Senate resolution. This investigation disclosed no one company with a sufficient portion of the business to constitute a monopoly. No discriminations against small newspapers were found. International Paper Co. was recognized as the price leader although it had only about 20% of the newsprint sales in the United States.

The 1930 investigation report also stated that the Newsprint Institute of Canada would violate United States antitrust laws if it existed in the United States, but that the United States had no jurisdiction over Canadian organizations.

This report mentions the Federal Trade Commission's investigation of the acquisition by Zellerbach Paper Co



Third Commission Investigation.

In 1928 at the request of the Attorney General the

consent decree of United States v. George A. Mead, et al.,
(D.C. N.Y., 1917), against newsprint manufacturers. The
Federal Trade Commission report, submitted to the Department
of Justice on February 13 1939 showed that by 1929 only

Recent Consideration

industry as a whole, with particular reference to the
American Paper & Pulp Association. American Paper & Pulp

~~Only two complaints were issued against the 15...~~

against The Blotting Paper Manufacturers Association, et al.,
Docket 6107, and Paper Shipping Sack Manufacturers Association,
et al., Docket 6476.

On January 13, 1954, the staff recommended that the
Commission close the file against American Paper & Pulp
Association and its members as a result of the disposition
of the investigations of the member associations. The

Justice Department Investigations.

The history of Commission investigations in the newsprint field illustrates close cooperation between the Federal Trade Commission and the Department of Justice.

which cooperation was closely intended by the Commission.

Congress which passed the Federal Trade Commission Act

After conferences with the State Department and the Canadian Government, the subpoenas were withdrawn with respect to documents physically located in Canada.

In 1947, the Province of Ontario passed a statute making it a criminal offense for any records to be taken

result of the Department of Justice proceedings.

Mr. Drew of the Ontario Legislature stated:

"If the Attorney-General of the United States does in fact believe that there has been
an unreasonable combination in restraint of normal

Congressional investigations.

In addition to the Department of Justice and Federal Trade Commission investigations, a number of Congressional committees have studied the newsprint problem in recent years.

Both the 1917 and the 1930 reports of the Federal Trade Commission on the newsprint industry were made at the request of the United States Senate.

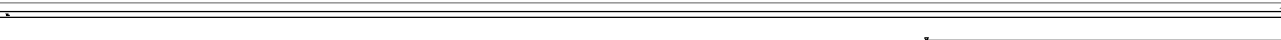







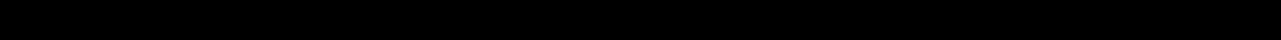









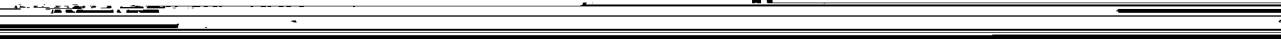






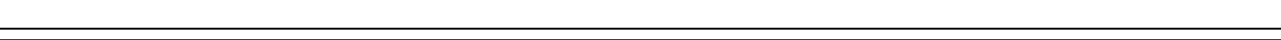



In 1920 the Senate Committee on Manufactures held hearings on the newsprint paper industry. In the same year,

Problems of American Small Business made two interim reports on newsprint supply and distribution (in 1947 and 1948), and in 1949 issued a final report. This study was concerned

This is not an exhaustive list of Congressional investigations, but it serves to indicate Congressional concern with the industry.

Newsprint Pricing.

We have further examined our files and other available materials for pricing practices in the newsprint industry. The following is our best available information as to prevailing prices in the industry from 1860 to 1956



1935 40.00
1936 41.00
1937 42.50
1938 50.00
1939 50.00
1940 50.00
1941 50.00
1942 50.00
1943 54.66
1944 58.00
1945 60.00

1946 72.57
1947 88.50
1948 97.70
1949 100.00
1950 100.92
1951 111.00

Also, I would like to summarize what we have found

with respect to the newsprint industry's pricing methods.

In 1928, International Paper Company had established zone pricing east of the Mississippi. Many other mills prior to the NRA period absorbed full freight to the destination or had absorbed freight at least up to a fixed amount.

On June 16, 1933, the National Industrial Recovery Act was passed, and immediately, the newsprint manufacturers

changes in freight rates, and the exchange rate between

United States and Canadian dollars varied from time to time.

When the zones were first established, the price differentials probably reflected average delivery cost of newsprint mills shipping to various destinations. But since that time freight rates have varied considerably

existing zone system, therefore, does not reflect changes in transportation costs except to the extent that rate

Conclusion.

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to the existence of two closely related ...

of concern to domestic newspaper and magazine publishers:

(1) high prices; and (2) lack of adequate domestic supply.

What can we at the Commission suggest?

You may wish to consider the possibility of a Congressional

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of the eighteen merger complaints filed by the Federal

Trade Commission since the 1950 antimerger amendment have been in the paper industry. These are Crown Zellerbach, *Union* Scott Paper, and International Paper Company.

At this time the Commission is considering additional information brought to its attention concerning newsprint zone pricing to determine if further investigation or other

action is warranted with respect to such practices.

In conclusion I wish again to assure you that the

Commission stands ready to cooperate with the Congress in