FINAL REPORT

OF THE

NORTHEAST NEWSPAPER RECYCLING TASK FORCE

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NORTHEAST NEWSPAPER RECYCLING TASK FORCE

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EXECUTIVE SUMMARY

State recycling officials and newspaper publishers in the Northeast formed the Northeast Newspaper Recycling Task Force for the following purposes:

1. To determine whether recycled newsprint supplied to the northeast is or will be adequate to enable publishers to meet future recycled purchasing goals or requirements currently in place in eight Northeast states;

2. To recommend, based upon that determination, revised goals if necessary; or

3. To devise a new approach to encourage continued investment in recycling capabilities by the North American newsprint industry.

Nearly ten years ago, the State of Connecticut enacted the first law in the nation requiring newspaper publishers to purchase increasing quantities of recycled newsprint. Twenty-five other states followed with laws or voluntary agreements. These laws and voluntary agreements were intended to help remedy a significant supply/demand imbalance for old newsprint (ONP) in the late 1980's and early 1990's. This imbalance led to depressed market conditions that were so severe, some communities began to landfill or incinerate old newsprint collected for recycling. The resulting public outcry prompted state action.

Progress marked the ensuing years, as demand for recycled newsprint by publishers increased, new investments in recycling capacity by newsprint manufacturers occurred, and market conditions for ONP improved. Today there are over 2.5 million tons of ONP deinking capacity in the region, compared to 600,000 tons in 1989. Publishers in the northeast have met or exceeded the statutory and voluntary recycled newsprint purchasing goals to this point.

However, in 1997, concern about the likelihood of meeting recycled content goals of at least 40% by the year 2000 prompted publishers in several Northeast states to urge a reassessment of the goals. The fact that there have been no new investments in recycling capacity by manufacturers supplying finished newsprint to the region since 1995 was at the root of their concern. In recognition of this fact, state recycling officials in the Northeast agreed to establish the Northeast Newspaper Recycling Task Force with publishers to determine whether out-year goals were attainable.

The Northeast Recycling Council (NERC), with its long history of monitoring the availability of recycled newsprint in the region and maintaining a dialogue between publishers and states, was chosen to spearhead this effort. NERC’s role was to facilitate Task Force meetings, manage a consultant study, which served as the analytical basis for determining the attainability of recycled newsprint requirements or goals, and to compile a report of the Task Force findings and recommendations.

The Task Force worked throughout 1998 to develop a new regional policy affecting Northeast publishers' purchases of recycled-content newsprint. The objective of this new approach is to drive additional investments in, and maximum utilization of, recycled-fiber based manufacturing capacity by the North American newsprint industry, thereby sustaining the economics of old newspaper recycling in the Northeast.

Under this new approach, large newspapers and newspaper groups selling into the region would be asked to endorse a resolution committing them to purchase newsprint containing a minimum level of recycled fiber content newsprint annually. This minimum level, or floor, would be based on the purchase of recycled fibers and would have to average at least 27 percent of total fiber purchases each year. This 27 percent figure is based on an analysis conducted by Jaakko Poyry Consulting on behalf of the Task Force of the actual level of recycled content in newsprint supplied to publishers in the Northeast in 1997. It is important to note that Jaakko Poyry found that the average recycled content of the newsprint produced by manufacturers shipping newsprint to the region was 24 percent. This difference means that due to a strong preference for recycled content from Northeast publishers, these suppliers in aggregate ship a higher percentage of the recycled content newsprint that they produce to Northeast publishers. And, the base level of 27 percent is set high relative to current availability of recycled content newsprint from suppliers traditionally shipping into the region. Also notable is the fact that the 27 percent recycled fiber content in newsprint shipped to the Northeast is an average that includes higher levels of recycled content purchases reported in individual states, such as the 35 percent recycled fiber content reported in Connecticut in 1997.

In lieu of a maximum level for annual recycled content newsprint purchases, publishers would agree to implement a buy recycled purchasing policy that would include a commitment by individual publishers to continue purchasing newsprint at the same 1997 base level of 27 percent recycled fiber content and to articulate a clear preference for recycled content newsprint. This approach would include a commitment by publishers to evaluate future investments, retirements, selective use of existing capacity, or other changes in newsprint production capacity by their suppliers. Publishers would encourage new newsprint suppliers to invest in recycling capacity rather than virgin capacity, and they would encourage suppliers to modify and utilize their existing capacity in a way that would increase the use of recycled fiber in their newsprint (i.e., through favoring retirement of virgin capacity over recycled capacity and favoring utilization of recycled capacity over virgin capacity). The only exception to this preference would be when a newsprint supplier provides documentation of an economic justification for adding or changing its capacity in a way that would not increase, or perhaps even decrease, the availability of recycled content newsprint.

Success of the policy would be measured over time by comparing publishers annual purchases of recycled content newsprint to the availability of recycled content newsprint in the benchmark year (1997), and by additional investments in recycling capacity that are made by the newsprint industry in subsequent years. An assessment of the effectiveness of the policy would occur after three years.

NERC staff would be responsible for tracking publishers' annual recycled-content purchases, including administering surveys, and compiling and reporting results. State publisher associations and the Newspaper Association of America would assist NERC in coordinating this effort.

The Task Force weighed the advantages and disadvantages of this approach with other potential options, and with the state-by-state policies currently in-place in eight NERC states. The Task Force concluded that a regional policy and reporting system better reflects the realities of the marketplace for newspaper publishing – that is, large newspapers and newspaper groups selling across a large region. This system also reflects the realities of newsprint manufacturing and old newspaper (ONP) recycling, i.e. market activities that are also carried out on a regional basis. The Task Force also felt that a regional approach would promote more uniformity of goals among NERC states, and would provide an opportunity to include publishers in New Jersey and Delaware where agreements or laws are not currently in place. Finally, the Task Force believes that by working in concert on a regional level to promote recycled content purchases, a strong market signal will be conveyed to newsprint manufacturers about the preferences of their customers. This unified message from such a large customer base should provide a much greater incentive for manufacturers to invest in recycling capacity and to make retirement and capacity utilization decisions that favor recycled newsprint production over virgin production.

In support of these actions by newspaper publishers in the Northeast, the Task force recommends that the states of the Northeast Recycling Council agree to the following:

- Endorse the Task Force recommendations and actively encourage policymakers in their respective states to adopt, on at least a three-year trial basis, the regional approach in lieu of individual states acting alone.

- Ensure that any state specific reporting requirements for publishers that remain in effect be compatible with regional reporting under the Task Force recommendation. Moreover, the states of the Northeast Recycling Council would also advocate allowing the large newspaper groups who endorse the Task Force recommendations and who sell multiple newspapers to multiple states in the region to use their average regional recycled newsprint fiber percentages when calculating and reporting to those individual states that still have such reporting requirements.

- Continue to develop, promote and support economically efficient methods to increase the quantity and quality of old newspapers recovered through public and private recovery programs.

- Encourage policymakers to dedicate economic development resources to the attraction of recycled content newsprint manufacturing in the region.

The Task Force recognizes that the effectiveness of the recommended regional approach to recycled newsprint purchasing policy is a departure from the existing state by state policies. It also recognizes that the effectiveness of this approach is dependent on a critical mass of publishers in the region endorsing the recommendations of the Task Force. Therefore, the Task Force members believe that support for the regional approach by the member states of NERC should be contingent upon endorsement of the recommended publisher actions above by newspapers and newspaper groups representing at least eighty percent of the newsprint consumption in the Northeast.

The Task Force also recommends that publishers and states work in cooperation to evaluate the effectiveness of the regional approach after three years to determine the impacts of the publisher actions on the investment and capacity usage and retirement decisions of newsprint manufacturers, and on the economic sustainability of old newspaper recycling in the Northeast. The Task Force further recommends that if such evaluation indicates it necessary, that publishers and states work in cooperation to amend the regional approach.

Members of the Northeast Newspaper Recycling Task Force believe the recommendations contained in this report provide a sound framework to achieve further progress in newspaper recycling through the new millennium.

I. INTRODUCTION AND PURPOSE

It has been ten years since the State of Connecticut first enacted its law requiring publishers who sell newspapers in Connecticut to purchase increasing quantities of recycled content newsprint. Since then, other states have either followed a similar approach or have adopted voluntary agreements modeled after the agreement developed by the New York Newspaper Recycling Task Force in 1989. [1]

Whether by statute or negotiated agreements, the purpose behind the recycled purchasing goals was to stimulate consumer demand for recycled newsprint and investment in recycling capacity by North American newsprint manufacturers that supply finished newsprint to publishers in the Northeast. The ultimate objective was to maximize the recovery of old newspapers (ONP) and improve the long-term economic sustainability of ONP recycling.

In a general sense, the investment objectives behind the laws and agreements have been achieved. Today, there is 2.5 million tons of deinking capacity in the region supplying newsprint to Northeast publishers compared to 600,000 tons in 1989. However, the progress of the early 1990's has stalled and there have been no new investments by manufacturers in this region since 1995. Furthermore, opportunities still exist to recover more ONP and the long-term economic sustainability of recycling this material is in a constant state of flux requiring periodic attention from state policymakers and recycling officials.

In the absence of any investment activity by newsprint manufacturers since 1995, it has become clear that the purchasing goals established for publishers in the Northeast for the years 1997 and 2000 are unattainable on an aggregate basis for all publishers in the region. For those NERC states with goals, these goals expressed as a percentage of publishers' annual fiber consumption represented by post-industrial recycled fibers, are 40-50% for the year 2000. The goals were set ten years ago in light of the availability of recycled newsprint at that time and on the basis of projections of what could be available ten years in the future. The projections relied on several explicit assumptions about the growth in newsprint demand, the recovery rate and availability of quality ONP, and the growth in alternative uses of ONP. Assumptions implicit in the projections were that it would be technically and economically feasible for the newsprint manufacturing sector to make the investments in recycling capacity that would be necessary to increase the availability of recycled newsprint to the 40-50% level.

Knowing that projections can not always be relied upon, the members of the New York Newspaper Recycling Task Force agreed to periodically review the purchasing goals and revise them, when appropriate, in order to best reflect market trends. The New York Task Force also agreed that any revisions would be designed to maintain the driving impact of publisher purchasing on the demand for both recycled newsprint and ONP.

[1] Final Report of the New York State Newspaper Recycling Task Force, December 12, 1989.

Since the inception of these laws and agreements, the Northeast Recycling Council[2] has played an integral role in monitoring the availability of recycled content newsprint, and maintaining the dialogue between publishers and state recycling officials in the region. As the year 1997 and 2000 goals drew near, publishers approached NERC staff about facilitating formal discussions to revisit the goals. After NERC organized and managed several informal meetings between publishers and state officials, the Northeast Newspaper Recycling Task Force was formed.

The Northeast Task Force is comprised of publishers, NERC staff, and state officials in the region and was formed to devise a new voluntary regional agreement between these two parties that would meet the recycling objectives of the states without compromising the business needs of the publishers.

Purpose of this Report

This report summarizes the work and recommendations of the Northeast Newspaper Recycling Task Force carried out during 1998. Chapter II provides a history and evolution of the laws and voluntary agreements affecting recycled newsprint demand and ONP recycling that were implemented in the region and NERC's efforts to develop a regional consensus on the issue. A brief synopsis of other events around the country that evolved from the original work in the Northeast will be provided, along with the progress that has occurred to date with regard to investments in deinking capacity, increases in ONP recycling, and publisher progress towards meeting the goals. In addition, a summary of a report completed by Franklin Associates, Ltd. for NERC documenting the recovery of ONP and OMG in the NERC states is provided.

Chapter III is a summary of the findings of Jaakko Poyry Consulting with regard to the current and projected availability of recycled content newsprint. Jaakko Poyry Consulting is a nationally renowned consulting firm specializing in the pulp and paper industry and was commissioned by the Task Force to undertake a study that could serve as an analytical basis for establishing future goals and milestones.

In Chapter IV the issues discussed during Task Force meetings are highlighted, including a justification for continuing with the buy recycled policies, and the benefits of adopting a regional approach over the current state by state arrangements. In this Chapter, the various policy options considered by the Task Force are reviewed and the pros and cons of each option are summarized.

[2] The Northeast Recycling Council, an affiliate of the Council of State Governments' Eastern Regional Conference is comprised of state recycling and solid waste directors, and legislators from Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. NERC's mission is to ensure the long-term viability of recycling in the Northeast in order to maximize its full environmental benefits.

Finally, in Chapter V we present the findings and recommendations of the Task Force, including a renewed plan for increasing the manufacture and use of recycled newsprint and thereby the recycling of ONP generated in the Northeast. The plan describes the steps to be taken by Northeast publishers and States in the region to:

1. increase demand for recycled newsprint over virgin newsprint;

2. increase the availability of the product;

3. establish the region as a reliable source of quality ONP; and

4. monitor progress in carrying out the plan.

II. BACKGROUND

In 1989, the Northeast Recycling Council brought together state recycling officials, representatives of the newsprint manufacturing industry and newspaper publishers to provide coordination and consistency among state ONP market development policies. The first meeting sponsored by NERC and the USEPA was held in Philadelphia on May 5, 1989. Top executives representing some of the largest U.S. newspaper publishers and North American newsprint manufacturers attended. The meeting served to open a formal dialogue among industry and NERC member states on stimulating demand for ONP. A broad range of issues were discussed, including the:

- Roles of the public and private sectors in developing ONP markets, including the role of newspaper publishers in addressing the solid waste management issues related to newspapers in the waste stream; and

- Quality and availability of recycled newsprint

A follow-up meeting was held on January 19, 1990 in Colchester, Vermont. Again, newspaper publishers and manufacturers attended. The issues discussed at this meeting included:

- Efforts by publishers to purchase recycled content newsprint

- Using voluntary vs. legislative approaches to recycled content purchasing goals for newspaper publishers

- The process for deinking and manufacturing recycled newsprint

- Research on the supply and demand for ONP

- The coordination of goals and measurement protocols among the northeast states.

These NERC sponsored meetings demonstrated to newspaper publishers and newsprint manufacturers that the states in the region recognized their concerns about regional consistency in setting purchasing goals and measurement protocols, and that the states were prepared to do something about those concerns. While there is no region-wide agreement with publishers in place, there is a large degree of consistency among the state purchasing goals and how the goals are measured. For example, for the majority of states in the region, the goals are measured in terms of recycled fiber purchases as a percentage of total fiber purchases. Table I.1 displays the various goals currently in place in the eight Northeast states with buy recycled newsprint policies.

Table I.1
Newspaper Publishers' Recycled
Newsprint Purchasing Goals
- Northeast States -
(In Percent)

	YEAR									
STATE	`92	`93	`94	`95	`96	`97	`98	`99	2000	2001
CT	11	16	20	23	23	31	40	45	50	
ME[3]	-	10	-	16	-	31	-	-	40	
NH	-	11	-	23	-	31	-	-	40	
NY	11	-	-	23	-	31	-	-	40	
RI	11	-	-	-	22	-	31	-	-	40
VT	11	-	-	23	-	31	-	-	40	
MA		13	-	23	-	31	-	-	40	
PA*	-	-	-	-	-	-	-	-	-	

Source: Northeast Recycling Council
Shaded areas represent goals that are mandated by law. Dashes represent years for which no goals are specified.
*Pennsylvania no longer has numerical goals, but rather a stated commitment by publishers to prefer recycled newsprint in purchasing (Nov. 1995 resolution).

Recovery of ONP in the Region

NERC has continued to play an important role in monitoring progress towards the goals on a regional basis and in assessing the availability of recycled content newsprint. Recognizing that the expansion of the recovery infrastructure for ONP is a critical element in the continued success of the newspaper publishers' recycled content purchasing commitments, NERC, with cooperation with the Canadian Pulp and Paper Association, the U.S. Environmental Protection Agency, and the Newspaper Association of America, commissioned Franklin Associates LTD (FAL) to conduct a detailed assessment of the region's ONP recovery systems.

The objective of the study was to estimate the recovery rate for ONP and OMG in the region, identify additional sources of ONP and OMG supplies, and provide a strategic assessment of the best means for encouraging recovery from those sources. FAL compiled data and information for specific geographic areas and generating sectors to identify priority targets for increasing ONP and OMG recovery.

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[3] The Maine goals of 25 and 40 percent recycled content are converted to fiber consumption goals.

The findings of the FAL report are summarized below.

- Total estimated generation of ONP in the NERC states in 1994 was almost 2.9 million tons, exclusive of pressroom scrap and over-issue news. Five of the ten states, Connecticut, Massachusetts, New Jersey, New York, and Pennsylvania, made up nearly 93 percent of total generation.

- Total estimated recovery of ONP in the NERC states in 1994 was 1.7 million tons, representing a recovery rate of 60 percent. Although recovery percentages vary from state to state, the same five states with the largest generation quantities represented 94 percent of total recovery.

- Total estimated unrecovered ONP in the NERC states in 1994 was 1.1 million tons. The same five states with the largest generation and recovery total also represent the largest unrecovered source of ONP, at 90 percent of total unrecovered ONP supplies.

- On balance, the 60 percent recovery rate for ONP is at a level that could be increased. Given increased efforts in those states with recovery rates below 70 percent, there is the potential to increase recovery in the region by about 250,000. Unrecovered tonnage is greatest in Massachusetts

- Overall, 94 percent of ONP generation in 1994 was estimated to be in metropolitan areas; 95 percent of recovery was in metropolitan areas; and 93 percent of unrecovered ONP was in metropolitan areas.

- While information on generation sites for ONP is difficult to find, it is estimated that approximately 85 percent of ONP generation comes from residential sources, 10 percent comes from offices and about five percent comes from other sources such as airports, transit stations, hotels, schools, etc.

FAL identified the following strategies to increase recovery of ONP.

- Target communities that have relatively low residential recovery rates and a significant tonnage of unrecovered paper.

- Develop stakeholder participation, i.e., local and state governments, private sector haulers and paper stock dealers, local newspapers, and ONP-consuming mills.

- Conduct detailed community profile and infrastructure analyses and address the critical factors of citizen convenience, full and on-going education, commitment of the sponsoring agency, and commitment from the marketplace.

- Concentrate efforts on high payoff areas first, i.e., the metropolitan areas, including suburban communities.

- Place the greatest effort on residential collection where a high percentage of the population lives in single-family dwellings.

- The most promising commercial sector opportunities are with office buildings in metropolitan areas. Such efforts require the participation of the private sector stakeholders, including some resources to establish programs.

- Other than office buildings, the generation and recovery potential in commercial locations such as airports and train stations is very limited and has resource requirements that would provide lower payoffs than residences and office buildings.

III. AVAILABILITY OF RECYCLED CONTENT NEWSPRINT

The Northeast Newspaper Recycling Task Force retained the services of Jaakko Poyry Consulting (JP) to gather information and provide analysis to inform the Task Force's deliberations. JP is an international consulting firm that is well respected by the pulp and paper industry.

The Task Force directed Jaakko Poyry to conduct five tasks:

1. Establish a baseline of current recycled content newsprint production capacity in the study region.
2. Establish a baseline of current utilization of this capacity.
3. Project growth potentials for both capacity and utilization in the study region.
4. Analyze the availability and cost of recycled-content newsprint from Europe, Asia, and Mexico to assess the feasibility of northeastern publishers using these as additional sources of recycled-content newsprint.
5. Assess competitive demand for recycled-content newsprint from publishers in states outside the study region.

Following is a summary of JP's findings.

Baseline Recycled-Content Newsprint Capacity and Utilization

As a first step in assessing the current and future availability of recycled-content newsprint for publishers in the Northeast, JP established a baseline of the present manufacturing capabilities of the major suppliers including:

- paper capacity and utilization
- newsprint capacity and utilization
- deinking (DIP) capacity and utilization
- virgin pulp capacity and utilization
- use of direct entry ONP or purchased market DIP
- production of newsprint by recycled-content level
- shipments to the Northeast.

Summary of Baseline Recycling Capacity and Utilization Analysis

JP surveyed twenty-one mills supplying more than 50,000 tons/year of newsprint to publishers in the Northeast. These major suppliers represented almost all (over 95%) of the newsprint being shipped into the region. Nineteen (19) of the 21 major suppliers of newsprint to the Northeast produce some recycled-content newsprint. Twelve (12) mills are integrated to DIP, five (5) of the major suppliers are purchasing market DIP to produce recycled-content newsprint, and four (4) mills utilize direct entry of RCP to achieve recycled-content. A mill can use more than one of these options to add recycled content. For example, one mill integrated to DIP is also purchasing market DIP.

Approximately 91 percent of the DIP/RCP consumed by the major suppliers is used to produce newsprint. Two of the mills use a portion of their total DIP/RCP consumption to produce recycled-content directory paper.

As shown in Table III.1 the major suppliers of newsprint are utilizing their newsprint and DIP capacity close to maximum levels. Collectively, the mills are utilizing their DIP capacity at a greater rate than virgin pulp capacity, in response to customer requests for recycled-content newsprint.

Table III.1
Summary of Current Capacity and Utilization
(Thousands of Metric Tons)

	Capacity	Production	Utilization
Paper	7,978	7,582	95.0%
Newsprint	6,731	6,580	97.8%
Virgin Pulp	6,845	5,946	86.9%
DIP	1,547	1,484	96.0%

Currently, almost 40 percent of the total newsprint produced by the major suppliers is shipped to the Northeast. However, only 16 percent of the total production (and 22% of the shipments to the Northeast) have a recycled content of 40 percent or higher.

Table III.2 shows the average recycled-content level of the newsprint currently shipped to the Northeast.

Table III.2
Current Average Recycled-Content Of Newsprint Shipped To Northeast
(Thousands Of Metric Tons)

	Total[4]	Shipped to Northeast
Newsprint Production	6,580	2,375
DIP/RCP Use in Newsprint	1,560	644
Average recycled-content	24%	27%

The current average recycled content of all the newsprint shipped to the Northeast is 27%. This is slightly higher than the average of all the newsprint produced by the major suppliers, due to the lower percent of virgin newsprint production shipped to the region.

[4] Refers to all the newsprint produced by the suppliers in the study region.

Conclusions from Baseline Capacity and Utilization Analysis

- The majority of the major suppliers of newsprint to the Northeast currently utilize their newsprint and DIP/RCP capacity at maximum levels.

- The majority of mills are customer driven to produce recycled-content newsprint.

- For mills with both virgin and recycled pulp capacity, DIP is often more expensive to produce since many of these mills are located near trees not recovered paper supplies (i.e. metropolitan areas). Due to their location, the cost of RCP (market price plus transportation) is higher than virgin fiber making DIP more costly to produce. If the price of RCP were to increase significantly, these mills would re-evaluate their operations and likely utilize more of their virgin pulp capacity.

- The direct entry of ONP is not a viable option for the majority of the major suppliers. As state previously, only four of the 21 mills use direct entry ONP. These mills mainly use unprinted material (broke or news blanks). In general, direct-entry of printed ONP results in a poor quality, lower brightness sheet that is unacceptable to end-users.

- The quality and availability of ONP is a concern for many of the mills. According to some mills, the current trend by municipalities to commingle recyclables in order to maximize participation and diversion rates has resulted in a lower quality fiber source for newsprint mills. The quality of ONP supplies is a major concern for any mill looking at adding or expanding deinking operations. However, it should be noted that a full assessment of the extent of the trend toward commingling and its impact on fiber quality has not been undertaken.

Future Scenarios

The Task Force and Jaakko Pöyry jointly developed three future scenarios to determine the impact of various factors on the average recycled-content level of newsprint shipped to the Northeast. The forecast period is five years (1998 to 2003). The scenarios assess two ways for recycled-content newsprint production in the study area to increase:

- Through the growth of current recycled-content newsprint capacity from a technical, economic, and market viewpoint

- Through construction of a new 100 percent recycled newsprint mill

Information obtained from surveys of the major suppliers of newsprint to the region served as the basis for future scenarios. This information was supplemented with public information of future expansion plans.

To assess the impact of various factors on the level of recycled-content produced by the major suppliers, Jaakko Pöyry used a methodology similar to the establishment of baseline data. Jaakko Pöyry developed a spreadsheet model that applied the principal variables that impact the availability of recycled-content newsprint capacity including:

- Changes in capacity utilization rates
- Capacity changes including additions, closures and grade changes
- Changes in DIP/RCP use in newsprint
- Changes in levels of recycled-content newsprint produced (e.g. from 15% to 18%).

Data was compiled on a mill-by-mill basis. For each scenario Jaakko Pöyry analyzed the effect of changes to the base assumptions with regard to factors that have the greatest impact on the recycled content of the newsprint produced by the major suppliers over the next five years:

- DIP utilization rate
- Use of direct entry ONP
- Virgin pulp utilization rate
- Percentage of DIP/RCP consumption used in newsprint

A complete summary of the various future scenarios is included in Appendix A of the full report (Tables A-1 to A-6).

Explanation of Base Assumptions for all Scenarios

In order to assess the impact of various changes to the recycled-content level of newsprint produced by the major suppliers to Northeast publishers in 2003, Jaakko Pöyry developed basic assumptions with regard to the future:

- Newsprint capacity and utilization
- DIP capacity and utilization
- Use of direct entry and mechanical market DIP
- Percentage of total DIP/RCP consumption used in newsprint
- Newsprint supply patterns

Newsprint Capacity and Utilization

Newsprint consumption in the U.S. has been flat over the last few years, a trend that is expected to continue through the end of the decade. A detailed newsprint supply and demand forecast is included in Appendix B of the full report (Table B-1).

According to statistics from the Newspaper Association of America (NAA), consumption of newsprint by daily newspapers in the Northeast decreased slightly between 1993 and 1997, from 2.1 million tons to 2.0 million tons. Based on this information, Jaakko Pöyry assumes that there will be no change to the current utilization of newsprint capacity by the major regional suppliers.

In addition, newsprint shipments to the Northeast are expected to remain flat over the forecast period.

Almost half of the major producers (nine of twenty-one) produce other uncoated groundwood paper grades[5]. However, like newsprint, consumption of uncoated groundwood paper is forecast to show very little growth over the next five years, averaging just 1.6 percent annually (shown in Appendix B, Table B-2 of the full report).

As a result, other than the changes mentioned in surveys or public information, Jaakko Pöyry assumes that none of the current suppliers of newsprint to publishers in the Northeast will make significant shifts in their production of newsprint versus other uncoated groundwood grades.

DIP/RCP Capacity and Utilization

Mills can add recycled content to their newsprint in three main ways:

- Integration to deinking (DIP) capacity at the mill
- Direct entry of old newspapers (ONP) to the pulper at the mill
- Purchase of mechanical market DIP or transfer of DIP from other company-owned mills.

Integrated DIP Capacity: For the purposes of this study, Jaakko Pöyry has assumed that there will not be significant investments in additional deinking capacity over the next five years for two main reasons:

- The majority of the mills where DIP is an attractive strategic and economic option have already added integrated DIP capacity.

- Recovery of ONP (the main raw material used in newsprint deinking operations) is estimated to be 65 percent in the Northeast in 1997. A recovery rate this high is very close to what is considered the maximum practical recovery rate for this grade of recovered paper. As recovery reaches maximum practical levels, additional supplies will be more costly and more contaminated. Many current ONP-consuming newsprint mills indicated that it is becoming more difficult to procure the quality of ONP they require. As a result, except for a few comparatively minor changes, no substantial increase in DIP capacity is expected over the next five years.

Use of Direct Entry ONP: Mills that use ONP directly (rather than deinking it first) typically use unprinted pressroom scrap. There are limited supplies of unprinted scrap, and almost all is already recovered for reuse. Printed ONP is unsuitable for direct-entry at most newsprint mills since, (unlike a deinking operation), the ink is not separated from the fiber. Consequently, the brightness level of the final product is much lower, making it

[5] Uncoated groundwood grades included supercalendered paper, directory paper, and specialty news grades.

unacceptable to end users, and making direct entry of printed ONP a less viable option for the vast majority of mills. Significant increases in the use of direct entry ONP would require major industry-wide investments and/or changes, including:

- Additional pulp and cleaning equipment
- Storage and warehouse investments
- Additional personnel
- Other paper mill adjustments, including possible idling of some virgin pulping capacity
- Customer acceptance of potentially lower brightness newsprint.

Jaakko Pöyry assumes that the major suppliers to the Northeast will not increase their use of direct entry ONP.

Purchase of Market DIP: There are currently only two mills in North America that produce market DIP from mechanical fiber (e.g. ONP and OMG), Desengrage C.M.D., Cap-de-la-Madeline, Que (120,000 MT/A) and Newstech Recycling, New Westminster, B.C. (167,00 MT/A). Given its location, Newstech does not supply any DIP to mills in the study region.

Purchased pulp is almost always more expensive than integrated pulp, and newsprint is an extremely competitive commodity. Therefore, under current market conditions, virgin fiber newsprint mills are unlikely to purchase significant volumes of market DIP.

Jaakko Pöyry assumes that the major suppliers to the Northeast will not substantially increase their purchases of DIP.

Percentage of Total DIP/RCP Consumption Used in Newsprint

Currently, 91 percent of the DIP/RCP consumed by the major suppliers is used to produce newsprint. The majority (95%) of the DIP not used in newsprint is used to produce recycled-content directory paper. Like the newspaper publishers, the telephone industry has also been active in initiating voluntary recycled-content goals. The Yellow Page Publishing Association (YPPA) initiated an *Action Plan* for their market that addresses the issue of recycled fiber content in directories. In 1995, YPPA set a voluntary standard of 25 percent and the current 1998 goal is 40 percent. As a result, Jaakko Pöyry has assumed that the ratio of DIP/RCP that is put into newsprint versus other grades will not change over the forecast period.

Newsprint Supply Patterns

Newsprint supply patterns are related to four main factors including:

- Newsprint prices
- Transportation costs and logistics
- Established supplier relationships
- Mill ownership

Jaakko Pöyry has assumed that supply patterns of the major suppliers will not change over the forecast period unless a mill shuts down or converts newsprint capacity. A multi-mill newsprint producer that closes or converts newsprint production at a plant will replace that tonnage with similar shipments from other company mills supplying the region.[6]

Any changes were applied to all scenarios.

Summary of Capacity Changes

As indicated earlier, mills were surveyed regarding future capacity changes. Table III.3 summarizes the capacity changes for the major suppliers from surveys and other public information.

Table III.3
Summary of Capacity Changes by Major Suppliers (1998 and 2003)
(Thousands of Metric Tons)

	Increase	Decrease	Net changes
Newsprint	93	(130)	(37)
DIP	43	-	43
RCP/Market DIP	18	-	18

Total newsprint capacity of the major suppliers is expected to decrease slightly between 1998 and 2003 as the conversion of newsprint capacity to groundwood specialty grades at one mill offsets the increases in capacity at three other mills. Overall DIP/RCP capacity is expected to increase by about 61,000 tons per year as a result of increases in capacity or use of direct entry ONP at three mills.

Three mills are expected to increase the average recycled content of the newsprint they produce as a result of increased DIP capacity or higher utilization of current DIP/RCP capacity. However these increases are relatively small (i.e. 15% to 20%, 28% to 35%, 42% to 45%) and will have little impact (<1%) on the overall average recycled content of the newsprint produced by major suppliers.

These changes were applied to all scenarios.

[6] For example, Company A owns four mills, all of which are major suppliers to the Northeast. Mill 1 supplies the Northeast with 50,000 of newsprint with an average recycled content of 20 percent. The newsprint capacity at Mill 1 is converted to other uncoated groundwood grades. The 50,000 tons per year of 20 percent recycled-content newsprint previously shipped by Mill 1 to the Northeast will be replaced by 50,000 tons per year of newsprint with an average 20 percent recycled content from the other company mills.

Base Scenario

In addition to the basic assumptions applied to all the future scenarios, JP also assumed that no new newsprint mill would begin operations in the Northeast by 2003.

Summary of Results

- Under the base scenario, the average recycled content of all the newsprint shipped to the Northeast in 2003 is 28% (Table 4).
- This represents a slight increase from the baseline average recycled content.

Table III.4
Estimated Average Recycled-Content of Newsprint Shipped to Northeast in 2003
(Thousands of Metric Tons)

	Total	Shipped to Northeast
Newsprint Production	6,544	2,382
DIP/RCP Use in Newsprint	1,593	661
	24%	28%

Optimistic Scenario

In addition to the basic assumptions applied to all the future scenarios, the following additional assumptions apply to the optimistic scenario:

1. One new 100 percent recycled-content newsprint mill is built in the Northeast by 2003 totaling 220,000 tons per year.
2. The new mill will utilize 100 percent of its capacity.
3. All of the tonnage from the new mill will be shipped to publishers in the Northeast.
4. Newsprint shipments from the new 100 percent recycled-content newsprint mill to the Northeast will replace an equal amount of tonnage from other suppliers previously shipped from other suppliers. The recycled-content level of the replacement shipments is assumed to be equal to the average recycled-content level of tonnage currently shipped.

Summary of Results

- Total newsprint capacity of the major suppliers would show a net increase of over 180,000 tons per year; DIP capacity would increase by 280,000 tons per year.

- With the substantial increase (+220,000 ton) in the amount of 100 percent recycled-content newsprint shipped to the Northeast as a result of the new mill, the average recycled-content of all the newsprint shipped to the Northeast from would increase from 27 percent to 34 percent in 2003 (Table III.5).

Table III.5
Estimated Future Average Recycled-Content of Newsprint Shipped to Northeast in 2003 - Optimistic Scenario
(Thousands of Metric Tons)

	Total	Shipped to Northeast
Newsprint Production	6,764	2,382
DIP/RCP Use in Newsprint	1,813	819
Average recycled-content	27%	34%

Pessimistic Scenario

In addition to the basic assumptions applied to all the future scenarios, the following additional assumptions apply to the pessimistic scenario:

1. A reduction in production resulting in the equivalent of 200,000 to 250,000 tons per year less of 100 percent recycled-content newsprint being shipped to the Northeast by 2003.

2. The loss of this production and shipments to the region would be replaced by increased shipments from other suppliers to the region with similar levels of recycled content.

3. No new capacity in the region.

Summary of Results

- Under the pessimistic scenario assumptions, the total newsprint capacity of the major suppliers to the Northeast would decrease by almost 260,000 tons per year; DIP capacity would decline by 180,000 tons per year.

- The major change to the recycled-content newsprint shipped to the Northeast under the pessimistic scenario is a substantial decrease (-220,000 tons) in the amount of 100 percent recycled-content newsprint shipped to the Northeast.

- The result would be a decrease the average recycled-content of all the newsprint shipped to the Northeast from the current 27 percent to 22 percent in 2003 (Table III.6).

Table III.6
Estimated Future Average Recycled-Content of Newsprint Shipped to the Northeast in 2003 - Pessimistic Scenario

	Total	Shipped to Northeast
Newsprint Production	6,326	2,382
DIP/RCP Use in Newsprint	1,369	519
Average recycled-content	22%	22%

Scenario Conclusions

- Under the most optimistic scenario, the average recycled-content of the newsprint shipped to the Northeast would increase to 34 percent (from 28%).

- Basic demand for newsprint in the U.S. and Canada is expected to remain relatively flat over the next five years, and there is already enough newsprint capacity in place to meet projected demand through 2002.

- It is unlikely that any of proposed mills in the Northeast will be realized soon enough to impact on availability of recycled-content newsprint over the forecast period.

- The base scenario is the most likely to occur, resulting in no significant change to the overall average recycled-content of the newsprint consumed in the Northeast.

IV. TASK FORCE DELIBERATIONS

Publishers and state officials in the Northeast began informal discussions about the year 1997 and 2000 purchasing milestones during the first part of 1997 as the difficulty in reaching those milestones became clearer. These informal discussions culminated in the first formal meeting of a working group comprised of NERC representatives and publishers on June 26, 1997 in New York City.

At the first meeting, the publishers and state representatives reiterated what they believed to be the goals and objectives of the original laws and voluntary agreements affecting publishers' purchases of recycled content purchases.

The discussions began with a brief recapping of the assumptions underlying the original agreements with publishers. These assumptions were as follows:

Assumptions Underlying Original Agreements

✓ When the Connecticut law was first enacted in 1988 and the New York voluntary agreement was reached in 1989, the greatest opportunity for significant growth in ONP demand was with the newsprint industry

✓ Nonetheless, states should encourage other uses of ONP such as paperboard, insulation, and tissue and toweling products and not rely solely on the newsprint industry as a new source of ONP demand

✓ The public sector must make significant investments in the collection infrastructure to recover sufficient quantities of quality ONP supplies to support private sector investment in new ONP recycling capacity

✓ The policy commitments and purchasing preferences of publishers' were needed to help drive new investment in deinking capacity and to provide a market for recycled content newsprint

✓ The <u>technical</u> limits to aggregate levels of recycled content in North American newsprint were estimated at the time to be about 50%

✓ The purchasing policy commitments agreed to by publishers, or mandated by law, would only be binding if it was technically <u>and economically</u> feasible to fulfill those commitments

✓ The buy recycled model as it was being applied to newspaper publishers should be replicated with other major consumers of paper, e.g. directory publishers, direct mail marketers, and the purchasing arms of large corporations.

✓ These assumptions were then evaluated in light of progress that has been made since 1988 when the Connecticut law was first enacted, and the New York Newspaper Recycling Task Force Report was issued in December 1989.

Progress To Date

✓ Most growth in ONP demand has been in the newsprint sector . According to statistics provided by the American Forest and Paper Association (AF&PA) and the Canadian Pulp & Paper Association, over 50% of the increased demand for ONP between 1989 and 1997 has been by newsprint manufacturers.

✓ States in the Northeast have provided technical and financial assistance to companies resulting in some new capacity and demand for ONP in other uses. AF&PA statistics do show a slight increase in ONP demand by manufacturers of paperboard and tissue and towel manufacturers in the Northeast.

✓ There has been significant investment in the ONP collection/processing infrastructure by both the public and private sectors, and ONP recovery has increased substantially. According to a Franklin Associates Ltd. Report commissioned by NERC in 1996, the aggregate recycling rate for ONP in the Northeast was estimated to be 60%. (NOTE: the quality of ONP supplies remains a concern, however it appears that additional recovery of ONP is still possible.)

✓ The publishers' policy to affirmatively procure recycled content newsprint has been successful in promoting investment in ONP deinking capacity

✓ Growth in deinking capacity has reached a plateau. There are several 100% recycled newsprint mills proposed for operation in the Northeast, but these and other similar projects that have been proposed in the past have yet to be completed.

✓ At an estimated 27% average recycled content of newsprint shipped to the Northeast, the newsprint industry does not appear to have reached the technical limits of recycled content in newsprint

✓ There is considerable uncertainty about whether the economic limits of recycled content in newsprint have been reached, and whether these limits will preclude any significant new investments in recycled content newsprint capacity over the next several years.

✓ The buy recycled model has been replicated with Directory Publishers at the national level through the Yellow Pages Publishers Association, the Direct Mail Association, the National Recycling Coalition's Buy Recycled Alliance, and the various Buy Recycled Alliances that have been formed at the state level.

Creation Of The Task Force

After the initial meeting of the working group, the Northeast Newspaper Recycling Task Force, was formally created to develop a new regional agreement between the states and publishers in the Northeast.

The working group agreed to the following:

1. Any revised Buy Recycled policies, purchasing goals and reporting mechanisms, would be done on a regional versus state-by-state basis. It was agreed that this change would better reflect the realities of the marketplace for newspaper publishing, (e.g. large newspapers selling across a large region), and the realities of newsprint manufacturing and old newspaper (ONP) recycling market activities that are also carried out on a regional basis. It was also felt that a regional approach would promote more uniformity of goals, and provide an opportunity to include publishers in New Jersey and Delaware where agreements or laws are not currently in place.

2. The Task Force would develop a report, and final recommendations, by the fall of 1998 outlining the recommended revisions to existing state agreements and laws, and the report and recommendations would be submitted to publishers and state officials throughout the region for endorsement.

To inform the deliberations, the Task Force would contract with a qualified consultant to analyze the current and projected recycling capacity among newsprint manufacturers in the Eastern U.S. and Eastern Canadian Provinces who supply finished newsprint to publishers in the region. This analysis would serve as a basis for establishing a revised set of targets and milestones. The cost of the study would be shared between the States and the publishers who are actively involved in this process. The Northeast Recycling Council would administer the contract on behalf of the publishers and the States.

Options Considered For A New Regional Agreement

One of the first orders of business for the Task Force was to consider various policy options that would form the basis for a new regional agreement. Three specific proposals were considered and the advantages and disadvantages of each are presented below.

<u>Option #1: Amend existing percentage targets and milestone dates</u>

One option would be to continue with the existing policy of establishing specific recycled newsprint purchasing goals and defining new dates for achieving those goals. All members of the Task Force agreed that the measurement scheme recommended in the New York Newspaper Recycling Task Force Report should be continued. Specifically, any goals would be set in terms of the percentage of publishers’ annual fiber consumption, represented by post-industrial fiber. This approach provides both publishers and manufacturers flexibility in integrating newsprint made entirely or partially from recycled fibers within their existing operations.

Proponents of the rates and dates approach pointed out the following:

- Goals that increase over time are a good way for publishers to demonstrate that they are actually requesting higher levels of recycled content newsprint. And, ambitious goals push the limits on what is possible in order to continue to drive additional investments in recycling capacity.

- Goals are a familiar means for achieving policy outcomes and should be continued in the absence of other proven methods.

Opponents of numerical goals provided the following arguments:

- There are many technical and economic variables that impact investment decisions in new or modified capacity at newsprint manufacturing plants. These variables make it difficult, if not impossible, to establish accurate estimates of what are reasonably attainable goals for the future.

- Future projections make it necessary to continuously reexamine the goals as the variables impacting investment decisions change and the goals become outdated or are deemed unattainable.

- The use of percentage goals places too much emphasis on numbers and not enough focus on the desired policy outcome, i.e. investments in capacity that lead to more recycling.

- The history of the existing goals provides evidence that goals alone cannot drive more recycling capacity if conditions do not warrant additional investment. For example, the laws and agreements in the Northeast with year 2000 goals of 40 percent have not stimulated any new investments beyond those that occurred before 1995. However, higher out-year goals can increase deinking capacity utilization rates, as was demonstrated by the Jaakko Poyry study.

There was some discussion among the Task Force members over whether the existing goals would have encouraged additional investment if the caveats of “price and availability” were not prominently featured as part of the publishers purchasing commitments. In other words, if publishers simply demanded 40% recycled content, regardless of cost, then would manufacturers have been forced to make additional investments? Most members of the Task Force felt that this may be true. However, this approach would violate one of the fundamental principles in both the laws and the voluntary agreements – that is, newsprint made from recycled fiber must be competitive in terms of both quality and price with newsprint made from virgin fiber. Deviating from this principle would be equivalent to encouraging investments that might not be justified on economic grounds.

Option #2: 40 percent goal with no timeframe

Another option considered would be to keep the existing 40% goal in place without attaching a specific date or timeframe by when publishers in the region would be required to meet the goal.

The advantages to this approach were thought to be that:

- A high goal is still needed to send a strong market signal to newsprint manufacturers about what is expected of them in the long run.

- There is much to be lost in terms of signaling the market by endorsing a goal reduction, while there is much to be gained from a political, public relations, and market incentive point of view by keeping an aggressive goal in place.

- Without a specific date by when the goal must be reached, the possibility of failure by publishers is eliminated yet a best-case target remains in effect.

On the other side of this issue, there were those that thought keeping the 40 percent goal alive would be:

- Dishonest because most publishers and states believe that the goal is not realistically attainable within any reasonable timeframe, i.e. over the next ten years.

- Politically damaging for publishers when they continuously fail to meet the goal, i.e. the public and policymakers will continue to ask why the goal has not been attained.

- Potentially counterproductive because it could lead to the large newspapers simply purchasing all of the high recycled content newsprint available in order to show that they met the goals. Smaller publishers would not be able to meet the goals because insufficient quantities of recycled newsprint would be available. The net effect on ONP recycling and recycled capacity investments would be marginal.

Option #3: Floor goal with buy recycled commitments

The third option discussed by the Task Force would be to move away from the rates and dates approach and replace it with something akin to a supplier certification program. The main principles of this proposed new model agreement between States and publishers in the Northeast would be as follows:

- The Task Force would recommend a minimum level for annual recycled content newsprint purchases by publishers in the region. This minimum level, or floor, would be based on the purchase of recycled fibers and would have to average a minimum of 27 percent of total fiber purchases each year. This figure is based on an analysis conducted by Jaakko Poyry Consulting on the behalf of the Task Force of the actual level of recycled content in newsprint supplied to publishers in the Northeast in 1997.

- In lieu of a maximum level for annual recycled content newsprint purchases, publishers would agree to implement a buy-recycled purchasing policy that would include a commitment by individual publishers to continue purchasing newsprint at the same 1997 base level of 27 percent recycled fiber content and to articulate a clear preference for recycled content newsprint. This approach would include a commitment by publishers to evaluate future investments, retirements, selective use of existing capacity, or other changes in newsprint production capacity by their suppliers. Publishers would encourage new newsprint suppliers to invest in recycling capacity rather than virgin capacity, and they would encourage suppliers to modify and utilize their existing capacity in a way that would increase the use of recycled fiber in their newsprint (i.e., through favoring retirement of virgin capacity over recycled capacity and favoring utilization of recycled capacity over virgin capacity). The only exception to this preference would be when a newsprint supplier provides documentation of an economic justification for adding or changing its capacity in a way that would not increase, or perhaps even decrease, the availability of recycled content newsprint.

- Success of the policy would be measured over time by comparing publishers annual purchases of recycled content newsprint to the availability of recycled content newsprint in the benchmark year (1997), and by additional investments in recycling capacity that are made by the newsprint industry in subsequent years. An assessment of the effectiveness of the policy would occur after three years.

The arguments in favor of this approach were as follows:

- The focus of publishers' attention is shifted from future numerical purchasing goals (i.e. the means) to the actual amount of investment in new recycling capacity that takes place (i.e. the objective).

- By establishing a numerical benchmark, an adequate means is provided to measure future progress, but more importantly, a minimum level, or floor, is established that protects against sliding backwards, or losing the benefits of past gains.

- Individual publishers would be free to establish their own purchasing targets and would have a baseline from which to work.

- There would be no need to continuously estimate the <u>future availability</u> of recycled content newsprint and all the uncertainties that surround such estimates.

- The 40 percent goal, believed by many to be unattainable during any reasonable timeframe, would be eliminated.

However, there remains concern over this approach because:

- It fails to “push the envelope” on what is possible and will be perceived by the market and other stakeholders to remove an important incentive to future investments in recycling capacity.

- It is an unproven method and therefore the risk of failure is greater than the current rates and dates approach which many believe played an important role in driving the early investments in recycling capacity.

- It would be difficult, if not impossible, for publishers to demonstrate they are actually exercising their preference that future investments be recycling based, and to show they are certifying those suppliers that meet their criteria as preferred suppliers.

- It provides no mechanism for a publisher to favor paper from a new recycled newsprint mill located near ONP sources over a new virgin newsprint mill located far enough from ONP sources to make ONP use uneconomical

V. FINDINGS AND RECOMMENDATIONS OF THE TASK FORCE

Based on the deliberations of the Task Force, and the analysis of the current and likely future availability of recycled-content newsprint to Northeast publishers, the Northeast Newspaper Recycling Task Force finds that:

✓ The long-term success of recycling as a materials policy depends upon businesses buying recycled content products.

✓ Furtherance of the commitments by newspaper publishers in the region to buy recycled content newsprint will help to maintain the gains in newspaper recycling achieved to date and will help to drive future investment, retirement and capacity utilization decisions by North American newsprint manufacturers.

✓ The objectives behind the original old newspaper policies and programs could be better served if the states and publishers in the region were acting in concert to promote uniformity and consistency in terms of publishers' stated preferences for recycled content newsprint.

✓ By acting in concert, the strongest possible market signal will be sent to newsprint manufacturers about the preferences of their customers and their need to continue investing in recycling capacity where it is technically and economically feasible.

In light of these findings, the Task Force recommends a regional action plan based on option #3 as indicated in the previous section. Large publishers selling newspapers in the region would be asked to endorse a resolution that actively promotes the use of recovered fiber as a raw material in manufacturing finished newsprint. To do so publishers will be asked to exercise a purchasing preference for high quality newsprint containing recycled-content fiber through the following actions:

- Each publisher would encourage new newsprint suppliers to invest in recycling capacity rather than virgin capacity, and they would encourage suppliers to modify and utilize their existing capacity in a way that would increase the use of recycled fiber in their newsprint (i.e., through favoring retirement of virgin capacity over recycled capacity and favoring utilization of recycled capacity over virgin capacity). The only exception to this preference would be when a newsprint supplier provides documentation of an economic justification for adding or changing its capacity in a way that would not increase, or perhaps even decrease, the availability of recycled content newsprint.

- Each publisher will individually communicate such preference for recycled-content newsprint to its suppliers through a variety of means, including through purchasing statements, and other methods used to secure newsprint supplies.

- Each publisher will use every effort to continue to purchase newsprint containing a minimum of 27 percent recycled fiber content or more annually.

- Each publisher will report annually, and in confidence to the Northeast Recycling Council, its annual newsprint purchases, including the total amount purchased, the total amount containing recycled fibers, and the average recycled content of the newsprint purchased.

- Each publisher will pledge to work individually with their respective suppliers to encourage a positive response to the resolution, and copies of the resolution will be forwarded to those suppliers.

In support of these actions by newspaper publishers in the Northeast, the Task Force recommends that the states of the Northeast Recycling Council agree to the following:

- Endorse the Task Force recommendations and actively encourage policymakers in their respective states to adopt, on at least a three year basis, the regional approach in lieu of individual states acting alone.

- Ensure that any state specific reporting requirements for publishers that remain in effect be compatible with regional reporting under the Task Force recommendation. Moreover, the states of the Northeast Recycling Council would also advocate allowing the large newspaper groups who sell newspapers to multiple states in the region to use their average regional recycled newsprint fiber percentages when calculating and reporting to those individual states that still have such reporting requirements.

- Continue to develop, promote and support economically efficient methods to increase the quantity and quality of old newspapers recovered through public and private recovery programs.

- Encourage policymakers to dedicate economic development resources to the attraction of recycled content newsprint manufacturing in the region.

The Task Force recognizes that the effectiveness of the recommended regional approach to recycled newsprint purchasing policy is a departure from the existing state by state policies. It also recognizes that the effectiveness of this approach is dependent on a critical mass of publishers in the region endorsing the recommendations of the Task Force. Therefore, the Task Force members believe that support for the regional approach by the member states of NERC should be contingent upon endorsement of the recommended publisher actions above by publishers or newspaper groups representing at least eighty percent of the newspaper consumption in the Northeast.

The Task Force also recommends that publishers and states work in cooperation to evaluate the effectiveness of the regional approach after three years to determine the impacts of the publisher actions on the investment decisions and capacity utilization and retirement decisions of newsprint manufacturers, and on the economic sustainability of old newspaper recycling in the Northeast. The Task Force further recommends that if such evaluation indicates it necessary, publishers and states work in cooperation to amend the regional approach.