

**Before the  
UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.**

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**GENERALIZED SYSTEM  
OF PREFERENCES:  
2015 ANNUAL REVIEW**

**PET FILM, SHEET, AND STRIP**

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**ITC Inv. No. 332-556**

**TESTIMONY OF DAN ROY**

**February 24, 2016**

Good morning. My name is Dan Roy. Thank you for the opportunity to testify today concerning the importance of maintaining GSP benefits for PET Film from Brazil.

I am the General Manager of Terphane, Inc. in Bloomfield, New York. Terphane is a small, U.S.-owned manufacturer of PET film used in packaging applications. Terphane is, in fact, the only remaining American-owned manufacturer in the U.S. PET film industry, which is otherwise dominated by large Japanese, Korean, and Indian

multinationals. Terphane's U.S. manufacturing facility is located in Bloomfield, New York, where it employs 53 people in well-paying manufacturing jobs. The company also owns a subsidiary, Terphane Ltda., with a manufacturing plant located in the State of Pernambuco, an economically depressed region in Northeastern Brazil. Terphane Ltda. is the only producer of PET Film in Brazil, and was established to serve primarily the Brazilian and Latin American markets.

I have worked in the PET film business for over 25 years, 16 of which have been for Terphane and its predecessor entity. I assumed my current position in 2006. As General Manager of Terphane, I coordinate and manage production, marketing, and sales of Terphane's PET film in Brazil, the United States, and in all of our export markets.

As you may recall, I appeared before the Commission just 15 months ago in the context of a sunset review. In that proceeding, the Commission found that revocation of the antidumping order on certain commodity-grade PET films from Brazil would not be likely to lead to material injury to the U.S. industry. The Commission's decision was based largely on Terphane Inc.'s role in the U.S. market as a niche

supplier of high-value, specialty films and Terphane Ltda.'s overall business strategy to focus on supplying the Brazilian market and the Latin American regional market. In the 15 months since I last appeared before you, Terphane's business strategy has not changed. Consistent with our business plan, we continue to maintain our role as a niche supplier of specialty products in the U.S. market while more broadly developing the Brazilian market and Latin American regional markets. Terphane has not sought to take advantage of revocation of the order to increase its exports of commodity film to the U.S. market, and we do not intend to do so.

Terphane's R&D operations are based in the United States, where we develop next-generation packaging products to serve U.S. customers. We then introduce the products that were developed in the United States to Terphane's larger Brazilian and Latin American markets.

The small volumes of specialty PET film from Brazil that Terphane imports to serve customers in the United States pose no threat to the U.S. industry, which focuses primarily on commodity products. On the other hand, loss of GSP benefits could threaten Terphane's

ability to remain competitive and continue to innovate in the U.S. market.

In the United States, Terphane focuses on specialty, value-added PET film designed mainly for flexible packaging applications.

Terphane's target market segments include clear barrier, heat sealable, peelable, and modified surface films (such as high and low COF, and matte), augmented by sales of high performance print grade PET film required for some applications. This is a small subset of the broader U.S. PET film market. Terphane accounts for less than four percent of the total U.S. market in terms of sales, but it is an important supplier of value-added, specialty products.

Innovation is the driving force at Terphane, and the United States is where Terphane has found willing partners in innovation. While Terphane has invested in the growth markets of Brazil and Latin America, Terphane believes that the key to its continued growth is the development of leading technologies and state-of-the-art products. The U.S. market and Terphane's U.S. production facility are the testing grounds for the research and development of these next-generation

products. Terphane has worked for decades to develop U.S. customers that want to partner with Terphane to be on the leading edge in the development of new packaging technologies. For this reason, Terphane has maintained its production and R&D capacity in New York and has expanded employment there.

Terphane's U.S. customers expect one-stop shopping for their specialty PET film needs. Not unlike other domestic producers, including the Petitioners, Terphane relies on imports to ensure that it has the ability to serve the full range of its customers' needs. Terphane's imports of the higher-priced, value-added specialty products from Brazil support and complement Terphane's U.S. production. These imports are miniscule compared to the massive quantities of low-priced imports of commodity film entering the United States from the Middle East and Asia. Further, specialty products imported from Brazil are entering at much higher prices than the commodity grades produced domestically or imported from other sources.

Importantly, much of the material that Terphane imports from Brazil does not even compete with a wholly U.S.-produced product. For

example, the majority of Terphane's imports are of PVdC films. All other PVdC films available in the United States are either simply coated in the United States using base film imported from China or are imported in finished form from China and Korea.

As I explained during the Sunset Review, Terphane does not seek to compete for sales of commodity films in the U.S. Market. Terphane will remain a niche, specialty film supplier in the United States. To be sure, Terphane sells some film in the United States, like its 10.21 copolymer resinous surface films, that could be used for some of the same purposes as some commodity coated films. Terphane's customers, however, generally select Terphane's products for the particular properties and packaging results that they wish to achieve, and such films often are used in conjunction with other, more highly-engineered Terphane products. Thus, even products at the lower end of Terphane's specialty film offerings command a premium. When commodity grade products are needed by a customer in the United States, Terphane produces those products in Bloomfield, New York.

Terphane's commodity product offerings are otherwise reserved for the Brazilian market and the Latin American regional market, and Terphane's expanded capacity in Cabo de Santo Agostinho, Brazil is a reflection of that strategy. Terphane's strength as a company is based on its position as the leading supplier in Brazil and in Latin American regional markets. It has been supplying customers in these markets for over 30 years and it will continue to do so. Terphane enjoys numerous advantages in Brazil, including more favorable pricing for commodity film, shorter lead times, favorable logistics, a 16 percent external tariff on imports into Brazil, and current or imminent antidumping and countervailing duty orders on China, Egypt, India, Mexico, the UAE, Turkey, Bahrain, and Peru. In addition to supplying a quality product, Terphane Ltda. can offer customers in Brazil more cost-effective technical support and delivery than its foreign competitors. Because of the advantages enjoyed in the Brazilian market, there is no economic incentive to divert sales of commodity-grade PET film into the U.S. market.

In conclusion, Terphane's U.S. operation – which focuses on product development and valuable, niche opportunities in the U.S. specialty-films market – depends on a small volume of imports supported by the duty savings afforded by the GSP program to remain competitive in the United States. These small volumes of high-value specialty PET film imported from Brazil are not harming U.S. producers. To the contrary, they are helping the only wholly U.S. owned manufacturer of PET film remain competitive in the specialty-film market and maintain its high-paying R&D jobs in the United States. Withdrawal of GSP benefits could not possibly have a beneficial impact on the U.S. industry. Such withdrawal, however, will have a significant, adverse impact on Terphane, Terphane's employees in upstate New York, and Terphane's U.S. customers.

Thank you for your time. I look forward to providing further detail in response to your questions.

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