

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

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| <b>IN THE MATTER OF</b>         | ) |  |
| <b>POLYETHYLENE RETAIL</b>      | ) |  |
| <b>CARRIER BAGS FROM CHINA,</b> | ) | <b>Inv. Nos. 701-TA-462 and 731-TA-</b>  |
| <b>INDONESIA, MALAYSIA,</b>     | ) | <b>1156-1158 (First Review) and 731-</b> |
| <b>TAIWAN, THAILAND, AND</b>    | ) | <b>TA-1043-1045 (Second Review)</b>      |
| <b>VIETNAM</b>                  | ) |  |

**TESTIMONY OF MARK DANIELS**

**February 18, 2016**

Good morning, my name is Mark Daniels. I am the Senior Vice President for Sustainability and Environmental Policy at Novolex, which since November 2014 has been the name of the holding company for Hilex Poly. For the sake of simplicity, I will use the name “Novolex” today to refer to the company.

I have executive level marketing responsibility for all Novolex products, including PRCBs. Additionally, I actively am involved in the U.S. legislative arena surrounding PRCBs as Chairman of the American Progressive Bag Alliance, which is our industry association. The American Progressive Bag Alliance promotes the responsible use, reuse, recycling, and disposal of plastic bags and advocates for American-made plastic products as the best environmental choice at

checkout, for both retailers and consumers. I have a degree in business administration from Villanova University.

Novolex is an industry-leading manufacturer of plastic bags and film products. We are based in Hartsville, South Carolina. We have seven manufacturing facilities that make PRCBs strategically located throughout the United States and our Hilex Poly division employs more than 1,000 associates. Additionally, we have a packaging film plant and the first plant in the United States devoted to recycling used plastic bags and wraps.

Novolex is the leading producer of PRCBs in the United States, and we believe that we are the leading manufacturer of PRCBs in the world. All the PRCBs that we produce and sell are die-cut handle bags. While we focus on t-shirt style bags, we also produce other styles of die-cut handle bags, which are called merchandise bags and header bags.

In late 2003, Novolex entered the plastic bag and film business with the purchase of the high-density film products division of Sonoco Products. In the fall of 2005, Novolex purchased Vanguard Plastics, which was one of the original petitioners and one of the country's leading makers of PRCBs. I joined Novolex from Vanguard, where I served as Director of Marketing and General Manager of Vanguard's Packaging Films Division.

The imposition of duties against imports from China, Malaysia, and Thailand in 2004 was critical to the continuation of Novolex in the PRCBs business. Imports from these three countries more than doubled from 2001 to 2003. They used low prices to grab market share. They forced Novolex, Vanguard and other U.S. producers either to lower prices or to suffer lost sales. As a result, Novolex and Vanguard suffered declining operating incomes from 2001 to 2003. Novolex was forced to close a plant in Santa Maria, California, and Vanguard was forced to close a plant in Compton, California.

After the orders were imposed in August 2004, subject imports from these countries were significantly constrained. The orders allowed Novolex and other U.S. producers to regain lost market share and allowed market prices to stabilize at higher prices.

As I just noted, Novolex acquired Vanguard Plastics in October of 2005. This acquisition created the leading PRCB producer in the United States. One of the things that made Vanguard attractive for Novolex was the fact that the performance of Vanguard's PRCBs business had improved substantially as a result of the imposition of the orders on China, Malaysia, and Thailand in August 2004. The acquisition would not have happened if the Orders on China, Malaysia, and Thailand had not been in place.

After that acquisition, however, Novolex saw the benefits of the Orders dissipate, because imports from Indonesia, Taiwan, and Vietnam were surging. From 2006 to 2008, the quantity of dumped imports from Vietnam, Indonesia and Taiwan, and subsidized imports from Vietnam increased by 114 percent.

These unfairly traded imports also more than doubled their market share in the United States during that time. The only way to explain this was the fact that imports from these countries undercut our prices by substantial margins. Absent the Orders, there is no doubt in my mind that imports from these countries would have continued to increase rapidly. Foreign producers in these countries certainly maintained the capacity and the motivation to continue penetrating the U.S. market.

This was extremely frustrating for Novolex, because we had hoped that the antidumping duties on imports from China, Malaysia, and Thailand would allow us to regain the market share we had lost from imports from those countries. Instead, market share was simply shifted to Indonesia, Taiwan, and Vietnam.

This surge of unfairly traded imports from Indonesia, Taiwan, and Vietnam severely harmed our business operations in numerous ways, including by forcing Novolex to close three of our production facilities in 2007 and 2008. Each of those plants was dedicated to the production of a wide range of PRCBs as defined in these reviews.

But even this large reduction in capacity did not enable us to align our capacity with demand. Our reduction in capacity was matched by an equivalent drop in our sales and production due to the surge of subject imports from Indonesia, Taiwan, and Vietnam. That left us with as much excess capacity as we had before we closed the three plants.

This was a major problem. Our facilities, like those of other U.S. producers, are designed to operate continuously. The film extrusion process cannot economically be shut down at night and restarted in the morning. The plant is designed to operate 24/7. The equipment cannot be switched off and on without sacrificing a significant amount of raw materials.

For this reason we ordinarily close only four or five days surrounding the Christmas season. Our plants are designed to run 360 days a year, but during the 2006-2008 period of investigation regarding imports from Indonesia, Taiwan, and Vietnam we were forced to shut down operations on many occasions beyond the normal holiday shutdowns.

During the several years just prior to the imposition of the orders on Indonesia, Taiwan, and Vietnam in 2010, we also came under increasing pressure to match extremely low import prices on the sales that we made. Our only way to compete with the imports was pricing, because purchasing decisions are overwhelmingly driven by price. Purchase orders can be won or lost due to a price

difference of one percent. But when we reduce our prices to retain business, we suffer lower margins. When we lose a customer to unfairly priced imports, the foreign producer becomes the incumbent supplier. It is hard to get that business back unless we undercut the foreign producers' prices.

The surge in imports from Indonesia, Taiwan, and Vietnam subjected us to a severe cost/price squeeze, especially in 2008. The filing of the petition in 2009 and the imposition of the orders on Indonesia, Taiwan, and Vietnam in 2010 alleviated that cost/price squeeze, allowing our operations to stabilize and profits to improve.

The imposition of the Orders on imports from Indonesia, Taiwan, and Vietnam, and the continuation of the Orders on China, Malaysia, and Thailand in 2010 helped us in contract negotiations with major customers. The Orders on all six countries have allowed us to compete in a fairer trade environment, obtaining higher volumes and prices from major retailers than we otherwise would have achieved.

Because of the AD and CVD Orders, imports from all six subject countries were significantly constrained during the period of review. Customers remain hesitant to rely on imports that could be assessed at high anti-dumping duties. The duties stopped the surge of imports at less than fair value and allowed Novolex and other U.S. producers to regain lost market share. Prices stabilized at higher levels.

optimistic that PRCB consumption would continue to increase in tandem with increased population and retail sales. That is no longer the case.

As indicated at pages II-14 and II-15 of the Commission's prehearing report, many industry participants expect the passage of additional laws and regulations regarding the use and disposal of PRCBs and believe such laws will inhibit growth in demand for PRCBs. Similar laws, regulations, and initiatives by retailers to limit PRCB consumption already were common in 2010, which was the last time I testified before the Commission. I anticipated at that time that the result of such measures would be stagnant or declining demand for PRCBs in the U.S. market. This has occurred in the long term, as demand in the U.S. market has been essentially flat over the last decade, albeit with a decrease during the Great Recession and some recovery from the low 2009 level during the period of review.

In many instances, the measures undertaken in the United States are not as encompassing as the measures taken in Europe. Thus, while the measures taken in the United States still have had a significant effect, the impact on U.S. demand was smaller than anticipated five years ago. Some jurisdictions only banned thinner-gauge t-shirt bags but allow thicker-gauge bags, which are considered "reusable." Increased sales of thicker-gauge PRCBs, which are also in-scope for these Orders, can compensate for reduced sales of thinner-gauge PRCBs. Moreover, the demand impact of such measures surely would have been worse absent the active

engagement by our industry. The American Progressive Bag Alliance works to educate government officials and consumers about the true environmental impact of plastic bags in comparison to other options.

Going forward, uncertainty continues. Various jurisdictions within the United States surely will enact bans and taxes on PRCBs in the coming years. California voters will decide in November of this year whether to enact a statewide ban on single-use plastic bags, as noted in the Prehearing Report. It is unclear what the outcome of that referendum will be and what the demand impact would be if the ban were enacted. It would likely be a negative impact on overall demand for PRCBs.

To be clear, our concern about stagnant demand for PRCBs is far exceeded by our fear that we will be competing for a share of that market against rapidly increasing low-priced imports from subject countries. That is something we cannot likely endure.

In conclusion, just as the industry needed your help in 2004 and in 2010, we need it again today. Novolex has world class manufacturing facilities. Our highly automated state-of-the-art equipment allows us to be cost competitive with both our domestic competitors and fairly-traded imports. We have a highly skilled and loyal workforce. We cannot, however, compete with unfairly low prices of dumped and subsidized imports that take away our sales and production and that

force us to reduce our prices on remaining sales. We want to maintain our U.S. production assets, but our financial position remains weaker than we would like. Our performance has certainly improved since 2010, but if duties are removed on subject imports from any of the six subject countries, we would be forced to consider closing additional facilities, which would cause even more harm to our workforce and the communities where they live. Please do not let that happen. Please maintain the orders on all six countries for another five years.

Thank you.