

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

IN THE MATTER OF

**POLYETHYLENE RETAIL
CARRIER BAGS FROM CHINA,
INDONESIA, MALAYSIA,
TAIWAN, THAILAND, AND
VIETNAM**

**Inv. Nos. 701-TA-462 and 731-TA-
1156-1158 (First Review) and 731-
TA-1043-1045 (Second Review)**

TESTIMONY OF FRANK LAWSON

February 18, 2016

Good morning. My name is Frank Lawson. I am the Vice President of Sales for Novolex. Like my colleague did, for the sake of simplicity I will use the name "Novolex" today. Including my tenure with Novolex, I have 26 combined years of experience with plastic film and flexible packaging. In my current role with Novolex, I am responsible for Novolex's sales program and overseeing all pricing decision. I have personally managed several strategic account relationships and am often directly involved in sales negotiations with our major customers. Previously, I served a similar function as the Vice President of Sales for Europackaging, a major Malaysian PRCB producer.

Price is overwhelmingly the most important factor in PRCB purchasing decisions. This makes our customers very sensitive to the cost of the product.

Because the product typically is given away for free, retailers would prefer that the cost of the product be as close to zero as possible.

In addition, it's important to note that the domestic product and imports are fully interchangeable and sold through the same channels of distribution. That is equally true for imports from China, Indonesia, Malaysia, Taiwan, Thailand, and Vietnam. In fact, our products sit side by side with imports in the same distribution warehouses across the country. This is even true for products that we sell to large retailers. For example, Mr. Daniels has examples of very similar PRCBs that were manufactured by Novolex and imported.

When we make PRCB sales, we negotiate the price with the retailer, but more often than not we actually ship the product to a distributor. There are several very large distributors, such as Bunzl, that ship a bundle of different products to the retailer that includes PRCBs and other not for resale supplies like register tape. A high percentage of imported PRCBs are sold in exactly the same way; that is, even when a sale is made to the end user the product is sent to a distributor to be warehoused and packaged in a bundle with other products for shipment to the retailer. This practice only intensifies the importance of price to PRCB purchasers, who ultimately will receive the PRCBs from the same distributor regardless of the supplier.

As my colleague Mr. Daniels noted, we frequently compete against imports in Internet bid competitions. Internet bids account for a significant share of U.S. consumption of PRCBs. Walmart, for example, which represents a significant portion of the U.S. market, only purchases through Internet bids. Overall we estimate that at least 75 percent of U.S. consumption of PRCBs is supplied through Internet bid events. These events are designed to maximize competition among as many suppliers as possible, and they provide PRCB producers in subject countries easy access to the U.S. market.

We know that imports from China, Malaysia, and Thailand were priced lower than the domestic product during 2001 through 2003 before orders were imposed on those three countries. Likewise, imports from Indonesia, Taiwan, and Vietnam were priced lower than the domestic product during 2006 through 2008 before orders were imposed on those three countries. Table V-12 of the Commission staff's prehearing report indicates that subject imports from China, Indonesia, Taiwan, Thailand, and Vietnam have continued to undersell domestic products even with the pricing discipline of the orders. And it appears that no quarterly pricing data were available for subject imports from Malaysia.

But whether or not there currently is underselling measured by using the Commission's quarterly price comparison methodology, if the orders are revoked,

an increase in unfairly priced imports certainly will push down the prices in bidding events.

Revoking the antidumping Orders on any of the six subject countries or the countervailing duty order on Vietnam would cause more unfairly priced imports from more countries to compete in the U.S. market. This would necessarily have an adverse impact on our prices. While there may only be one winner of the bid, a greater number of participating credible bidders leads to a lower final price. If prices were pushed lower, we would be compelled to lower our prices as a defensive measure because we would need to maintain key accounts to keep our plants running 24/7.

In some instances, we might decide that we cannot afford to match the import price, so we would lose that business. In any event, if you revoke the orders against subject countries, more unfairly traded imports from these countries will participate in these important bidding events. That would be certain to have an adverse price impact and also would cause us to lose sales and market share.

We have lost numerous sales to an importer called Spectrum, both prior to imposition of the orders and during the current period of review. Headquartered in Cerritos, California, Spectrum has three distribution centers in the United States. They are located in Cerritos, California; Edison, New Jersey; and Arlington, Texas. We compete against Spectrum in all areas, including grocery, retail, and mass

merchants. We compete head to head with Spectrum for all of our larger accounts and many of the intermediate and smaller accounts. Spectrum is clearly a downward price leader in the U.S. market.

Its sales strategy is to offer the lowest price, end of story. We have lost many sales to Spectrum. We have also had to reduce our prices many times to compete with Spectrum and avoid losing sales.

Prior to the imposition of antidumping orders in 2004, Spectrum used to import largely from China, Malaysia, and Thailand. When duties were imposed against those countries, it shifted a large share of its sourcing to Indonesia, Taiwan, and Vietnam, but with high antidumping and countervailing duties also now in place against subject imports from those countries, my understanding is that Spectrum currently focuses primarily on importing from nonsubject sources. Spectrum's history of adjusting its sourcing after the imposition of antidumping and countervailing duty orders indicates that it very likely would resume high volumes of low-priced imports from any of the subject countries if any of the orders is revoked.

Novolex clearly benefitted from the filing of the petitions against imports from Indonesia, Taiwan, and Vietnam in March of 2009. For example, we regained the ability to compete for certain customers where we previously could not compete. In mid-2009, we won a substantial customer that had previously

been supplied by Spectrum. The buyer told us that it moved a significant amount of sourcing to the United States because the impact of the antidumping investigations limited the amount of available supply that is now subject to duties.

I have personal experience regarding the high level of interest that Malaysian producers have in the U.S. market. From 2006 to 2009, I was employed by Europackaging, a major Malaysian producer and exporter of PRCBs. I was responsible for Europackaging's U.S. sales. I can assure you that Europackaging was very interested in increasing its exports to the U.S. market—otherwise, there would be no reason to hire me. I was selling many of the same PRCB products to many of the exact same customers when I worked for Europackaging as I currently sell for Novolex.

Europackaging sought to make sales almost exclusively on the basis of price. Predictably, when Europackaging offered the cheapest price, I made sales. When it did not, I typically was unable to make a sale.

I visited Europackaging's Malaysian plant in 2007. It is modern, efficient, and larger than any individual plant that Novolex has here in the United States. I understand that Euro SME purchased the assets of Europackaging shortly after I left the company. To the best of my knowledge, the plant and its equipment remain in operation for Euro SME, and I understand that Euro SME remains interested in the U.S. market. For example, I know that Euro SME has recently

requested an administrative review at the Department of Commerce in an effort to lower its cash deposit rate.

In conclusion, for the sake of Novolex and the 1,000 associates employed by our Hilex Poly division, I hope that you will vote affirmatively in these sunset reviews and keep the orders in place for five more years on all six subject countries. Thank you.