

**POLYETHYLENE RETAIL CARRIER BAGS  
FROM CHINA, MALAYSIA, AND THAILAND**

**INVESTIGATION NOS. 731-TA-1043-1045 (REVIEW)**

**HEARING BEFORE THE INTERNATIONAL TRADE COMMISSION**

**APRIL 27, 2010**

**STATEMENT OF MARK DANIELS**

Good morning. My name is Mark Daniels. I am the Vice President of Marketing and Environmental Affairs for Hilex Poly Co. LLC. I have executive level marketing responsibility for all of Hilex's products, including PRCBs. I am also involved in the legislative arena surrounding PRCBs in the United States as the Chairman of the Progressive Bag Affiliates – our industry association.

In late 2003, Hilex entered the plastic bag and film business with the purchase of the high density film products division of Sonoco Products Co. In October 2005, Hilex purchased Vanguard Plastics, Inc., which was one of the country's largest manufacturer of PRCBs. I joined Hilex from Vanguard, where I served as Director of Marketing and General Manager of Vanguard's Packaging Films Division.

Hilex is based in Hartsville, South Carolina. We have eight manufacturing facilities that make PRCBs, which are strategically located across the United States. We also have a packaging films plant and the first plant in the United States devoted to recycling post-consumer plastic bags and wraps. Hilex is the

largest producer of PRCBs in the United States, and we believe that we are the largest manufacturer of PRCBs in the world.

To begin with, I would like to thank you for your affirmative vote on our petition against PRCBs from Indonesia, Taiwan, and Vietnam. Relief against unfairly priced imports from those three countries will make a tremendous difference to Hilex and its over 1,200 associates. It will give us the confidence to maintain and invest in our U.S. production assets and recycling capabilities and to preserve good jobs in the communities where our plants are located.

I understand that you determined that the domestic industry is threatened with material injury by reason of imports from Indonesia, Taiwan, and Vietnam. I can assure you that imports from China, Malaysia, and Thailand pose an equal or greater threat of material injury if the existing orders are revoked against those three countries. Thus, we must ask for your help again today.

The imposition of duties against China, Malaysia, and Thailand was critical to the continuation of Hilex in the PRCB business. Imports from these three countries more than doubled from 2001 to 2003. They used low prices to grab market share. They forced Hilex, Vanguard, and other U.S. producers to either lower our prices or to suffer lost sales. As a result, Hilex and Vanguard suffered substantial declines in operating income from 2001 to 2003. Hilex was forced to close a plant in Santa Maria, CA, and Vanguard was forced to close a plant in

Compton, CA. The filing of the petition in 2003 helped us in negotiations with major customers and allowed us to obtain additional volume and higher prices with major accounts.

After the duties were put in place, imports from these countries were significantly constrained. Customers were nervous about relying on imports that could be assessed high antidumping duties. The duties allowed Hilex and other U.S. producers to regain lost market share and allowed market prices to stabilize at higher levels.

Given the protection of the antidumping orders, Hilex had enough confidence in the PRCB business that it acquired Vanguard Plastics in October 2005, creating the largest PRCB producer in the United States. That acquisition would not likely have happened had duties not been in place. One of the things that made Vanguard attractive to Hilex was that the performance of Vanguard's PRCB business had improved substantially as a result of the antidumping petition against China, Malaysia, and Thailand, the imposition of preliminary duties in January 2004, and the imposition of the orders in August 2004.

There is no doubt in my mind, however, that if the orders are revoked, imports from China, Malaysia, and Thailand will rapidly penetrate the U.S. market and use low prices to take business away from Hilex and other U.S. producers.

Prior to the March 2009 filing of our recent antidumping petition, U.S.

importers and purchasers were shifting their sourcing to Indonesia, Taiwan, and Vietnam to obtain lower prices and to avoid the duties imposed against China, Malaysia, and Thailand. Now that very high duties are in place against imports from Indonesia, Taiwan, and Vietnam, the same importers and purchasers would be highly motivated to shift sourcing back to China, Malaysia, and Thailand if the orders were revoked.

If the orders are revoked, we anticipate that imports from these countries will return to the U.S. market and take substantial market share from us and other U.S. producers. In fact, as evidenced by an exhibit to our questionnaire response, we were contacted by a Chinese company in June 2009 stating that it wants to supply us T-shirt bags if the duties are revoked. We know that these countries still have enormous bag making capacity. They are eager to sell into this market, especially since demand is declining in other countries, which have been more aggressive than the United States in imposing bans and taxes on plastic bags. In addition, imports from China and Thailand face antidumping duties that were imposed in the European Union in September of 2006.

If the duties are revoked, imports from these countries will quickly gain market share by underselling our products, as they did from 2001 to 2003, because price is the only means they can use to take market share. We would lose sales and market share and we would also suffer lower profit margins as we reacted to the

lower import prices. We would have no economic motivation to invest in U.S. production assets. Instead, we would need to consider contracting capacity and replacing some of our domestic production with cheaper imports.

Revocation of the orders would be especially harmful now for several reasons. First, due to injurious competition from Indonesia, Taiwan, and Vietnam, Hilex's financial condition has been very weak over the last several years. Second, resin prices (which were relatively low in 2009) have increased substantially in 2010. Third, we project that demand will be weak in the next few years. A surge of imports from China, Malaysia, and Thailand would hit us at a time when we are already in a precarious situation.

As I explained during the hearing in March, in the past we were optimistic that PRCB consumption would continue to increase in tandem with increasing population and retail sales. That is no longer the case. Even as the U.S. economy is rebounding, we project that demand for PRCBs will be flat at best. As indicated in the Commission's Prehearing Report, many industry participants expect the passage of laws regulating the use and disposal of PRCBs and believe such laws will have a downward influence on demand for PRCBs. Even if restrictive laws are not put in place, large retailers like Walmart are actively promoting alternative packaging, such as the so-called "reusable bags," to reduce PRCB consumption and generate income through new product sales. Your Prehearing Report notes

that Walmart has already reduced PRCB usage by 80 percent in China. Our concern, however, about a shrinking or stagnant market is far exceeded by our fear that we will be competing for a share of that market in the face of increasing unfairly priced imports. That is something we cannot likely endure.

In conclusion, we value our employees and the communities where we have invested. We want to maintain our U.S. production assets. But our questionnaire response shows you that our financial performance has been very weak. Our performance has certainly improved since we filed the new petition in March of last year. But if duties are removed against imports from China, Malaysia, and Thailand, 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 for another five years.

Thank you.