

**LIGHTWEIGHT THERMAL PAPER FROM CHINA AND GERMANY  
Sunset Review Hearing Before The U.S. International Trade Commission  
On October 30, 2014**

**TESTIMONY OF MARK RICHARDS**

Good morning. My name is Mark Richards. I am the Chairman, President, and CEO of Appvion. I have held these positions since April 2005. Appvion has 1,700 employees, with over a thousand represented by five USW Locals across five states. Some of our union employees have traveled to be here today, and I would like to acknowledge and thank them. Appvion is owned by its employees, who in most cases invested their retirement savings to acquire the company. Our employees depend on the company for their daily livelihood and for their retirement. No one can doubt our commitment to continued production of lightweight thermal paper, as evidenced by our ongoing efforts to improve the production processes and product quality.

Let me begin by saying that revocation of the orders on imports from China would be very damaging to the converters. Slit rolls from China rapidly increased from 2005 to 2007. Since the orders were imposed in 2008, legitimate imports from China have been out of the U.S. market, but they would quickly return if the duties were removed. Since 2008, Chinese thermal production capacity has skyrocketed. The return of Chinese slit rolls would directly harm U.S. converters, who would suffer lost sales and lower prices. That would cause Appvion to lose

sales of jumbo rolls to the converters and also to lower our prices to make our converter customers more competitive with the dumped and subsidized imports. The entire domestic industry would suffer.

Appvion has been producing paper for over 100 years. We are a global leader in specialty coated paper and other types of coatings. We make lightweight thermal paper and other types of thermal paper in our facilities in Appleton, Wisconsin and West Carrollton, Ohio. We perform extensive on-going R&D and invest millions of dollars each year for product innovation and new product development.

The production of lightweight thermal paper is critical to our company and its future. Lightweight thermal paper, which is used mostly for point-of-sale and ATM receipts, is the largest thermal paper market segment. We are committed to being at the forefront of innovation in the production of, and applications for, thermal paper.

The Commission's affirmative decision in the original investigation helped us withstand the downturn in retail sales during the great recession by constraining unfair pricing behavior. With the discipline of the order in place, we were able to successfully ramp up our state-of-the-art West Carrollton coater and transition most of our production and sales to 48 gram paper. We were also able to justify

continued investments to improve our quality, develop new products, and increase our production efficiency.

In February 2012, we entered into a 15-year supply agreement with Domtar to supply us base paper for both our thermal and carbonless paper operations. We did this for sound business reasons related mostly to our carbonless operations. Contrary to Koehler's suggestion, this change has not lowered the material cost of the base paper input for thermal paper production. Likewise, our product and operational improvements demonstrate our commitment to continuously improve our business to best serve our customers. However, it does not make us immune to competitors like Koehler who take unfair advantages derived from dumping.

Koehler's economists use our public statements regarding our thermal paper operations to paint a picture of robust health that cannot be damaged by unfair pricing. We do not publish results specific to our lightweight thermal paper operations. The Commission should rely on the data that we have reported confidentially in our questionnaire response. I cannot say much more publicly, except that our thermal paper operations for tag, label, and entertainment, which are not part of this case, are doing well and strongly influence the results relied upon by Koehler's economists.

If the order on Germany were revoked, imports from Germany would rapidly increase for several reasons. First, the United States is a large market that

the German producers have served for many years. They have existing U.S. customer relationships, U.S. sales representatives, and U.S. warehouses. Second, based on our experience and what we know from third parties, prices for lightweight thermal paper are generally higher in the United States than in the rest of the world. Third, Koehler and Mitsubishi are facing new competition from Hansol in Germany and the rest of Europe. Due to this increasing competition in the German producers' traditional markets, the United States is an even more attractive market for them today than it was in 2008.

Except, there is one problem – the antidumping order. That is why Koehler has appealed every adverse decision of this Commission and the Commerce Department and have hired a bevy of economists to advocate their position in a prehearing brief that weighs over 19 pounds and is about 7 inches thick.

Revocation of the order now would be severely damaging to Appvion and the rest of the domestic industry. There is a global over-supply of lightweight thermal paper, and the growth rate of new capacity exceeds the growth in demand. In the U.S. market, competition between U.S. producers, subject producers, and non-subject producers is getting more intense. U.S. demand appears to have plateaued. Thus, it is critical that all competitors play within the rules. Koehler has demonstrated that it cannot be trusted, and the discipline of the order continues to be necessary.

As for Mitsubishi, it appears to have reduced its exports to the United States given the difficulty of selling at non-dumped prices. While the order has no doubt constrained Koehler's prices and exports to the United States, its reaction to the order has been extremely disappointing. We are very concerned, of course, that the Commerce Department found that Koehler engaged in a scheme to artificially manipulate its home market prices in order to avoid antidumping duties.

Koehler's refusal to play by the rules has deprived the domestic industry of some of the remedy that we were expecting. Koehler is clearly a highly aggressive competitor, and it is determined to grab a large share of the U.S. market by whatever means possible, legal or illegal.

Because of the antidumping order, we recently saw what can happen when Koehler is absent from the U.S. market. Our U.S. shipments increased, our prices increased, and thus our financial results improved. But Koehler has publicly proclaimed a grand return to the U.S. market. More privately, it has promised special low pricing to re-build market share. How low and how quick will be dictated by your decision in this sunset review.

Because Koehler is a major factor in the U.S. market, all other sellers must react to its pricing actions. Converters buy from multiple sources. We compete directly with Koehler and other suppliers for sales to the same converters. Even small price differences are enough to shift sales from one supplier to another.

Koehler does not deserve an unfair advantage in this highly competitive environment.

On behalf of the 1,700 employees and 2,100 owners of our company, I respectfully urge the Commission to continue these orders on lightweight thermal paper from China and Germany. We do not wish to foreclose any legitimate competition. We simply want to compete in a market that is not distorted by dumping and subsidies.

Thank you.

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