

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

TESTIMONY OF MIKE RAPIER

Good morning. I am Mike Rapier. Since 2001 I have been the President and Owner of Liberty Paper Products. Liberty is a converter in Phoenix, Arizona that converts and distributes point-of-sale, carbonless paper, and other thermal paper products all over the country. Most of our business is lightweight thermal paper.

We first began to see imports of Chinese converted rolls in late 2005 and early 2006. By virtue of our location in the western part of the United States, we felt the impact of Chinese imports first and more deeply than converters in other parts of the country. At that time, Chinese imports were coming in at growing volumes and at prices that were well below our own production costs. This was a frightening time for us.

Thankfully, the duties on thermal POS paper went into effect in 2008. Those duties caused a sharp reduction in imports from China and allowed us to weather the recession that began at the end of 2008. Without the orders being in place, it is likely that Chinese product would have continued to flood in, putting companies like mine out of business.

The market began to stabilize after the duties went into effect. We have made major investments since 2009. In 2010, we moved to a newer and more modern facility, which added 30 percent more square footage to our operations. In 2013 we made our largest investment to date. We bought a state-of-the-art, fully automated slitter/rewinder known as a Jennerjahn machine. Jennerjahn is an American manufacturer that builds these machines in Indiana. I think that it is worth pointing out that the duties have been beneficial not only to U.S. converters, but also to the companies like Jennerjahn that supply the equipment.

Since the duties went into place, we have also increased the number of our employees by nearly 50 percent. We have had steady growth every year since the duties were put in place. Through these investment and expansions, we have established a path for solid growth for our business over the next five years. But that growth is predicated on the assumption that dumped and subsidized imports from China will not be present again in the U.S. market.

China's exports to the U.S. would resume at significant levels if the orders were revoked. Chinese producers have continued to improve the quality of their product since the investigation, and our customers use our slit rolls or Chinese slit rolls interchangeably. China has also added a lot of new coating and converting capacity since the orders went into effect. The level of excess capacity in China is

so significant, that we would anticipate a large influx of Chinese slit rolls if the orders were revoked.

Chinese producers are so anxious to sell converted rolls into the U.S. market that they are willing to commit customs fraud to do so. We know about this because some of our customers have told us that we are competing with Chinese converted rolls for their business. When this happens, we are often forced to reduce our prices or lose the business. I understand that Customs is working to put a stop to Chinese imports that evade duties, but this just demonstrates the lengths to which Chinese producers will go to sell into our market.

The revocation of the orders on Chinese lightweight thermal paper would have a terrible effect on my business, and on all converters in this country. Given what we saw before the orders went into effect, and based on the prices for Chinese converted rolls that are still coming in, Chinese thermal paper would flood into this market at prices below our costs, China's reentry would undermine our investments in new equipment and technology. It would mean no new investment in the future. I might be able to switch to production of heavier basis weight products like lottery tickets, but the market for that is much smaller than for POS paper, and it would only be a matter of time before Chinese producers would destroy that market as well.

I would also like to share my opinion regarding the antidumping order on Germany. Many converters are not here today because they fear retribution from German companies, and perhaps rightly so. I can tell you that one such producer will not sell to Liberty Paper based upon my previous testimony in 2008. It is not for me to say if what they are doing is right or wrong, but I can tell you that the “spirit” in which they behave implies that you are either with them or against them. And if you are against them, they will do what they can to harm your business. One example of this attitude was a comment made by this company’s sales representative who said that the U.S. market will eventually consist of only four to five converters who will control all the business.

Jumbo rolls account for the most significant portion of the cost of our slit rolls. When a few favored converters are able to purchase jumbo rolls at reduced prices from Germany, we are placed at an incredible disadvantage, and must seek price reductions from our jumbo roll suppliers. If we are unable to achieve price reductions, we lose sales to the converters supplied by this German producer.

It is therefore critical to converters like me that the orders remain in place on imports from both China and Germany.

Thank you.