

Draft October 29, 2014

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

TESTIMONY OF GREGG MOSBY, JR.

Good morning. My name is Gregg Mosby. I am the President of Greenleaf Paper, a paper converter located in Phoenix, Arizona. My father purchased this business in 1987. When he first started out there were only three employees. Today we employ 60 people. We convert lightweight thermal paper for use in point-of-sale receipts and heavier weight thermal paper for use in labels and tickets. Lightweight thermal paper accounts for a substantial portion of our business. Although we have sales throughout the United States, our sales are concentrated in the eleven most Western States.

Six years ago my father testified before the Commission in the original investigations on thermal paper. At that time he told the Commission about the rapid influx of Chinese slit rolls into the U.S. market and the adverse impact this had on our business.

When slit rolls from China first entered the market, they were at delivered prices that were about equal to our production costs. However, within a short amount of time, we started to hear reports of pricing for Chinese slit rolls that were below even our raw material costs.

It is important to keep in mind that slit rolls are a standardized product. The most common widths are 3 1/8 inch and 2 1/4 inch. Slit rolls produced by converters in the United States are totally interchangeable with slit rolls imported from China. Chinese quality is completely acceptable to our customers. Chinese producers produce both BPA and BPA-free product. Thus, price is always the key factor for our customers in their purchasing decisions.

My family has been in the paper business for over forty years. We are very familiar with the costs associated with papermaking, including manufacturing and transportation costs. Chinese slit rolls were entering at prices that were well below these input costs. Moreover, customers were using these below-cost Chinese prices as leverage in asking us for lower prices.

The Chinese first penetrated the market by selling to other U.S. converters who reaped a substantial benefit by buying from them. Then they started selling directly to our customers. The impact on prices was large and swift. We were able to hang on to our loyal customers for a time by providing a high level of service. But as prices moved lower and lower, our customers switched to lower priced imports.

After the preliminary duties were imposed on Chinese slit rolls, the market began to normalize and prices firmed up. We were able to regain the business of some of our customers that had started to purchase Chinese rolls.

The orders have had a beneficial impact on our business. Since they went into effect, our production and sales volumes have increased, and we have been able to invest in new technology and equipment upgrades.

I worry about what would happen to our business if the duties on China were revoked. We would see a flood of Chinese slit rolls coming in at prices that undercut ours – prices that are below our manufacturing costs. Even with the duties in place, we continue to see some Chinese slit rolls in the market that must be entering the United States without paying the duties that are in place. If the orders were revoked, there would be nothing to prevent much higher volumes from entering the United States. This would be devastating for us and for other converters. Distributors have very low overhead and no capital equipment expenses. We would be not be able to compete with them if they were able to sell slit rolls from China. In the short term, we would lose customers and revenue, and would suffer lower profits. In the long term, we would have to reduce our workforce and abandon any new investment plans.

Renewed imports of slit rolls from China would also have a negative impact on U.S. coaters. If we have to lower our prices for slit rolls due to competition from China, we will have to insist on lower priced jumbo rolls from U.S. coaters.

Thank you.