

TESTIMONY OF DEAN BLOCKOWITZ
OF INTERTAPE POLYMER GROUP
BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION
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Good morning. I am Dean Blockowitz and I am Vice President of Sales for the Industrial Channel at Intertape Polymer Group. I have a Bachelor's Degree in Industrial Management from the Georgia Institute of Technology. I have been with IPG for 21 years working in various roles within the Industrial Channel Sales Organization. In my position, I am responsible for strategic planning within the channel as well as managing our Industrial Sales Team.

IPG fully supports the position stated by 3M and Shurtape, and believes that there would be a recurrence of material injury to the domestic industry if the antidumping order were to be lifted at this time. I would like to take a few moments to speak with you today about the differences in consumer perceptions and needs for hot melt and acrylic pressure sensitive (PSP) tape and also about why we believe there is no other market to which Italian producers can increase their sales, other than the United States.

Our Danville facility carries out both manufacturing and distribution operations for carton sealing tape. The manufacturing operations include polypropylene film manufacturing, adhesive coating, tape converting and polyethylene stretch film. Our Danville plant produces the most popular carton sealing tapes, hot melt and acrylic, while the natural rubber product is produced solely in our Brighton, Colorado, facility. Hot melt carton sealing tape accounts for the overwhelming volume of the production in the United States with acrylic and natural rubber accounting for the rest.

The major usage of carton sealing tape for hot melt is for industrial use in sealing boxes, most of which is done through automation. That industrial usage is much greater than the

occasional use by a consumer. IPG and others in the industry have been largely successful demonstrating to industrial customers that the superior performance characteristics of the hot melt product make it worth the cost compared to the acrylic product.

While hot melt and acrylic carton sealing tape are the major alternatives, their prices have also varied. This trend toward hot melt in preference to natural rubber has continued in recent years, so that natural rubber now has settled into a very small share of the market. Currently, we find that the hot melt tape consumers are willing to pay a 15 to 20 percent premium over the acrylic tape because of its shear strength and machine automation capabilities. Hot melt tape has the widest range of applications (both manual and automatic), superior adhesion properties, shear strength, and provides reliable seals to a variety of corrugated and linerboard boxes. Acrylic tape, unlike hot melt tape, does not unwind smoothly which makes the dispensing process less efficient, particularly when used in an automated environment. These characteristics are highly undesirable for automated environments as they lead to longer dispensing times and frequent equipment jams. Hot melt PSP tape, on the other hand, can be dispensed more smoothly and, as a result, is generally favored in automated and industrial operations. Hot melt carton sealing tape has a release coating to prevent the adhesive from sticking to the plastic backing when on a roll, which is generally an important feature for machine application. Acrylic tapes do not generally have such a release coating.

IPG has a great deal of experience in purchasing machinery from Italy for its production. Our executives frequently travel to Italy to purchase machinery. Italy makes some of the most sophisticated machinery in the world for the production of tape and that machinery is readily accessible to Italian producers of tape. We strongly agree with the estimate provided in our

joint brief that indicates that there is significant excess capacity in Italy available for the United States. Furthermore, the level of technology coming out of Italy on their machinery and tape products indicates that they can compete in overall quality vs. US made products. In fact, the two giants in the world of hot melt carton sealing tape production are the U.S. and Italy.

In order to stay competitive, U.S. producers must continually invest in R&D and the latest technology. IPG continues to make great strides in making our plants as efficient as possible. We have achieved this through the purchase of some new machinery, but also by using our people more efficiently and having better inventory control. However, all of this hard work and our investments for the future would be put at risk very quickly if this renewed source of dumped and low-priced tape from Italy were allowed to enter the United States. We believe it will happen because the current channels of distribution, private label opportunities and sophistication of the Italian producers makes it very easy for them to re-enter this market. The overall barriers to entry and access to the U.S. market will require very limited investment. The Italian tape producers are well known in the world market, and the distribution network for products is well established and the Italian producers will be able to move into that network quickly. I do not think that it would take more than 6 months after the lifting of the dumping order for the Italian companies to have a major impact on the U.S. hot melt market.

The economists have asked me to address the issue of whether it is likely that a small change in relative prices would produce a much larger change in relative demand. In my experience, this would not be the case. This is a mature industry with a low rate of growth in demand. Going back in history, the lower-priced acrylics made some inroads into the demand for hot melt products, but that carving up of the market has stabilized. What we have learned

over the past few years is that acrylic and hot melt products have settled into their niches in the market and the substitution back and forth is less than many had expected. As a result, the hot melt industry has been successful in the U.S., while the acrylic industry largely has moved offshore. As for other substitutes not covered by the existing order in Italy, the likelihood of actual switching between those products and hot melt is theoretically possible, but not commercially feasible, or we would have seen such switching back and forth in the past.

As a general matter, within the hot melt market, price and quality are usually the most significant factors in buying decisions. Without a dumping order in place, the Italian producers will be able to offer very low prices and huge quantities of product. While the U.S. producers have been successful in differentiating the hot melt product from the acrylic product in the eyes of the customers, based on performance characteristics, within the hot melt segment of the market price is the deciding factor, particularly for industrial uses.

The last thing we need in the U.S. industry is to have the high end of the market devastated by dumped Italian product. We do not believe that the Italian industry has any other market that is nearly as attractive as the United States. Absent the existence of a dumping order, we strongly believe that available volumes and values of Italian hot melt carton sealing tape would have a devastating effect on the U.S. industry.