

**Prepared Testimony of Mr. Rick Krska, President and Chief Executive  
Servant, InkCycle, Inc.**

**Senate Committee on Commerce, Science, and Transportation -  
Subcommittee on Manufacturing, Trade, and Consumer Protection  
“Examining the American Manufacturing Industry’s Response to the  
COVID-19 Pandemic”**

**November 17, 2020**

- I would like to thank Senator Moran and Senator Blumenthal for this opportunity to share my thoughts and testimony.
- We love manufacturing and serving people with high quality products
- After early careers in the manufacturing industries of Telecommunications and Nuclear Weapons, we started InkCycle in 1992 in the basement of our Kansas ranch home.

**1992: My partners and I embarked on a new quest to bring manufacturing jobs to Kansas City by starting a business which was (and remains) focused on three primary principles:**

- 1. Design and produce high quality/high demand products**
- 2. Create area employment and economic development**
- 3. Build a business of significance - solve significant challenges and positively impact a significant number of people (internal and external)**
- 4. Operate with principles of Servant Leadership**

**Prior to starting the business, myself and my partners were working for Allied Signal where we were involved in producing triggers for nuclear weapons. The products we were directly responsible for, properly functioning triggers, absolutely had to fire when they were supposed to and not fire when they shouldn't. There was no margin for error.**

**We absolutely loved the engineering, production and quality roles we served in and the challenging work environment. Our products demanded the utmost quality assurance and were subject to rigorous testing and audits daily.**

**With the end of the Cold War, the demand for our products declined and we, like thousands of others, found ourselves being downsized from what was a large Kansas City employer. Looking to the future, we found a sense of purpose.**

- 1. A deep love for manufacturing. A passion that began for me in high school when I went to work for Western Electric. A passion that still exists to this very day.**
- 2. A desire to provide manufacturing jobs and employment to as many people as possible. We had experienced firsthand what happens when a large employer has to downsize,**

**1992: We launch the new business. We began refurbishing printer cartridges and rapidly became one of the US's largest toner cartridge remanufacturers. By 1995 we had become the fourth largest in the country and began to expand into the growing inkjet market. By 2005 we had become the largest inkjet remanufacturer in the world, employing over 800 people in Lenexa, KS.**

**The demand for remanufactured cartridges was being fueled by:**

- 1. Skyrocketing growth of laser and inkjet printing, both at the office and in the home.**
- 2. Consumer savings of 25% or more vs. the name brand.**
- 3. Realization that tens of millions of plastic and metal name brand cartridges were ending up in the landfill and a more sustainable solution (refurbishing) was needed.**

**As the demand for remanufactured products continued to increase, many of the remanufacturing components were being developed in China. Within a few years, China had become the dominant source of remanufacturing components and then later, the largest producer of newly built "clone" aftermarket cartridges in the world.**

**These early-stage "clones" were imported with absolutely no respect for US intellectual property and patent law. China quickly began to flood the market to make it impossible for US remanufacturers to compete. Over time, China, using infringing products, built such size and scale that they were becoming impossible to compete with, and US patents were expiring while Chinese manufacturers developed their own intellectual property.**

**By this time, the prices for a newly built cartridge from China were less than our direct remanufacturing costs here in the US.**

**The tipping point came when we saw that a cartridge that cost us \$21 to refurbish was available newly built for \$5.95 in China. \$5.95 to cover all of their costs AND make a profit to produce something brand new vs. \$21 to refurbish! Seemingly impossible, yet this is what we were competing with.**

**By around 2015, 90% of the US remanufacturing companies and their manufacturing jobs were gone. Today that number has dropped from over 5,000 to an estimated 100 or fewer companies.**

**Until this time, we were producing in our Kansas factory 98%+ of everything we sold. However, as China began shipping more and more newly built products into the US, we began to find ourselves, like every other US remanufacturer unable to compete. We were forced to choose between buying and reselling a line of Chinese products or going out of business.**

**Today, estimates are that over 90% of the US aftermarket cartridge business is produced in China compared to less than 5% 15 years ago. And prices continue to come down, along with US refurbishing jobs.**

**Yet it was not just that China was selling newly manufactured products at less than what it costs in the US to refurbish those products. China was beginning to acquire the necessary technology for US remanufacturing companies to refurbish the cartridges, giving China the ability to strangle the US remanufacturing industry.**

**In 2016, US-based Lexmark (printer manufacturer) was purchased by a Chinese consortium led by Apex Technology and PAG Asia Capital. Apex had already purchased the global leader in aftermarket print chips (US-based Static Control).**

**Two China-based companies now control over 80% of all aftermarket cartridge chips and set the global price. APEX (and affiliated companies) is now also the largest producer of newly built cartridges in the world.**

**As Apex/Lexmark controversial acquisition was finalized, it was apparent that China would control the US aftermarket cartridge industry.**

- 1. Set their new build prices at far under the cost for a US remanufactured cartridge.**
- 2. Provide chips only on specific models so there could be no competition from a US reman company.**
- 3. Control the cost of components so that their new-build cartridges would always remain priced under a US reman version.**

**Summarizing, China has decimated a US re-manufacturing industry of over 5,000 companies of all sizes.**

**Our love for manufacturing has never wavered. As one of the last US remanufacturing companies, we were frustrated with China's chokehold on our industry, but we were committed to producing what we could, even if it meant also buying in some products from China.**

**2020: In late January we were returning from a sourcing trip to Asia that started in Wuhan, China. We obviously witnessed firsthand the beginning of global COVID pandemic. This inspired us to begin exploring how we might serve and do a business pivot into manufacturing PPE supplies. Quickly we found that most of the PPE products came from China. Very few US produced products were available.**

**The first product we launched was a hand sanitizer that we used our manufacturing experience to bottle here in Kansas City. Ironically, as we ramped up, we found that we would need to buy materials from China once again. The US no longer had any real small bottle manufacturing capabilities anymore.**

**Interestingly, the strange Chinese "economics" we had seen in our core business was to be found in Chinese bottle manufacturing industry as well. Forced to buy bottles in China, we were purchasing our labels from a local Kansas label manufacturer at around \$0.15. The Chinese bottle supplier offered to print and**

**apply the labels for a single cent. The cost to print a label in the US – 15 cents. The cost to print the same label AND apply it to the bottle in China – 1 cent. The US loses label printing jobs and manufacturing application jobs.**

**As we continue to look to create opportunities for US manufacturing jobs, we are now engaged in a new endeavor, Hypochlorous Acid. At 500 ppm, the EPA recognizes certain registered brands of Hypochlorous Acid as an ultra-strong and ultra-safe way to kill bacteria, germs, and viruses, including COVID-19.**

**We are moving forward with preparations to produce and bottle HOCL in our factory. Our goal is to grow our company and once again bring in more production jobs. Interestingly, we are again facing pressures from China as plastic bottles' production is controlled primarily by China.**

**It has been our experience and observation that manufacturing companies in China are strongly supported by their government. It is my belief that if seriously desire to bring manufacturing and critical supply chains back to the US, it will require strong support from Washington.**

**Moving forward, we welcome any discussions about how to help bring manufacturing back to the US and insulate our country from unfair trade practices of other countries. Our core team consists of experienced manufacturing engineers, production teams, quality assurance, and labor. In short....we have a huge PASSION for manufacturing products in KANSAS!**

**Please let us know how we can be of service,**

**Rick Krska**

**President and Chief Executive Servant**

**TonerCycle InkCycle, Inc.**