

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
NARROW WOVEN RIBBONS WITH) Investigation Nos.:
WOVEN SELVEDGE FROM CHINA) 701-TA-467 and
AND TAIWAN) 731-TA-1164-1165
) (Final)

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 AND TAIWAN) (Final)

Thursday,
 July 15, 2010

Main Hearing Room
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at 9:31 a.m., before the Commissioners of the United States International Trade Commission, the Honorable CHARLOTTE R. LANE, Commissioner, presiding.

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 SHARA L. ARANOFF, COMMISSIONER
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Countervailing Duty Orders:

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THOMAS LODGE, President, Liberty Ribbon &

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Countervailing Duty Orders:

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P R O C E E D I N G S

(9:31 a.m.)

1
2
3 COMMISSIONER LANE: Good morning. On the
4 record. Welcome to the United States International
5 Trade Commission, and I welcome you to this hearing on
6 Investigation Nos. 701-TA-467 and 731-TA-1164-1165,
7 Final, Involving Narrow Woven Ribbons with Woven
8 Selvedge from China and Taiwan.

9 The purpose of these investigations is to
10 determine whether an industry in the United States is
11 materially injured or threatened with material injury,
12 or the establishment of an industry in the United
13 States that is materially retarded by reason of
14 subsidized and less than fair value imports of narrow
15 woven ribbons with woven selvedge from China and
16 Taiwan.

17 Schedules setting forth the presentation of
18 this hearing, notices of investigation, and transcript
19 order forms, are available at the public distribution
20 table. All prepared testimony should be given to the
21 Secretary.

22 Please do not place testimony directly on
23 the public distribution table. All witnesses must be
24 sworn in by the Secretary before presenting testimony.
25 I understand that the parties are aware of the time

1 allocations.

2 Any questions regarding the time allocations
3 should be directed to the Secretary. Speakers are
4 reminded not to refer in their remarks or in answers
5 to questions to business propriety information.
6 Please speak clearly into the microphones, and state y
7 our name for the record for the benefit of the court-
8 reporter.

9 Finally, if you are submitting documents
10 that contain information you wish classified as
11 business confidential, your request should comply with
12 Commission Rule 201.6. Madam Secretary, are there any
13 preliminary matters?

14 MS. ABBOTT: No, Madam Chairman.

15 COMMISSIONER LANE: And before any of you
16 wonder why I am presiding, Deanna Okun, the present
17 Chairman, is not available today, and as we have no
18 Vice Chair at the present time, then I am presiding as
19 the next senior Republican member of the Commission.
20 So I am queen for a day, but it is only going to last
21 one day. Thank you. So we can begin with opening
22 remarks.

23 MS. ABBOTT: Opening remarks on behalf of
24 the Petitioner will be by Gregory C. Dorris, of Pepper
25 Hamilton.

1 COMMISSIONER LANE: Please proceed.

2 MR. DORRIS: Thank you, Madam Chairman,
3 Commissioners, and Staff. Good morning. I am Greg
4 Dorris of the law firm of Pepper Hamilton, counsel to
5 the Petitioner, Berwick Offray, LLC, and its wholly
6 owned subsidiary, Lyon Ribbon Company, Inc.

7 Antidumping and countervailing duty
8 investigations involve imports from China and Taiwan
9 of Narrow Woven Ribbons with Woven Selvedge. Leo
10 Tolstoy opens his famous novel, Anna Karenina, noting
11 that all happy families resemble one another, but that
12 each unhappy family is unhappy in its own way.

13 To paraphrase Mr. Tolstoy, if I may be so
14 bold, all traditional trade cases resemble one
15 another, but each non-traditional trade case is
16 different and unique in its own way. A traditional
17 trade case is one involving a single commodity product
18 produced to standard specifications, where the import
19 volumes are up, and all the U.S. industry indicia of
20 injury are down from the first year of the period of
21 investigation to the last period of investigation.

22 By contrast, the present case is a non-
23 traditional trade case, but nevertheless one that is
24 in its own unique ways shows material injury and
25 threat of material injury by reason of the subject

1 imports.

2 There can be no doubt that the filing of the
3 petition and the resulting investigation has had an
4 immediate and profound impact on the narrow woven
5 ribbon market in the United States. Indeed, what is
6 most unique about this trade case, and the timing of
7 the petition, is that the Commission gets to actually
8 see firsthand some of the positive impacts imposing
9 orders will have on the U.S. industry shipments and
10 market share.

11 As a corollary, the Commission also easily
12 can envision that subject imports would once again
13 return to the U.S. market in ever larger volumes. The
14 condition of the domestic industry would deteriorate
15 even further should orders not be put in place.

16 Here, the volume of subject imports does not
17 increase in the first year of the period of
18 investigation to the last year period of
19 investigation. Instead, the subject imports declined
20 in 2009, though the subject imports now that we had
21 the final determination from the Department of
22 Commerce do increase in 2007 to 2008.

23 That 2009 decline in imports benefitted
24 domestic producers who were able to recapture some
25 market share. The decline in imports and constant

1 injury to the market share of the U.S. producers is a
2 result of the filing of the petition and ensuing
3 investigation.

4 In fact, this swing in subject imports and
5 U.S. producers market share alone is evidence of the
6 correlation between the subsidized and dumped imports
7 and the sales and shipments of the domestic industry.

8 Despite this non-traditional trend, there
9 can be no question that the unfairly traded imports
10 from both China and Taiwan were significant throughout
11 the period of investigation. The presence of a
12 substantial volume of low priced imports still kept
13 U.S. prices low overall, such that U.S. producers
14 still suffered a significant decline in operating
15 profits perversely at a time when their efforts to
16 improve efficiency lowered their overall cost of
17 selling.

18 The presence of these unfairly low priced
19 imports also kept U.S. producers from recapturing even
20 more market share, as the subject imports limited them
21 from penetrating further the industrial segment of the
22 market, and in fact caused them to lose market share
23 there.

24 Putting additional orders in place will
25 leave to improvements in shipments at higher prices in

1 this large segment of the market, and a fact of the
2 timing of the petition allowed the Commission to
3 witness in the 2009 data. Numerous myths started by
4 the Respondents will be dispelled by the Petitioner's
5 witnesses here today, and through careful analysis of
6 the entire record.

7 One key myth is that there is no correlation
8 between the widespread and substantial underselling of
9 the subject imports and the deteriorating conditions
10 of the domestic industry. As will be discussed, there
11 is a direct connection, even if overall it is masked
12 through aggregation of the pricing data.

13 A second key myth is that U.S. producers are
14 just importers in disguise. While it is true that
15 both Petitioning ships are importers, each import in
16 order to compete based on make or buy decisions.

17 This fact is best evident as each reduce
18 their volume of imports and brought back to the United
19 States some of the products that they had to make in
20 China and Taiwan in 2009 and also in 2010. This case
21 is not outboard engines from Japan, where the domestic
22 industry imported only specific products, while not
23 the subject imports that they had not been making in
24 the United States.

25 There also is the tired and now trite myth

1 that it is the economy, stupid. The Petitioners do
2 not deny that economic conditions are tough and that
3 there has been an overall economic decline.

4 The Petitioners stress that at least with
5 respect to crafts and scrapbooking, demand in general
6 has been increasing. What is clear is that the
7 decline suffered by the domestic producers is far
8 greater than any economic decline in the U.S. market,
9 and a direct result of the continued significant
10 presence of the dumped and subsidized imports and a
11 significant and substantial underselling.

12 Another key myth is that when a domestic
13 producer improves efficiency and reduces the cost of
14 goods sold, there can be no injury shown. The
15 Commission should never hold against the domestic
16 industry and the efforts it takes to become more
17 efficient and forestall additional injury.

18 Here, despite its best efforts and some
19 success, the U.S. industry still continues to have a
20 deteriorating financial condition. The domestic
21 industry has done all that it can to cut costs, and to
22 not justify further investments in an industry that
23 will be able to confront the U.S. market --

24 COMMISSIONER LANE: Mr. Dorris, you need to
25 wrap it up, please.

1 MR. DORRIS: Thank you, Madam Chairman.
2 Where then fairly low priced imports are not in the
3 discipline of the orders. Thank you.

4 MS. ABBOTT: Opening remarks on behalf of
5 the Respondents will be by James R. Cannon, Junior, of
6 Williams Mullen.

7 MR. CANNON: Good morning, Madam Chairman.
8 Very quickly, the volume of imports is down, down 60
9 percent by value by China, and it is down 15 percent
10 by value from Taiwan. Domestic prices were not
11 depressed on four of the six pricing products, and
12 domestic prices are increasing.

13 There is no indication that subject imports
14 had any significant impact on the domestic industry.
15 There really is no factual basis for a threat. Threat
16 on volume. The Petitioners' contention is that
17 imports went down because they filed the case. That's
18 not true.

19 The data in the staff report show imports in
20 2009 increased in the second half of the year after
21 they filed their petition, just like they do every
22 year. Orders were placed for the holiday season in
23 the second quarter.

24 The importers did not turn away from their
25 customers. They filled those orders from 2009 just

1 like they do every year. The fact is that the market
2 was down and orders were down. It had nothing to do
3 with the petition.

4 Secondly, when imports are down and the
5 volume is down, will cancel the injury in fact. I
6 have properly argued that there is, but in order for
7 there to be injury when imports are down, you need to
8 have pricing effects.

9 It used to be either a volume case or a
10 price case. Quite clearly this is not a volume case.
11 If you look at Table C and you look at the shift in
12 market share, and you look at the trend in imports,
13 there is no volume effect in terms of imports on the
14 domestic industry.

15 So if they have a case, if they have a
16 linkage here, it is because of their price of product,
17 but as I indicated, domestic prices are increasing in
18 4 of the 6 pricing products. The average unit value
19 of the whole domestic industry does go down a little
20 bit in 2009, but that is due to the unique facts and
21 experience of one domestic producer, about which we
22 say more in the brief, and that's all I can say.

23 The underselling is deep, but there is no
24 apparent link between the level of Chinese prices and
25 the level of domestic prices. In particular, the

1 level of Chinese prices is not only the lowest in the
2 market, but it is going down, and their volume is
3 going down.

4 So it is not at all intuitive. In fact, it
5 is counter-intuitive. If price really mattered in
6 this market how can the lowest priced imports be
7 declining in volume? Well, they can't, and it is
8 because this is a product in which for a large part of
9 the market is sold is as a custom made product.

10 It is bundled with other items, such as gift
11 bags, wrapping paper, tissue paper, boxes. Given
12 those facts, you will find that domestic prices just
13 aren't that sensitive to change in the import prices,
14 and so you don't see the normal trend, declining
15 prices, interest in volume, and so forth.

16 And the same holds true when you look at
17 impact. In fact, you would expect that if it is true
18 that filing this petition had this great effect and
19 the imports went away, you would expect to see profits
20 in 2009 going up, but that is not what you see.

21 Imports go down and profits go down. There
22 is no apparent link in the data. Turning to threat.
23 Again, importantly, imports are declining, and as you
24 found at the preliminary stage, there is no price
25 depression here, and there is no price suppression.

1 So there is no impact. If there is no
2 impact or causal link, there is no threat. Looking
3 specifically at the data that you have, Taiwan's
4 capacity is largely full, and they have a large home
5 market.

6 Granted, you don't have a lot of data about
7 China. Most Chinese producers did not respond.
8 However, you have never made a decision only on that
9 fact alone. You have never looked at a record and
10 said we are going to decide this case against the
11 Chinese because they wouldn't come to the ITC.

12 Rather, you have always looked for other
13 factors. The other factors here are demand in China
14 is increasing, imports in China have been declining,
15 and the market is not a market characterized by
16 brokers and traders who sell a commodity.

17 The people that sell this product are
18 experienced, highly skilled, and very knowledgeable
19 about their market. The channels through which ribbon
20 gets into the customer's hands, it is not up to a guy
21 on the phone in New York who is selling a commodity.

22 It is up to importers who have been in this
23 business for 30 years, and in that kind of a market,
24 you are not going to see a surge in imports from
25 China, because those discriminating importers who

1 bring this product in realize that not every factory
2 in China is the same.

3 And you will hear testimony that when they
4 go to buy in China, they select a factory that has
5 experience and that specializes in the product that
6 they are looking for. And for those reasons, I think
7 that you should find that there is no injury and no
8 threat.

9 And on top of all of that, it is true that
10 as was mentioned, Berwick Offray was one of the
11 largest importers from China and Taiwan, and they were
12 selling their imported product to the retailers who
13 are here today, and the retailers switched.

14 They stopped buying from Berwick Offray, and
15 they went direct to the factory. Now, if that is what
16 happened, what you have is Berwick's imports were
17 replaced by other imports. The trade law does not
18 exist to protect --

19 COMMISSIONER LANE: Mr. Cannon, you need to
20 wrap.

21 MR. CANNON: The trade law doesn't exist to
22 protect imports from one source against imports from
23 another source. Thank you.

24 MS. ABBOTT: Those in favor of the
25 antidumping and countervailing duty orders, please

1 come forward and be seated. Madam Chairman, all
2 members of this panel have been sworn.

3 COMMISSIONER LANE: Thank you. Mr. Dorris,
4 you may proceed.

5 MR. DORRIS: Thank you, Madam Chairman,
6 Commissioners, and Staff. Our goal this morning is
7 for you to gain a full understanding of the narrow
8 woven ribbon industry, and the producers who make
9 those products, and how and why the industry is
10 suffering material injury, and is threatened by
11 further material injury.

12 Our first witness this morning will be Julie
13 Pajic. She is the head of marketing and sales for
14 Berwick Offray. She will explain to you the various
15 types and styles of narrow woven ribbons that we are
16 here talking about.

17 Julie also has some samples that you may
18 hold to help better explain the different ribbons, and
19 I think those have already been handed out to you.

20 Our next two witnesses will be explaining
21 how narrow woven ribbons are produced. Owen Deese is
22 a senior industrial engineer at Berwick Offray, who
23 has over 45 years of experience in the textile
24 industry.

25 Mr. Deese will explain the weaving process

1 of the different types and styles of narrow woven
2 ribbons, including warping and yarn dyeing.

3 Rick Lee, the plant manager at Berwick
4 Offray's Hagerstown facility, will explain ribbon
5 dyeing, printing, and blocking. Both Owen and Rick
6 will offer a video or PowerPoint of Berwick Offray's
7 weaving and dyeing operations in South Carolina, and
8 dyeing, printing, and blocking operations in
9 Hagerstown for their presentation.

10 Please note that Don Girard of Berwick
11 Offray cannot be with us today.

12 Julie Pajic will then follow again Owen and
13 Rick to discuss to whom and how narrow woven ribbons
14 are sold in the United States. She will discuss the
15 negative impacts of unfairly traded imports on the
16 industry as she sees it.

17 Julie will highlight some of our
18 comprehensive extensive design capabilities, and
19 dispel any notion that Berwick Offray does not remain
20 the leader in the so-called back and forward in trend
21 rights.

22 Next after Julie, Christian Sorensen will
23 speak. Mr. Sorensen is responsible for virtually all
24 the day-to-day operations of Berwick Offray, and that
25 is because the former president, Scott Sheay, who came

1 to the preliminary investigation, has taken a
2 different position with an unrelated company.

3 Christian will discuss the serious injury
4 inflicted by the subject imports from China and
5 Taiwan. He also is familiar with the narrow woven
6 ribbon industry in China and Taiwan, and will talk to
7 you about the production capabilities and the
8 capacities in those industries.

9 He will discuss that unfairly traded imports
10 are expected to increase if the orders are not put in
11 place. Seth Kaplan from The Brattle Group will
12 conclude our presentation. Seth will explain the
13 economic material injury and how the subject imports
14 from China and Taiwan are the cause of the material
15 injury now suffered by the U.S. industry.

16 Seth will also explain how the U.S. industry
17 is threatened by further material injury if the
18 antidumping orders are not issued.

19 We received the final determination from the
20 U.S. Department of Commerce just a couple of days ago.
21 It was no surprise that the Department confirmed
22 dumping by all but one of the Chinese producers, but
23 that producer, as well as all other Chinese producers,
24 were found to be subsidized, meaning the volume of
25 subject imports over the period of investigation

1 changes.

2 The Department also confirmed dumping by all
3 but two Taiwanese producers. Before turning the floor
4 over to Rick, I would note that there are no real
5 legal disputes over like products for the domestic
6 industry, related parties, or negligibility.

7 All parties agree that there is one domestic
8 like product that consists of all narrow woven ribbons
9 with woven selvedge co-existed with the scope of the
10 investigation that was conducted by the Department of
11 Commerce.

12 The parties don't dispute that the domestic
13 industry is composed, or at least all the remaining
14 U.S. producers, of that like product, even though
15 other like product, and that two of those producers
16 that actually were related to the parties within the
17 meaning of the statute, I feel should be included
18 within the industry.

19 Given the significant volume of subject
20 imports from both China and Taiwan, there is no issue
21 of negligibility. With those legal issues resolved,
22 there is one open legal issue as to whether the
23 Commission should accumulate.

24 The Petitioner contends that the material
25 accumulation of Chinese and Taiwanese imports are

1 satisfied for both the determination of material
2 injury and of threat of material injury.

3 Third, the proposed accumulation to
4 determine threat, but there is really no great
5 disparity between the patterns of the volumes or the
6 underselling that would warrant a decision not to
7 accumulate.

8 Now that the two legal issues are out of the
9 way, we will have the people that you want to hear
10 from today, and I will turn it over now to Julie
11 Pajic.

12 MS. PAJIC: Thank you, Greg. Good morning
13 and thank you for your time today. My name is Julie
14 Pajic, and I am the senior vice president of sales and
15 marketing for Berwick Offray. I have been in this
16 position since 2008, although I have been with Berwick
17 Offray for about 15 years, from January of 1995.

18 By now I know ribbons, and in particular
19 narrow woven ribbons, and today I am going to show you
20 some samples, and explain the different types and
21 styles, so that you have a better understanding of the
22 product that we have at issue today in the
23 investigation, and likely that you see every day. It
24 will be like Ribbon 101 if that is okay.

25 What I also provided was some display boards

1 and some samplings which I will refer to in my
2 presentation so that you have a better understanding
3 as to what I am talking about in my words.

4 We can make all these narrow woven ribbons, and I just
5 wanted to make that clear.

6 So everything that I will speak about has
7 been made or can be made in our U.S. facilities.

8 Let's start with the most popular types of narrow
9 woven ribbon. It is called satin, and satin on our
10 ring is B and C.

11 Single face satin is Swatch B specifically,
12 and double face satin is Swatch C. Historically,
13 single satin was used as sewing application, and as
14 you will note the back side of single face satin has a
15 sort of a taffeta or a less slippery side to it, and
16 that was to allow less slippage and movement when you
17 were sewing it.

18 While it is still used today for sewing, it
19 is also used extensively for weddings, or parties, and
20 for a wedding, you might see it wrapped around bundle
21 of bouquets, and it might be used in a center piece.
22 It is also used for ceremonial decorations, and it is
23 also used for keepsake crafts and packaging
24 applications.

25 Double-faced satin, which is again Swatch C,

1 has this luxurious center on both sides, and it is
2 usually used when the application requires both sides
3 to be very visible. Its appearance and feel is more
4 luxurious because of this feature as well. So if you
5 were to rub it between your fingers, it feels very
6 soft and supple.

7 Usages for the bows, for this particular
8 type of ribbon, includes bows and floral applications,
9 as well as home decor and bow tying, and for dresses,
10 and for sashes that have long tails, in which both
11 sides would be very visible.

12 Moving on to the next type of ribbon, it is
13 a sheer, which is Swatch E in your ring. This is
14 another very popular high volume narrow woven ribbon,
15 and sheers have a screen or meshlike appearance, and
16 are very light in feel. Very airy.

17 They does not have a lot of body to them,
18 unless their edges are done with a monofilament or a
19 wire edge, which in this case, this one is done with a
20 monofilament and there is a little bit of body to it.

21 They are often described as soft and supple,
22 and they are set apart from other ribbons by their
23 ability to adopt the color family in which they are
24 placed with. So it is a very forgiving type of
25 ribbon.

1 If a bride is looking for a specific color,
2 or if a package requires a specific color, you are
3 able to use a sheer in versatile application because
4 it takes on a color in which it is placed with.

5 Sheers are used for various applications.
6 The most popular is in decorating packages, finishing
7 a floral bouquet or other floral applications,
8 especially brides', as that is a very feminine
9 application. Swatch D is grosgrain. Grosgrain, on
10 the other hand, has what I would call a textiled or a
11 ribbed feel to it, and it has a heavier hand.

12 It is considered a more masculine ribbon,
13 and the ribs help hold the bow in place so it is not
14 as slippery, and it is sort a special feature with
15 regards to that application.

16 It is typically used for packaging decor,
17 and home dec, crafting, sewing, hair bows, and other
18 apparel embellishments. And when a decorative
19 embellishment is required without a shiny finish, and
20 you want a flatter look, the customer will use this
21 grosgrain type of feel.

22 These four groups that we have just
23 described -- the single face satin, the double-faced
24 satin, the sheers, and the grosgrains, are the largest
25 volume when they are sold in solids. Now let's talk

1 about some non-solid variations of ribbons.

2 We often refer to these as fancies in the
3 industry because they are not just a solid, and they
4 have a different look and feel to them. There are two
5 types of fancies. One is a yarn-dyed embellished
6 application, and the other is an applied
7 embellishment, and I will talk about the two a little
8 bit in my description, as well as Owen and Rick, who
9 will be testifying, will actually be able to walk you
10 through how those are made differently.

11 The narrow woven embellishments are done
12 through what I call yarn-dyed, and that means that the
13 yarn is dyed before the process of weaving, and then
14 the design is actually woven into the product itself.

15 It is exceptionally beautiful because you
16 can actually see the design from both sides. So, for
17 example, if you would take Swatch H or I, those are
18 what we would call yarn dye. Those yarns were dyed
19 ahead of time and then if you were to actually flip
20 that design over, you will see that it goes all the
21 way through.

22 Plaids are a very common type of yarn dye,
23 and that is Swatch I. These are typically used for
24 apparel, home decor, and floral. They are not
25 typically for packaging, as it tends to clash with the

1 wrapping paper. So it is a very limited application.

2 Another common type of yarn dye is jacquard,
3 and in your swatches, it will be Swatch J, which is a
4 jacquard, and that is when the motif is actually sewn
5 into, and there is actually a design that is sewn in,
6 and in this case, it is says USA, and you can actually
7 sew in words and a motif using the jacquard machine.

8 It is often used for apparel, and keepsakes,
9 such as a baby blanket, or a quilt, and also for home
10 decor. Now, I am going to describe the applied
11 embellishments. The most popular applied
12 embellishment is printing, and there are various ways
13 to print on woven ribbons, including transfer prints,
14 puff prints, screen prints, all of which can be
15 applied to the basic base ribbons that I described
16 earlier.

17 Printing on a narrow woven ribbon is related
18 to the special look at a lower cost, since the ribbon
19 is woven first, and then dyed in bulk instead of yarn
20 by yarn. Printing designs can be as simple as a dot,
21 which is Swatch O, or as complex as a five color
22 digital picture of a newborn baby, which is Swatch N.

23 The possibilities and techniques are
24 endless. To be clear, they are made and can make all
25 of the narrow woven ribbons that I have described in

1 our U.S. manufacturing facilities.

2 Now, Owen and Rick will explain how we make
3 it in our plants in Leesville, South Carolina, and
4 Hagerstown, Maryland. Thank you.

5 MR. DEESE: Good morning. My name is Owen
6 Deese. I am currently the senior industrial engineer
7 for Berwick Offray, and I have been in a similar
8 position for over 22 years. With it all, I have over
9 45 years in the textile industry.

10 What I would like to do today is explain to
11 you how our narrow woven ribbon is made, walking you
12 through the various stages of production processes at
13 our plant in Leesville, South Carolina. Before we get
14 to these stages, let me just say that narrow woven
15 ribbon has been going on for centuries.

16 In the United States, needle looms were
17 introduced more than 40 years ago, and most
18 manufacturers have been using these sets. Prior to
19 that, shuttle looms were used. What I will discuss
20 today is the needle loom process, and that is what we
21 use in our plant in Leesville, South Carolina.

22 There are multiple steps in the production
23 process, with differences for specific types of
24 ribbons. The basic distinction, as Julie said, is
25 when the ribbons are made of yarn dye or non-yarn dye

1 yarns.

2 Yarn dyed ribbons, such as Example H on your
3 ring, is a side ribbon, and Sample I is a plaid
4 ribbon. These involve an additional process at the
5 beginning of production in which all the yarn dyed
6 yarns are died.

7 The resulting dyed yarns are then used to
8 produce the ribbon. Yarn dyed yarns are typically
9 used to produce "fancies", such as ribbons with
10 multicolored patterns, including stripes, plaids, and
11 the decorative patterns, which is Example J, where the
12 design is actually woven into the ribbon on the loom.

13 More commonly, ribbons are produced with
14 greige rolled undyed yarns as the big pews of yarn to
15 your right. That is an example of the yarns that we
16 received from our suppliers. Such ribbons are
17 commonly referred to as greige goods, which is on your
18 ring as A.

19 As you can see, it has no dye, and it has
20 not been finished other than just coming off the loom.
21 Nearly all the ribbons of a solid color are produced
22 using non-yarn dyed yarns. Sample B is a single face
23 satin, and Sample C is a double-faced satin dye; and
24 Sample D is a grosgrain dyed ribbon, and Sample E is a
25 sheer dyed ribbon.

1 In some instances graphics are printed on
2 ribbons after dying using a variety of threading
3 techniques, such as Examples K, L, M, and N. The
4 basic process in the production of narrow woven ribbon
5 are the dyeing of yarns for yarn dyed ribbon only,
6 warping, weaving it all up, dyeing of ribbons for non-
7 yarn dyed, or finishing for yarn dyed ribbons,
8 printing on the ribbons, and lastly blocking,
9 inspection, and packing.

10 These processes are performed in sequential
11 stages in batches, meaning that a lot of revenue is
12 made at each successive stage. Depending on the
13 particular manufacturer, some processes may be
14 performed at different locations or possibly by a
15 different company.

16 Regardless, each process stage requires a
17 substantial degree of manual efforts to set up and
18 take down. This is our plant in Leesville, South
19 Carolina, originally built in 1972 at 81 thousand
20 square feet. Over the years there have been two
21 additions where now we have a 232 thousand square feet
22 plant.

23 The weaving process consists of several
24 stages. This is our greige yarn in our warehouse,
25 readily available to be used on the loom or in

1 warping. A warp consists of a creel, which is the
2 greige trail, where the package is put on pins on a
3 metal frame.

4 They are directed to the front of the loom,
5 or in front of the warper, to a series of stop motions
6 and guides coming through a cone and each of them
7 separate, and they are laid parallel on to an aluminum
8 beam.

9 There may be thousands of single strands of
10 yarn on those one beam, depending on the pattern. The
11 beam is then wrapped and taken to a water based
12 storage, or it may go directly to the loom. This
13 shows what beams are on the back of the looms, and in
14 most cases more than one warp being per loom is
15 required. As you can see up there, there is several
16 different warps.

17 On the loom, the warp is in the back of the
18 loom, and we have what we call a catch cord on top of
19 the loom. The warp runs parallel to the ribbon. The
20 catch cord runs parallel to the ribbon, and the
21 ceiling runs perpendicular to the ribbon.

22 We may put wire edged wire for an edge in
23 that ribbon. The ribbon is woven, and automatically
24 taken up on spools for packaging and shipping to our
25 dyeing operation. In yarn dye, as I mentioned

1 earlier, the primary differences is that the yarn is
2 dyed prior to going through the warper or to weaving.

3 The first step in the dyeing process is
4 twisting. The supplier package is down here, and it
5 runs up through here, where twists are applied to make
6 the yarn more susceptible to installing the dye, and
7 it is placed on a dye-two, which has perforation to
8 allow the dye to flow through the yarn.

9 From that process, it is taken to the
10 dyeing, where it is put on a dye stand in stacks, and
11 is capped and placed into the dye vat. This is a dye
12 vat. In the dye vat, that stand is where ribbon is
13 placed, and the dye is circulated under pressure,
14 similar to the agitation in a washing machine to allow
15 the yarn to absorb the dye.

16 This is what it looks like when it comes out
17 of the dye vat. It is then taken to a dryer where the
18 yarn is dried using heat and pressure, and vacuum
19 pressure again. From that process, it goes to
20 wounding, where the yarn -- these are the dye tubes
21 that came out of the dye vat, and it is wound on to a
22 cardboard tube for use in warping.

23 This is the yarn creel in warping, and you
24 there are many different colors. In this particular
25 case there would be four or five colors that have to

1 match up exactly for the pattern that it is intended
2 to be used.

3 It is fed, just as in greige warping, to the
4 front of the loom to be put on an aluminum beam. The
5 exact number of the ends, single strands of yarn, are
6 placed in the order that the pattern requires.

7 This shows it coming from the creel to the
8 stop motions and guides, and comes on to the beam.
9 The yarn dye weaving for this particular pattern is a
10 plaid, where the pulling and catch cords are matched
11 with the warps in the back, and you will see that the
12 colors up here match these colors to get the desired
13 pattern effect.

14 Before turning the floor over to Rick, let
15 me say that in my experience that we can make any type
16 of narrow woven ribbon, including those that we have
17 made in the past that moved to China and Taiwan.

18 I am well aware of the costs necessary to
19 make these products. Over the years, we have taken
20 various measures to reduce costs and become as
21 efficient as we can in making our revenue. We have
22 made many improvements at our Leesville facility,
23 including energy efficient upgrades and replacement of
24 the yarn dye housing control system.

25 We have done about all we can do to improve

1 our efficiency and cut costs. My biggest fear is that
2 all of our efforts may be for nothing, because the
3 company will close the Leesville facility and put my
4 friends out of work, and subsequently hurt the local
5 economy. Rick will now tell you about our Hagerstown
6 facility.

7 MR. LEE: Good morning. My name is Richard
8 Lee. I am the plant manager for the Berwick Offray
9 Hagerstown plant. Our primary activities are dyeing,
10 printing, and finished packaging.

11 The material, as described by Owen, the
12 greige goods are received from our weave facility in
13 South Carolina on large full tubes, and staged in our
14 warehouse for specific dye orders or print orders.

15 The main manufacturing -- if I could have
16 the next slide. This is our greige goods storage
17 area, where the greige goods are stored prior to
18 dyeing. Next slide, please. This is an example of
19 the tubes of yarn as we receive it from South
20 Carolina.

21 Our greige goods are staged for a particular
22 dye order laid out in advance. In the dyeing
23 operation, we use a pad thermasol, a dyeing process.
24 It is a multifaceted operation. The greige goods are
25 put on to the entry end of the dye range.

1 They go through the pre-scoured section,
2 which has tanks with various chemicals, to scour off
3 any dirt or oil that would be on the greige goods
4 prior to as a result of weaving. It then goes through
5 a dye pad where dye is applied to the ribbon, and then
6 through the thermasol oven.

7 And in the thermasol process the dye becomes
8 part of the ribbon, and it also shrinks the ribbon so
9 that it has no residual shrinkage as a result. That
10 way it can be washed or used in any future
11 application. The next slide.

12 This shows the ribbon going on into the
13 entry end of the oven. As you can see, these are
14 quite large machines, and our capacity is substantial.
15 The ribbon goes through the -- after the oven, it goes
16 through an after-scourer, where any residual dye is
17 washed off, and it is then dried, and taken off the
18 heater into boxes or spools.

19 We also have a finishing process, and in
20 finishing, we are taking spools of yarn dyed ribbon
21 that Julie had described, and it goes through a hot
22 water rinse, and is dried on steam heated dry cans.
23 It is similar to steam ironing.

24 Basically, it is taking out any wrinkles
25 that were associated with the wind up process. From

1 the finishing range, it will go directly into the
2 finished blocking area. In our printing operation, we
3 have multiple printing processes that we use, the
4 first one being screen printing.

5 As you can see, we print multiple ends with
6 various colors of ink and any design or pattern that
7 is required. Flexographic printing. We have multiple
8 color flexo printers that will print designs in
9 registration of one to six colors in another washable
10 application.

11 Hot stamp print uses a heated plate through
12 a variety of foils, either metallic or match finish
13 oils, and will impart an embellishment on the ribbon,
14 and our lacquer dot printing is a rotary stenciled dot
15 similar to your Item Number L that is on your ring.

16 And next it goes into the flannel packaging
17 area and in blocking, we block either into large can
18 cakes or retail spools. It is a multi-machine
19 assignment, where we have operators running more than
20 one machine.

21 This is a larger view of the department.
22 Here is a retail spool being blocked, and then next
23 this is a larger manufacturing put up, and following
24 the blocking inspection process, there is a flange
25 applied.

1 This is the flanging equipment. The flange
2 is put on both sides, and then it goes through a
3 labeling operation, where it is labeled, and packed,
4 and it goes down the conveyor to the operator.

5 It goes from there and it is conveyed on a
6 conveyor to our distribution warehouse. The retail
7 labeling is very similar. It goes through the
8 labeling machine, and it is packed into a case pack,
9 and on to a conveyor to our distribution warehouse.

10 In our warehouse, we have large open stock
11 shelves which have a variety of all the ribbons that
12 we carry. We pick, pack, and ship to all our
13 customers from this warehouse. Our goal is to
14 manufacture all the products that we produce at the
15 most cost effective manner possible.

16 Over the past years, we have implemented and
17 made process improvements to reduce costs in order to
18 remain a world class manufacturer. These efforts
19 include recapturing energy from our boiler to reduced
20 energy costs and installing water savers on the dye
21 lines to reduce water consumption.

22 We have also added dye line winders to
23 automatically wind up the ribbon as it comes off the
24 dye range. While we have taken the steps to improve
25 all facets of the operation, we still have significant

1 unused capacity, both in weaving, and in our dyeing
2 and printing.

3 All of our equipment is world class and in
4 good condition, and ready to make ribbon. We could
5 easily make significant increases in our woven
6 production. In closing, though we have had limited
7 increases in shipments as a result of the petition,
8 our production levels continue to be way down, and we
9 are down from the unfairly low priced imports from
10 China and Taiwan continuing to come into the United
11 States.

12 As Owen said, I have real fears about the
13 future of our company as well. The plant in
14 Hagerstown has been in operation since 1922. I have
15 been in manufacturing my whole working life, as have
16 many of the employees in that facility.

17 We have employees who have as many as 45
18 years of seniority in that building, and have had many
19 family members working there as well. A plant closing
20 in this community would be devastating to our
21 employees and to the community as a whole.

22 With that said, let me turn the mike back
23 over to Julie, who will explain the negative impact
24 that these imports are having on our market from a
25 marketing perspective.

1 MS. PAJIC: Thank you, Rich and Owen.
2 Again, Julie Pajic. As you have seen, we at Berwick
3 Offray are very proud that we can make any type and
4 style of narrow woven ribbon. Berwick Offray is a
5 consumer products company, with a focus on social
6 expressions.

7 So I would like to talk a little bit about
8 design first. On a daily basis, we are designing not
9 only narrow woven ribbons, but also gift wrap, with
10 bags and tissue. In doing so, we have a unique
11 insight and distinct edge over domestic and foreign
12 producers.

13 We stay on top of trends and fashion that
14 not only cut across our products, but also sweep
15 across the various industries that we service, such as
16 floral, confection, and packaging. We design
17 approximately 1,500 new ribbon designs per year, and
18 our products have adorned the package os Godiva,
19 Ghirardelli, Nordstrom, William Sonoma, Abercrombie &
20 Fitch, just to name a few.

21 In order to validate our trend design
22 direction, we often press designs in products from our
23 different lines, and then apply them to successes to
24 narrow woven ribbon. Additionally, we validate
25 upstream at our high end customer base and then move

1 successes to national retailers.

2 Weddings are a fine example. In our floral
3 division, we are providing trend raised design and
4 product to the floral designers through direct service
5 buys in preparing for their weddings.

6 We are then able to relay this information
7 to our mass retail customers who actually carry a
8 ribbon section or a wedding section, and provide a
9 future viewpoint as to what is trending up and
10 relating to ribbon, and it would boil down to the mass
11 level.

12 We believe that this helps us provide
13 expertise, and in particular in this case the wedding
14 industry, as well as other industries, relating to
15 them. Now, I would like to walk you through our
16 organizational structure with regards to the support
17 that we have on design.

18 Berwick Offray has a business manager of
19 design. His primary function is to ensure that the
20 designers are focused on specific categories of ribbon
21 development, and then to our product managers, who
22 direct and make sure that the design team is on target
23 with product category trends.

24 We have four in-house ribbon designers, all
25 with design degrees and various expertise, including a

1 textile designer, a fine arts designer, a packaging
2 designer, and a floral designer. We have several
3 additional free-lance artists, with a concentration in
4 design for narrow woven ribbons.

5 Narrow woven ribbon designing is very tiny,
6 and you have to develop a design on a three-eighth of
7 an inch to two inch ribbon. It is a very unique
8 feature. We have four in-house graphic designers as
9 well, with various design degrees, including
10 illustration, photography, graphic arts, and packaging
11 design.

12 To stay current our designers take classes
13 in various software upgrades, and technology on a
14 regular basis. We also purchase art outside from
15 about 20 different design studios. If that is not
16 enough, we also are validating our trend research to
17 make sure that what we are designing is trend right,
18 and sometimes pulling those trends into our design
19 process as well.

20 We get our research inspiration from our
21 membership in WGSN and Style Council, and we attend
22 Print Source, Design Direction, and CHA shows for
23 further inspiration. Additionally, we attend shows in
24 New York City, Newark, and shows that center around
25 floral, gifts, food, stationary, home deco, and

1 seasonal.

2 We even trend shop with our buyers, and
3 provide trend data to them on a regular basis to
4 ensure design direction and expectations are met.

5 Despite all that we have described, narrow woven
6 ribbon is still based on price.

7 Although attributed to me, I did not say
8 that a ribbon is a ribbon, is a ribbon, is a ribbon.
9 We invest a lot of time, and effort, and energy, into
10 design, and those mechanisms are not always enough to
11 overcome price pressure.

12 And when they are making a final decision,
13 it really comes down to price. Of course, ribbons are
14 not like steel pipes or cement, and I am not going to
15 sit here and tell you that, but there are many
16 respects to a ribbon that is much like a commodity,
17 and price is the main deciding factor for my customers
18 when quality and types of styles are very comparable.

19 Even in those situations, we believe that we
20 have a better advantage in quality, and better
21 service. We are still compared and in the end, it is
22 based on price. We have purchased, and I have
23 personally seen, many of the types of styles of narrow
24 woven ribbon imported from China and Taiwan.

25 And I can confirm that the imported ribbon

1 and the narrow woven ribbon made in the United States
2 are generally very comparable in quality, with the
3 same general styles being offered. So the main point
4 of differentiation becomes the price.

5 As a special note, I would also like to say
6 that it is important to note that when we are
7 servicing various industries of our customer base.
8 The decisions they make regarding product and price
9 decisions are made well in advance of those actual
10 sales, sometimes 6 to 12 months of when that actual
11 sale would take place.
12 So we already see price pressure and have forecasted
13 that.

14 At the head of marketing and sales for both
15 offerors, it is my job to know pricing in regards to
16 the U.S. market. I can tell you firsthand that it is
17 unfairly traded imports from China and Taiwan that
18 have eroded prices in the United States for narrow
19 woven ribbons.

20 They are present in every segment with every
21 customer, and we service several of them, all of them.
22 Their presence is felt across the board, no matter
23 what type of design, or product, or color that we
24 service.

25 I know firsthand that we have lost numerous

1 sales to the Chinese and Taiwanese imports, and
2 lowered our prices to get sales because of price
3 pressures from our customers to tell us that it was a
4 Chinese or Taiwanese import that was the cause. To
5 further elaborate on some of the issues that we have,
6 I am going to turn it over to Chris Sorensen. Thank
7 you.

8 MR. SORENSEN: Good morning. My name is
9 Christian Sorensen. I am the executive vice president
10 and general manager for BOC Design. The BOC Design
11 Group consists of Berwick Offray, LLC and Cleo, Inc.
12 I have been in operational roles at Berwick Offray or
13 its affiliates since May of 1996.

14 Currently, I am responsible for virtually
15 all of the daily operations of Berwick Offray. While
16 you may not be familiar with our companies from some
17 of the prior testimony, I think a brief history is
18 helpful.

19 It was then known as Berwick Industries,
20 which started in 1945 in Berwick, Pennsylvania. In
21 March of 2002, Berwick Industries acquired
22 substantially all the business and assets of C.M.
23 Offray and Sons, from the family which founded and had
24 run the business since 1876.

25 Offray's primary product line was then and

1 continues to be narrow woven ribbon. At the time of
2 the Offray acquisition, we changed our company name to
3 Berwick Offray, consciously keeping the Offray brand,
4 which is a brand that is known for a broad product
5 offering, and strong customer service, as part of the
6 combined company name, Berwick Offray.

7 At the time we acquired Offray, we believed
8 that Offray was the largest domestic manufacturer of
9 narrow woven ribbon. Today, Berwick Offray is still
10 the largest domestic manufacturer of narrow woven
11 ribbon, and one of the very few remaining.

12 As part of that acquisition in 2002, we also
13 acquired Lion Ribbon, which was and still is a very
14 well known brand name, which had been acquired by C.M.
15 Offray and Sons in 1989. Lion Ribbon has been around
16 for nearly as long as Offray, having been founded in
17 New York City in 1906.

18 We have just heard from some of our talented
19 people who make and market our narrow woven ribbon
20 products. Offray Ribbon has played a major role in
21 such worthy causes as Mothers Against Drunk Driving,
22 AIDS Awareness, Breast Cancer Awareness, and most
23 recently Autism Awareness.

24 Our Offray ribbons have been used in place
25 settings for the White House, and for medals in

1 numerous olympics. The red, white, and blue Offray
2 ribbons have been made so that people could show
3 patriotic support for 9-11, for our troops in Desert
4 Storm, the Gulf War, the conflicts in Afghanistan and
5 Iraq.

6 Today, Berwick Offray, including
7 subsidiaries, employs over 400 people in the United
8 States at five different locations supporting its
9 narrow woven ribbon business. As discussed by Owen
10 and Rick, we weave narrow woven ribbon at our plant in
11 Leesville, South Carolina, and dye, print, spool, and
12 distribute from our Hagerstown, Maryland plant just
13 down the road.

14 Our home office for administrative
15 operations is in Berwick, Pennsylvania, and we have
16 additional sales and marketing offices in Bud Light,
17 New Jersey. Additionally, we have a distribution
18 warehouse in El Paso, Texas.

19 This distribution facility supports our
20 Maguiladora operations in Juarez, Mexico, where we
21 convert a portion of the narrow woven ribbons produced
22 in our U.S. facilities. In addition, the Juarez
23 facility supports other categories of products
24 unrelated to narrow woven ribbons.

25 I work very closely with our Berwick Offray

1 Pacific Rim office, which is a product development,
2 sourcing, and operational support office, not a
3 production facility. We have only two Pacific Rim
4 employees who spend time on narrow woven ribbons.

5 Working with the Pacific Rim office, I can
6 confirm a point that Julie made, which is that narrow
7 woven ribbon products produced in China and Taiwan
8 generally are a comparable quality to those that we
9 make in the United States, with the general types and
10 styles.

11 Any good producer can replicate a specific
12 ribbon type and style fairly easily. If a buyer wants
13 a particular narrow woven ribbon product, they could
14 buy it from a U.S. producer just as easily from a
15 producer in China or Taiwan.

16 Julie explained to you that we place a
17 strong emphasis on product development and keep on top
18 of all changes in fashion and in trends. We have
19 Julie and others who make up some of the best
20 marketing talent in the industry.

21 We have developed and manufactured thousands
22 of types and styles of narrow woven ribbon, and we can
23 still make any and all types of ribbon in our plants
24 in the United States. Yet, no matter how great we are
25 at developing, marketing, and manufacturing ribbon, we

1 cannot make the sales and produce the ribbons when we
2 continue to lose out to unfairly priced imports from
3 China or Taiwan. These imports are traded on price
4 alone.

5 I have come to understand that Chinese and
6 Taiwanese producers have less efficient processes to
7 increase their costs. For instance, they typically
8 use considerably smaller yarn package size, which
9 leads to more frequent changeovers during production.

10 Additionally, they typically work much
11 smaller d-sets, again driving more changeovers.
12 Finally, we have observed that inexplicitly Chinese
13 and Taiwanese producers generally charge the same
14 price for dark colored ribbons as they do for light
15 colored ribbons, despite clear differences in the cost
16 of production.

17 We know that much has been said in these
18 investigations about our volume of imports from China
19 and Taiwan, but we dumped prices so low that it simply
20 made no sense for us to continue making ribbons at
21 higher costs than we could import them from China and
22 Taiwan.

23 We even implemented a special procurement
24 group in 2006 called the Source Analysis Team or SAT.
25 The job of this group was to evaluate whether or not

1 we should be sourcing the product that we sell.

2 The team considered multiple external
3 suppliers, as well as our own manufacturing
4 operations. All too often we found that narrow woven
5 ribbon from China or Taiwan could be purchased at
6 prices below our cost of production.

7 Since we filed the petition, however, we
8 have moved some of the products that we have been
9 sourcing back to the United States for manufacturing
10 in our plant. As we have said all along, we can make
11 any ribbon in the United States, although in some
12 limited cases, due principally to labor costs
13 involved, it is still cheaper to produce ribbon trays
14 and some micro-sized ribbons abroad.

15 We could make many more types of ribbons in
16 the United States if prices had not been driven so low
17 by the subject imports from China and Taiwan. It is
18 really a classic make or buy decision, and we cannot
19 stress enough how much more we would rather be
20 manufacturing and could justify manufacturing and
21 making ribbons in our plants in the United States,
22 versus importing them.

23 Finally, speaking on behalf of all Berwick
24 Offray, the Commission should understand that we did
25 not file this petition lightly. After careful

1 consideration and reflection, however, we concluded
2 that it was our best chance to save a proud heritage
3 that I described earlier, as well as the jobs
4 associated with it.

5 As Rick and Owen emphasized, we are an
6 efficient, low run producer of narrow woven ribbons,
7 but we find that there is not a level playing field
8 for us to compete with the ever growing volumes of
9 dumped Chinese and Taiwanese narrow woven ribbon.

10 The domestic narrow woven ribbon industry
11 has been injured. We and other domestic producers
12 have lost and continue to lose sales to the unfairly
13 low priced Chinese and Taiwanese imports.

14 We can no longer afford to lose sales to the
15 very low dumped prices of the Chinese and Taiwanese
16 imports. We have improved our plant efficiencies, and
17 we have cut costs over the period of the
18 investigation.

19 We and other domestic producers have been
20 forced to shut down factories, and reduce our
21 production, and lay off our skilled employees, and for
22 those that have been laid off, most face bleak
23 prospects in using their very unique skills.

24 The competition from China and Taiwan
25 importers is fierce. They know the market, and they

1 know our production capabilities, and they often
2 leverage designs that we have created.

3 In countless meetings with customers and bids to
4 secure new or maintain existing narrow woven ribbon
5 business, two key messages have come through loud and
6 clear.

7 The narrow woven ribbon business is all
8 about place; and two, the dumped prices from China and
9 Taiwan are all too compelling for our customers to
10 ignore. The timing and manner in which decisions are
11 made by our customers, and when these decisions impact
12 our financial statements, is unique and deserves
13 emphasis.

14 It is often close to 12 months before the
15 impact of a permanent, non-reversible decision made by
16 a customer will impact our financial statements.
17 There is overwhelming evidence which shows that
18 without an order that many of our major customers will
19 immediately shift significant portions of their narrow
20 woven ribbon business to China and Taiwan suppliers.

21 We know this as prior to and since our
22 filing over one year ago, we have provided price
23 concessions and lost volume. At this point, if there
24 are no orders to continue the limited protection of
25 the filing of the petition and the investigation has

1 provided, we will lose significant market share,
2 sales, and profits.

3 We will find it very difficult to continue
4 to justify any U.S. production of narrow woven
5 ribbons. It is extremely likely that without an order
6 in place, we will be forced to shut down one or both
7 of our facilities here in the United States.

8 It is for these compelling reasons that we
9 respectfully ask that this Commission make a final
10 affirmative determination that Berwick Offray and the
11 other remaining U.S. producers are materially injured
12 and threatened with further material injury by reason
13 of these unfairly traded imports from China and
14 Taiwan. On behalf of Berwick Offray, I thank you for
15 your time this morning, and for this opportunity to
16 present our case.

17 MR. KAPLAN: Good morning, Chairman and
18 Commissioners. I'm Seth Kaplan of the Brattle Group,
19 and I'd like to discuss the economics of the narrow
20 woven ribbon industry. I'll do this in four parts,
21 first an economic overview, followed by the conditions
22 of competition, injury by subject imports, and threat
23 of material injury. If you could turn to slide 3, you
24 could see what is a common occurrence in the United
25 States, something you Commissioners are very aware of

1 having seen time and time again, and this is the
2 hollowing out of U.S. manufacturing by dumped imports.

3 On the left you could see the domestic
4 supply, industry is supplying the U.S. market. And
5 then dumped import penetration begins. You
6 immediately see the loss of sales of the domestic
7 industry and an increase in import sales of narrow
8 woven ribbon. This often has four effects. The first
9 is that domestic producers enter, the weakest firms
10 are driven out by dumped imports and exit the
11 industry. Second, you see domestic producers go
12 abroad. Third, you see domestic producers start
13 becoming importers of certain products based on the
14 buy and sell decision.

15 The Commission has seen this in case
16 involving manufactured goods and commodity products.
17 The Commission recognized in the cement case that the
18 domestic producer was forced to by the imports because
19 the prices coming in were so low relative to their own
20 production cost due to the dumping of the imported
21 product, and you're seeing the same thing in this
22 situation. This further depletes the domestic
23 industry and increases the import supply.

24 Oftentimes what you see as well is former
25 employees or former companies become importers

1 themselves, and this is a classic hollowing out. A
2 company that has a long tradition of manufacturing the
3 product closes its manufacturing operations and uses
4 its distribution network to become itself an importer,
5 and the manufacturing is transferred to the dumped
6 country. And what you finally end up with, and this
7 could be the case, that even the best they could do on
8 the distribution side after manufacturing disappears,
9 because the very large retailers become direct
10 importers contracting directly with China, as has
11 happened in this case too and you can see in your
12 staff report, and what is remaining is a distributor
13 that sells to the mom and pop shops and everything is
14 done.

15 And this industry is a classic example of
16 the hollowing out of a domestic industry and it's well
17 on the way to be completely hollowed out. The next
18 slide goes to the conditions of competition in this
19 industry. As we've heard, price is a key factor in
20 retailing and purchasing decision. And you've seen
21 this before, where 20 years ago everybody cared about
22 quality but today everyone pays lip service to quality
23 and only cares about price.

24 Subject and domestic products are strong
25 substitutes. We know with because different customers

1 have switched from buying domestic to imports, and
2 different firms that used to produce domestically now
3 imports the same product and serve their, and their
4 ex-customers they served if they manufactured. While
5 there are many different types of ribbons, don't be
6 fooled that they're unique. Both the Chinese and the
7 American producers make ribbons that serve the same
8 customers and the same end users and are highly
9 comparable, importers including retailers,
10 distributors, and domestic producers in this case.

11 And finally we could see that the filing of
12 the petition caused imports to fall and the domestic
13 industry to pick up market share and to stop some of
14 the bleeding. This is evidence that in fact the
15 products are sold on price and that the orders will
16 have some significant effect. Now let's turn quickly
17 through these three factors on the injury side. The
18 first is whether imports are significant, and we all
19 agree.

20 The Respondents themselves in their briefs
21 said, in absolute terms imports of narrow woven
22 ribbons from China and Taiwan are significant, they
23 have an enormous share of the domestic market, those
24 shares remained relatively constant in 2007 and 2008
25 before they fell, partially because of the orders. So

1 that takes care of the significance of the volume,
2 there's no question about it. With respect to
3 underselling, we have seen that underselling is
4 ubiquitous in both imports from China and Taiwan and
5 that the underselling margins have increased over
6 time.

7 Third, let's look at the effects of the
8 industry and the statutory indicia. Every single
9 statutory indicia is heading south: production
10 shipments, capacity and capacity utilization, gross
11 profits, operating income, cash flow, operating
12 margins and investments, and on the employment side
13 the number of workers, the number of hours, the number
14 of hours per worker, and the wage bill have all
15 declined over the period of investigation.

16 These indicia, especially the financial
17 indicia, in fact are, mask the true harm that's
18 suffered by this industry. Why is that? Well there's
19 two reasons. The first the Commission is well aware
20 of is called survivor bias, and that's the case where
21 the weakest company leaves and so the average of the
22 remaining companies goes up. So as you can see on the
23 left hand side company A, B, and C are there and the
24 average profit margin is the blue bar on the far
25 right.

1 Once the company C is driven out of the
2 domestic industry and forced to shutter due to dumped
3 imports, the remaining two companies are A and B.
4 They show a higher average margin due to the survivor
5 bias, due to taking out the lowest company from the
6 average. We see that in this matter where two
7 companies have exited, one in the first year of the
8 preliminary POI and the second this year, or in 2009.

9 The second type of bias I want to call your
10 attention to I'll call investment bias on the next
11 slide. And that's the case where the domestic
12 producers invest in cost lowering measures in the
13 domestic industry. In that case these cost lowering
14 measures, while you see on the left hand side where
15 cost is falling, help to keep profit margins from
16 collapsing. On the right side where the domestic
17 industry did not invest, you see a further and steeper
18 decline in profitability.

19 This is no small irony in the discussions I
20 had yesterday with the client. They asked, what were
21 some of the problems with the case based on
22 traditional analysis? And I said, well, you know,
23 profit margins are low, but they're not declining as
24 much as they would be in a perfect case. And they
25 said, so our investments in the industry rather than

1 giving up or shuttering the facility is thought to be
2 used against us by the ITC because our profits haven't
3 fallen enough even though we're spent now on our cost
4 cutting investments where there's nothing more to turn
5 to? This is going to be looked at as badly?

6 And I say, well no, if we didn't tell them
7 it might be. But I think the Commission could well
8 understand that you get an investment bias effect that
9 if these producers, the best that the country has, did
10 not try to save their facilities and invest in cost
11 cutting measures the decline in the profitability
12 would be even worse. But the important thing to
13 remember is that these investments are now done.

14 The low hanging fruit is gone, they've
15 invested in everything they could to cut costs.
16 You've seen their facilities, they're modern, they're
17 high tech, they're highly capital intensive, they use
18 labor saving investments, this is finished now. And
19 nonetheless the profitability still remained depressed
20 during great years in the economy in 2007 and 2008,
21 and fell in 2009 during the recession.

22 We now turn to the nexus that is so often
23 talked about by Respondent. Look at the head to head
24 competition to find the nexus. Sometimes the
25 Commission looks at data which is supposed to reveal

1 what can't be observed directly, but it can be
2 observed directly here. U.S. producers have had their
3 clients' U.S. shipments replaced by import shipments
4 due to dumping. In some cases we expect this will be
5 a complete replacement, in others the share of certain
6 customers have switched to domestic to foreign, they
7 have got the same product from abroad.

8 So on a customer by customer basis you could
9 see this competition and this nexus at particular
10 customers and realize retailers have been forced to
11 limit domestic production to imports because of the
12 buy or sell decision caused by dumped imports. Also
13 with respect to the nexus, on the next slide you'll
14 see that there are clear channels for these imports to
15 enter.

16 There are particular individuals and
17 particular firms that were part of the domestic
18 industry that are now importers. They know all the
19 customers, they know all the channels, they know
20 pricing histories, these people can facilitate the
21 sale of imports into the market, causing price
22 suppression and depression, you can see that directly
23 by who these people are.

24 And further you could see the nexus between
25 the imports -- back up please -- by who's left the

1 industry. William Wright has left the industry,
2 they've become importers. Trimex has left the
3 industry. Before the period of investigation McGilmy
4 Mills and Venus Trim left the industry. What you're
5 seeing is what's left from the hollowing out. I now
6 want to turn to the vulnerability of the domestic
7 industry.

8 The first thing I want to point out is the
9 last fact that there is not significant cost saving
10 investments available, so now it will hit the bottom
11 line even more severely, that there were low levels of
12 profitability even in what should have been the salad
13 days for this industry. So while the Respondents have
14 continually talked about trends, they haven't talked
15 about the continual suppression from continuous
16 dumping dating back before the investigation. This
17 product is sold on price.

18 The threat factors are capacity, volume,
19 pricing, inventories. The threat factors show that in
20 fact there is a lot of excess and divertable capacity
21 in China and Taiwan. We know from the volume that
22 certain importers have said that they will switch to
23 100 percent Chinese in the next 12 months or switch
24 their share or that U.S. producers will be forced to
25 increase this more. We know this as a fact, no

1 speculation about future threat.

2 We know that import prices have declined
3 from both China and Taiwan, that inventories are
4 increasing, that the four facilities in the United
5 States are under threat of following the other four
6 producers we've shown that have left the industry, and
7 that this will cause significant harm to labor. We're
8 not talking about a company here that is unfamiliar
9 with the global market. They are familiar with the
10 global market, they will -- buy and sell decision.

11 COMMISSIONER LANE: Dr. Kaplan?

12 MR. KAPLAN: Thanks.

13 COMMISSIONER LANE: Okay, thank you. And
14 thank this panel for coming today to help us better
15 understand this industry and better understand the
16 issues. By the luck of the draw I got to start the
17 questioning today and, Dr. Kaplan, I would like to
18 continue with you. And if anybody else wants to jump
19 in and add to what Dr. Kaplan says feel free to do so.
20 At page 2-25 of the prehearing staff report, domestic
21 supply elasticity is estimated to range from 4 to 6.
22 Do you agree with this range or do you have any reason
23 to suggest that the range should be higher or lower?

24 MR. KAPLAN: With respect to the staff's
25 characterization of supply, as testified at the

1 hearing by Mr. Lee and Mr. Deese, there is significant
2 excess capacity in the domestic industry. The
3 domestic industry has the ability to supply a much
4 greater share of the U.S. market should orders be put
5 in place. Retailers do not have to fear about a lack
6 of availability. So therefore I agree with the staff
7 that the supply elasticity should be considered
8 elastic.

9 COMMISSIONER LANE: Okay, so do you agree
10 that it's in a range of 4 to 6?

11 MR. KAPLAN: I would characterize it, you
12 know, maybe broader in a range from, you know, 3 to 8,
13 but 4 to 6 is a fine characterization, recognizing the
14 ability of domestic producers to increase capacity if
15 demand went up, capacity utilization.

16 COMMISSIONER LANE: Okay, sticking with you,
17 in the same staff report the substitution elasticity
18 is estimated to range from 2 to 4. Do you agree with
19 this range or do you have another suggestion?

20 MR. KAPLAN: I think that it should be
21 higher. And I don't want to work from the numbers to
22 the ideas. It goes from the ideas and the conditions
23 of the industry backwards to a kind of
24 characterization of the numbers. But those numbers
25 suggest that the products are less substitutable than

1 they actually are based on the ability of Chinese and
2 Taiwanese subject imports to supply the market and the
3 fact that the U.S. industry can supply and has
4 supplied each type of ribbon and the fact that they
5 are used in the same end uses, sold through the same
6 channels, and sold to the same customers, sold to the
7 same type of end users. So I would say the supply
8 elasticity is higher than the staff suggests.

9 COMMISSIONER LANE: Do you have a number?

10 MR. KAPLAN: I would say it's, you know, I
11 would give 4 to 8.

12 COMMISSIONER LANE: Okay.

13 MR. KAPLAN: Based on the traditional ranges
14 the staff has given.

15 COMMISSIONER LANE: Okay. Sticking with
16 you, the elasticity of demand is also discussed, and
17 there are two major demand factors discussed, those be
18 substitute products and the cost share of narrow woven
19 ribbons in their end use products. There we seem to
20 have two competing factors, a significant availability
21 of substitute products would indicate a relatively
22 high price elasticity of demand, but then it appears
23 that the low cost share of narrow woven ribbons in
24 their end use products would indicate a relatively low
25 price elasticity of demand.

1 Would you comment on which of those factors
2 are the most important or would be the most
3 significant in evaluating price elasticity of demand,
4 and would you describe how those two factors might
5 play against each other and whether you agree with the
6 estimated price range shown on page 2-25 of minus 1.25
7 to minus 1.5 or do you have reasons to think it should
8 be higher or lower?

9 MR. KAPLAN: I have reasons to believe that
10 it's significantly lower. I agree with the staff's
11 characterization that a small value share in the final
12 product that a ribbon has. So a ribbon is as applied
13 if it's in apparel it's a small cost share of the
14 apparel product, if it's wrapped around chocolate it's
15 a small cost share of the packaging which is then a
16 small cost share of what's contained inside the
17 package. So I agree with that, and that factor would
18 tend to lower the demand elasticity, and in an
19 algebraic fashion given the way these elasticities are
20 calculated.

21 On the other side, when there are substitute
22 products and they're good substitutes across the
23 range, it tends to raise the elasticity. I think the
24 problem that I have with the staff's is that the facts
25 regarding substitute products aren't fully realized.

1 In my discussions with the clients and my
2 understanding of how the industry operates, in fact
3 there are only small ranges in which other products do
4 substitute effectively.

5 Most people want narrow woven ribbons and
6 they do not see these other substitutes as viable
7 except in very small applications, and I think the
8 best person to speak to this would be Julie Pajic, and
9 she could explain that in fact it's only small areas
10 that these other products compete, and once that's
11 taken into account that would significantly lower the
12 staff's estimate of the demand elasticity. So it's a
13 fact issue.

14 COMMISSIONER LANE: Okay, but before we get
15 to her I have one more question for you so that you
16 don't lose this whole train of thought. Have you
17 performed any studies to determine a reasonable
18 estimate of the impact on the volumes or prices or
19 both of domestic narrow woven ribbons if subject
20 imports have been traded at increased price levels,
21 reflecting a fair value for the price of the subject
22 imports? And if you have, what were the results or
23 conclusions you came to with regard to the impact of
24 volume or price changes or both on the financial or
25 operational results of the domestic industry?

1 MR. KAPLAN: Counsel has not asked me to
2 prepare a study for the prehearing brief or the
3 hearing, so I have not made those estimates. I can
4 however say qualitatively that the effects have been
5 significant given the very large share of import
6 volume, given the high degree of substitutability
7 among the products as demonstrated by customers
8 switching between them, given the relatively low
9 demand elasticity that I believe, certainly inelastic,
10 and the significant price underselling. So if asked
11 by counsel I will quantify it for you in a
12 posthearing, but qualitatively --

13 COMMISSIONER LANE: Well, Dr. Kaplan, would
14 it be improper for me to ask you to provide that
15 information? Because it seems to me that these are
16 the issues that are probably very important for a
17 decision in this case.

18 MR. KAPLAN: Certainly. Could I ask you a
19 question about how you would like this analysis done?
20 Would you like it to see if import prices rose, if
21 import share declined, or should I do various
22 scenarios?

23 COMMISSIONER LANE: Well, since I'm not the
24 economist I would suggest that it be done however you
25 think would make the point the best.

1 MR. KAPLAN: Okay, I will do it several
2 different ways so that you could analyze different
3 types of scenarios that would reflect the opinions of
4 both Respondents and Petitioners.

5 COMMISSIONER LANE: Okay, thank you. Now,
6 Mr. Pajic, do you want to answer, and I have, first I
7 want to ask you a question and then you can answer the
8 question that Dr. Kaplan forwarded to you. You said
9 that Berwick had the capability of making all of these
10 ribbons. My question is, did Berwick make all of
11 these ribbons?

12 MS. PAJIC: Yes, this is Julie Pajic. Yes,
13 ma'am, we did.

14 COMMISSIONER LANE: Okay.

15 MS. PAJIC: There is one exception, I
16 apologize, it's slot G, which was meant to be an
17 example of what we will call a cut edge ribbon, which
18 is a good segue to the substitutability question, if I
19 may continue on it?

20 COMMISSIONER LANE: Yes.

21 MS. PAJIC: Okay. There is limited
22 crossover with regards to what I will call a cut edge
23 ribbon. And so there are three types of ribbon,
24 there's a narrow woven ribbon, there is a cut edge
25 ribbon, which is basically taking a broad cloth and

1 cutting it and then finishing the edge with a sewing
2 application, and then there's a plastic ribbon which
3 we've all seen at Christmas time I'm sure in bow bags
4 that's made out of polypropylene. The crossover
5 between these two other categories and narrow woven
6 ribbons is very limited. There's different
7 applications, different width, and different
8 durabilities.

9 COMMISSIONER LANE: Okay, I'm running out of
10 time and I'll come back to you if you have more to
11 add.

12 MS. PAJIC: Absolutely.

13 COMMISSIONER LANE: Okay, thank you.
14 Commissioner Pearson.

15 COMMISSIONER PEARSON: Thank you, Madam
16 Chairman. And permit me to extend my greetings to all
17 of you on the panel. I must say that I learned a
18 great deal more about ribbons in one morning at
19 Hagerstown than I had ever thought I would know and it
20 was most interesting. You know, I have some
21 experience with commodities, and mine has been that if
22 one person is willing to sell corn at \$3 and the other
23 is willing to sell it at \$2.50 the guy who's willing
24 to sell it at \$2.50 gets all the business.

25 So I'm not so worried about technically

1 whether we consider ribbons to be a commodity, but
2 what I want to understand about the ribbon market is,
3 why haven't the lower priced ribbons gotten all of the
4 market, why hasn't it all gone to imports? What is it
5 about this marketplace that has allowed Berwick and
6 the other domestic producers to continue to serve a
7 meaningful segment of the market and, you know, stay
8 in business?

9 MR. SORENSEN: We have, our sales are
10 amongst various different channels, and one of the
11 larger channels is the retail channel. And that
12 retail channel, decisions are made in, a decision
13 that's made today doesn't show up in the marketplace
14 for 12 months, so there's a long lead time in between
15 when a decision's made and when it shows up at retail.
16 So it's a very long lead time. So there is decisions
17 that have been made by retailers to shift business
18 overseas to China and Taiwan producers that we have
19 not yet seen the impact on our business other than
20 some winding down of some of our inventories.

21 COMMISSIONER PEARSON: Right, but it's my
22 observation and my understanding that ribbons from
23 Taiwan and China have been sold in the U.S. market for
24 some number of years.

25 MR. SORENSEN: Oh sure.

1 COMMISSIONER PEARSON: And has it only
2 recently become lower priced than U.S. ribbons? Ms.
3 Pajic?

4 MS. PAJIC: No, the suppression began long
5 before the period of interest. It actually probably
6 started when buyers years ago began to go overseas and
7 purchase other seasonal decorations or cut edge
8 ribbons and they started to understand what other
9 markets were available to them over there. I think
10 one of the reasons that we've been able to stretch the
11 amount of time between the complete loss and where we
12 are today is the fact that we do create what I would
13 call a compelling story for serviceability within our
14 industry.

15 We are asked in certain customers, that
16 confidentially that we have to have our fill rate set
17 at an extremely high level, and that serviceability is
18 part of the, you know, the capability of what keeps us
19 there as well as other factors. And I think that our
20 serviceability has been good but the pricing
21 comparison has been overwhelmingly compelling more
22 recently as some vendors or some customers have gone
23 overseas and they've seen that value equation work
24 well for them and then throughout the industry it
25 becomes more compelling. It's sort of like a tsunami,

1 it starts with a small program and then it gets larger
2 and as the risk mitigates they begin to expand into
3 importing. So it's what I'd call stretched, but I
4 feel that it's coming.

5 Does that answer your question?

6 COMMISSIONER PEARSON: Well, at least
7 partly. Dr. Kaplan?

8 MR. KAPLAN: Yeah, and this is a continual
9 process and I'd just ask you to look at the market
10 share of the domestic industry and think of what it
11 was 20 years ago and before four other firms were
12 forced out of the market, two of which were --

13 COMMISSIONER PEARSON: Do we have on the
14 record what it was 20 years ago? Because frankly I
15 don't know.

16 MR. KAPLAN: Well, I'll ask gentlemen here
17 to go through the history, but imports have been in
18 the market, it's my understanding, in a, started
19 increasing in the '90s. And you saw import share
20 increasing and domestic firms exiting, and two more
21 firms have exited between the POI from the prelim and
22 now, one of whom has become an importer and is
23 replacing its domestic production with import
24 production.

25 So while it hasn't happened overnight, the

1 hollowing out as we discussed of the manufacturing in
2 this industry has been continuous. It's not a light
3 switch, but it's been going on. And I think one of
4 the important things to recognize is to look at the
5 financial conditions in 2007 and 2008 and see how low
6 it was in a time when everybody was doing so great.
7 And that's the kind of effects you might not see a
8 volume effect in a particular year, you're seeing the
9 effects on price suppression, the inability to raise
10 prices significantly and the low level of
11 profitability throughout the POI.

12 And then we have put in information and I
13 have discussed customers that are, have made certain
14 decisions, it's not speculation, of either increasing
15 their share of imports at their company, at their
16 retail shore, or switching completely. So it's not a
17 pure commodity, the substitution elasticity I did give
18 was infinite or 100, but it occurs over time, has
19 occurred over time as cost price suppression, has
20 shown up in low profits, and has shown up in threat in
21 the documented statements of retailing firms in the
22 United States that they will either completely or
23 continue to switch their sourcing abroad to the dumped
24 country.

25 COMMISSIONER PEARSON: Ms. Pajic, going back

1 to what you were discussing earlier, you indicated
2 that the service you were able to provide to some
3 customers was meaningful to them. As you sit down and
4 work with customers, do you have more of a sense that
5 a customer that does have a need for service is likely
6 to stay with you over time than a customer that needs
7 less service? I mean do you have a sense of which
8 customers you're at risk of losing versus which ones
9 you're likely to keep?

10 MS. PAJIC: Unfortunately I do have a sense
11 of what customers we're losing. And I'm going to back
12 up for just one second and state that when you think
13 about ribbon it is an accessory, it's not high on
14 anybody's totem pole in general when you're running a
15 very large operation. It's only when your
16 competitors, your other retail partners, and/or in the
17 case of an industrial division or another company,
18 starts to find products that are cheaper that the word
19 gets out on the street that there's low hanging fruit
20 to be gathered and improve their own profitability.

21 And little by little that's what starts to
22 happen, they start to shop and they start to see lower
23 pricing, and then that becomes small programs, they
24 become familiar with that business model. And then
25 they, they're tighter with the Chinese and the

1 Taiwanese and their understanding how they need to be
2 serviced.

3 So it's just a matter of time, it's just a
4 part of the price equation a little bit, but it's
5 really not the main goal because if I'm a buyer and I
6 can see that I can get this product, you know, a
7 dollar cheaper and I multiply that by all my rolls I'm
8 going to figure out where are my supply chains, I
9 might have to add a little cost, and ultimately, you
10 know, with that low of a price it ends up being a
11 compelling answer to move it. It's just not something
12 they're going to do overnight, it's stretched in
13 elasticity and, you know, it takes a lot of time to go
14 through.

15 COMMISSIONER PEARSON: Okay. Are there
16 other types of customers that are quite likely to stay
17 with domestically produced ribbon? And I'm thinking
18 of perhaps smaller customers that may not have the
19 sophistication to go out and deal with Asian
20 producers?

21 MS. PAJIC: Yes, we do compete in that
22 particular area with companies that import ribbons,
23 and their whole business model is around importation
24 of ribbons and offering their ribbons to the U.S.
25 smaller markets with that distribution channel. So

1 there's likelihood that they would take that over as
2 well.

3 COMMISSIONER PEARSON: Perhaps either you or
4 Mr. Sorensen could clarify, how long has Berwick been
5 importing ribbon from China and Taiwan?

6 MR. SORENSEN: For more than ten years, but
7 in increasing quantities as pricing has driven us to
8 do so, and as configurations at retailers have been
9 such that, an example we spoke about was microspools,
10 on very small spools, it's a very high labor component
11 item, and the pricing only makes sense to do those
12 types of very specific products overseas.

13 COMMISSIONER PEARSON: Okay, well thank you.
14 My time is expiring to let me turn it back to the
15 Chairman.

16 COMMISSIONER LANE: Commissioner Aranoff.

17 COMMISSIONER ARANOFF: Thank you, Madam
18 Chairman, and I join my colleagues in welcoming the
19 panel's witnesses here today. This panel has argued
20 and you argued in your brief that the broader crafting
21 and scrapbooking segments of the market have not
22 experienced declining demand during the period that
23 we're looking at. And yet the data that we have
24 collected in the record shows a substantial decline in
25 U.S. apparent consumption of narrow woven ribbon over

1 the period. Can you explain why what we're seeing is
2 so inconsistent with what you're telling us? In
3 particular, you know, could there be less expensive
4 alternatives to narrow woven ribbons that crafters and
5 scrapbookers might be turning to in the recession?

6 MR. SORENSEN: We believe that there is a
7 recessionary effect. I think this answers your
8 question, if it doesn't please let me know, but we do
9 believe that there is a recessionary effect but we
10 believe that the impact of dumped imports is more than
11 flaunts it. The impact of dumped imports has been
12 impacted due to the lower prices that are being
13 offered by those suppliers.

14 COMMISSIONER ARANOFF: So can you --

15 MR. SORENSEN: In a recession crafting tends
16 to be something that holds relatively stable and,
17 Julie, you can speak to that?

18 MS. PAJIC: In crafting we normally see a
19 gyration to staying home, mom stays home with her kids
20 more looking for projects to do. Typically ribbons
21 since they're such an accessory can go along with any
22 crafting project, it tends to withstand the economic
23 draw of a deep economic decline. In this case I
24 concur with Chris that we've seen such suppression in
25 the pricing that demand really has, it was affected by

1 the economy no doubt, I don't think there was a
2 product that wasn't touched by the economy, but not to
3 the decline that you would expect in other product
4 categories.

5 And the substitutability, I will speak to
6 that aspect, okay. I think that when you're doing a
7 crafting project it typically, let's just take
8 scrapbooking as you mentioned, it typically requires a
9 very narrow woven ribbon. You cannot substitute that
10 narrow of a woven ribbon, I mean like half inch and
11 below, with a cut edge ribbon and have it work in the
12 same effect. So what we've seen actually there is
13 there really is no substitute for a narrow woven
14 ribbon in that particular crafting project, and in
15 some cases a cut edge ribbon just won't cut what
16 they're trying to achieve. So they're just looking
17 for a lower retail, a lower price, which drives
18 everyone to look for lower prices.

19 COMMISSIONER ARANOFF: And do you see the
20 same thing in for example in the wedding application,
21 that maybe instead of going to a floral designer and
22 buying the high end ribbon product that's going to
23 come with the high end flowers you're going to do your
24 own flowers and buy your ribbon at some retail
25 establishment?

1 MS. PAJIC: Yes, we will see shifts, it does
2 tend to happen for example for weddings. We will
3 sometimes see a shift from our line division which
4 services directly to the florist to potentially what
5 I'll call a wholesale floral division and/or the
6 retailers as she starts to do her own projects to save
7 a little bit of money. But they'll typically still
8 use ribbon so we'll end up seeing that demand
9 somewhere in our channels. We are unique in that
10 respect that we do service all the various channels
11 whether it be a retailer, a distributor, or a direct
12 user purchaser.

13 COMMISSIONER ARANOFF: Okay. And Dr. Kaplan
14 I know you had a comment?

15 MR. KAPLAN: Yes, and they're at a little
16 disadvantage because we can see the confidential
17 record and they can't, and I'm going to try to
18 characterize what we see as the confidential record
19 with their experience. I think there has been and I
20 think the record shows a decline from the recession.
21 I think that in my discussions with Petitioner they
22 have seen a larger decline in the what's called the
23 industrial side, which by the way a forest is the
24 industrial side so that's kind of a term I had to get
25 used to.

1 You know, basically there is the retail side
2 and then everything else is industrial. And they have
3 seen less of a decline for the notebooking side and
4 the crafting side than the industrial side, but
5 they're both down. But what I think has caused their
6 experience to be slightly different than the record at
7 least in their view of it, if you look at the
8 financial condition of the industry it did not plummet
9 at the recession. It went down but it was already so
10 low that they see the effect of the imports flopping
11 the effect of the recession.

12 So did demand go down? Sure, but things
13 were so depressed in their segment in their industry,
14 their profits were already so low during the good
15 times that when the recession finally hit, yeah they
16 saw a decline in demand but they had a hard time
17 identifying something as a big effect when the much
18 bigger effect was the imports. So I hope that kind of
19 reconciles what they've been saying without seeing the
20 record with what we can in the record.

21 So if you look at the financial you don't
22 see the recession the way you do if you look at the
23 volume numbers. And being business people and looking
24 at what's affecting their profitability and their
25 business, it's the imports throughout the whole POI.

1 The recession had an effect but not like other
2 industries that appeared before here, and that that
3 was the dominant feature during the period to them. I
4 hope that's helpful.

5 COMMISSIONER ARANOFF: Okay, yes thank you.
6 Let me turn to another topic. It seems to me that one
7 of the key disagreements on facts that we have on the
8 record here is between the Petitioner saying, we can
9 make any product and we have lots of designers on
10 staff and we're aware of the latest fashions, and
11 then, you know, if you read the Respondent's brief,
12 you know, they think you only make blue or something,
13 their argument is that, you know, you have no sense of
14 fashion, make the same things every year, and they
15 just can't get what their customers need that's
16 special and unique from the domestic industry.

17 And so I want to try and get at that a
18 little bit. And so I want to understand the process,
19 we look in some cases where retailers and
20 manufacturers get together once a year and they do a
21 line review and they talk about what the style's going
22 to be the next year and what the in colors are and how
23 many products from that vendor they want to carry and
24 they sort of agree, you know, a year out or so, so
25 that the manufacturer knows what to make. Is that, I

1 mean is that how the process works in this industry?
2 How is the decision about what are going to be the in
3 colors and patterns and who's going to sell them to
4 whom, how does that happen?

5 MS. PAJIC: For us it's two fold. One, we
6 do our own trend research so that we can provide stock
7 lines to the wedding industry and florists and to the
8 candy confectioners. So we have our own internal team
9 that does their own trend direction. We then create
10 what I will call broader trend direction outside of
11 those that cover mass because mass is a much broader
12 appeal, and we look toward a lot of other factors.
13 For example we look at the runways, we look at the
14 internet, we look at patterns et cetera that can work
15 on a ribbon, and/or broader, and whether it be wrap or
16 bags or tissue.

17 And we do meet with our major customers
18 every year whether they buy from us or not, sometimes
19 we'll meet with them anyway, and just align ourselves,
20 because we're always looking to try and become a
21 better partner to them. We will then decide what
22 we're going to move forward with at that point in
23 time. There are specific designs that are made for a
24 particular customer and there are some that they can
25 choose from. Some are very basic. We can do a dots

1 or a check in, you know, any color way. And a lot of
2 those basics are what really sells at the retail
3 level.

4 So I'd like to just clarify one point. We
5 design what I would call a river, and what you see at
6 retail and sometimes what the Respondents have seen at
7 retail level and/or in a catalogue is what comes out
8 of a drip of a spec of a spigot. There is so much
9 more that we have to offer that it's hard for me to
10 understand how they can't find what they're looking
11 for and if we don't have it we would make it and we
12 would coexist with that design, it could be exclusive
13 for them. Does that answer your question?

14 COMMISSIONER ARANOFF: Well it's starting
15 to, and I want to just keep going which is, so what
16 you're telling me is you have a wide range of
17 offerings but you also will make things that are
18 proprietary if someone comes to you with a design
19 that's not --

20 MS. PAJIC: Absolutely. We also seek out
21 licenses, we will be able to license from a designer.
22 For example Anna Griffin, she is a stationery
23 designer, we've licensed with her to create ribbons
24 and packaging products so that we could use those
25 exclusive designs from her and offer them to our

1 customer base exclusively and/or to a particular
2 retailer exclusively.

3 We would create anything in an exclusive
4 manner for a particular customer and we would make it
5 proprietary for them if they so wished, if they want
6 an exclusive product. But if you were to go to retail
7 and you would look at the shelf space, it's dedicated
8 to what I will call the icing on the cake. We are
9 business people and we know what sells through. So
10 the basics and the solids are primarily the drivers of
11 the sale and the icing is the design.

12 COMMISSIONER ARANOFF: Okay, so if, you
13 know, you have thousands of designs and a potential
14 customer comes to you and says, you know, I need
15 purple ribbon with turtles on it?

16 MS. PAJIC: We would make it, because we've
17 done it. Actually I think you all may have seen it in
18 Hagerstown, the turtle ribbon, it was sort of a joke.

19 COMMISSIONER ARANOFF: I mean I wasn't even
20 there, so that just came off the top of my head.

21 MS. PAJIC: It's so funny you should mention
22 turtles because there was one running at the time and
23 everybody kind of winced and I said, yes we're making
24 turtle ribbon for someone who would like turtle
25 ribbons. I think the custom capability that we're

1 able to do with the digital printing also takes to
2 that and we've expanded the opportunity to create
3 custom opportunities.

4 COMMISSIONER ARANOFF: So you can't recall
5 an instance in which anyone has come to you with a
6 design that you couldn't for some manufacturing reason
7 or for some reason other than cost make for them?

8 MS. PAJIC: No. Unless it was in, no,
9 design we haven't turned any design away ever.

10 MR. SORENSEN: No, I mean and we know, we've
11 manufactured over 6,900 designs just in 2009 calendar,
12 and that's at manufacture, so that's not at the design
13 level that's at the manufacturing level.

14 COMMISSIONER ARANOFF: Okay, thanks. I've
15 gone over my time, I'll come back to this, thank you.

16 COMMISSIONER LANE: Commissioner Williamson.

17 COMMISSIONER WILLIAMSON: Thank you, Madam
18 Chairman. I do want to express my appreciation to the
19 witnesses for coming today and also express my
20 appreciation for the opportunity to tour the factory
21 and to see all the different designs and how quickly
22 you can come up with some. I just want to I guess
23 start with Mr. Kaplan and raise a question. The, your
24 on chart 7 or I guess it's table 7 where you do a
25 injury indicia and you have all these things arrows

1 pointing down, but if you look at the staff report,
2 and I'm not going to get into any particular number, a
3 lot of the arrows will probably be pointing maybe,
4 let's see, 45, what, no 90 is 110 percent or something
5 like that.

6 You know, you don't have this kind of
7 dramatic change, you really have almost flat or slight
8 changes. And so I wonder how that, how we should take
9 that into account in thinking about threat. Because
10 kind of what you've argued I think is that, look we've
11 cut the prices as much as we can and, you know, if we
12 don't have orders then it's the workers that are going
13 to go out, are the ones that are going to be hurt
14 because if the companies start bringing in more stuff
15 from China their profit levels might not change that
16 much. So could you address that question? If we're
17 looking at threat in this case do we have to look at
18 different indicia?

19 MR. KAPLAN: Well that's a good question.
20 Even in the case, and I like to -- in the case where
21 they did start importing more, let's say, it could be
22 the case, and if there's a real, if the industry is,
23 if an industry is a very high variable cost industry,
24 that when they lower production levels the profit
25 margins might not suffer a real loss but total profits

1 will suffer, all the trade data will suffer, and all
2 the employment data will suffer. So profits will
3 fall. So if you're making 4 percent on 100 and 4
4 percent on 10 your profit margin's 4 percent but
5 you're making \$4 on 100 and 40 cents on 10. So your
6 total profits have declined. So your absolute
7 profitability would fall as you bring in more imports.
8 And even in this industry where you --

9 COMMISSIONER WILLIAMSON: So you're, excuse
10 me, you're saying the profits on the domestic
11 operation?

12 MR. KAPLAN: That's correct, that's correct.
13 And that's for purposes of my understanding how the
14 statute works, that's what I'm supposed to look at is
15 all these indicia with respect to the domestic
16 operations. And if the profits switched, if they were
17 starting to make a lot of profit let's say on import
18 operations and they fell in the domestic operations,
19 that's injury to the domestic industry, because I only
20 count the domestic component when looking at, for
21 purposes of measuring injury and threat. The
22 hollowing out of a U.S. industry is injury to that
23 industry.

24 The fact William Wright could supply all its
25 same customers with imported product and the

1 salespeople are still employed is not mitigating to
2 the fact that there's no more production at Wright,
3 they're out of business, there's no more domestic
4 profits, domestic shipments, you know, domestic labor
5 for manufacturing workers. So while from a company's
6 perspective using imports could offset some of the
7 injury to that company, from an industry perspective
8 it can't. The industry's dying on the vine.

9 The company might be able to mitigate some
10 of its losses by imports, but you'd still be injuries
11 from all the financial, I mean from all the financial
12 indicia in domestic operation labor gets crushed, I
13 mean it's the first thing to go, and even the trade
14 data gets hurt as well. So on the issue of how the
15 industry would be doing, they'd be doing worse. With
16 respect to the sideways data, because I agree with
17 you, there's not these massive declines.

18 COMMISSIONER WILLIAMSON: Yes.

19 MR. KAPLAN: That is due to the fact that
20 the injury has been suffered all three years, that
21 profits and prices were depressed at the beginning of
22 the POI already. That in the great times of 2007 and
23 2008 when the economy was doing wonderfully this
24 industry was not, it was already suffering from the
25 negative effects of dumping. And finally with threat,

1 and I take your point very well is the trends don't
2 seem to be pointing necessarily in classic directions.

3 I'd ask you there instead of looking at the
4 trends which are supposed to be kind of an indicia or
5 a mirror on what's going to happen in the future, look
6 at things we actually know are going to happen in the
7 future. And we'll put some of that information on the
8 record. But given the lags in time between the orders
9 and domestic shipments and imports, we can tell with
10 some certainties about the future.

11 This is not extending a trend. That would
12 be a mistake. If we could tell you, no we know what's
13 going to happen ten months from now, and that's
14 different than the trend, what you should look at is
15 what's going to happen rather than some second or
16 third removed predictor of what's going to happen. If
17 you don't have that information you've got to carry
18 the trends, and it's typically what happens during
19 these cases.

20 You don't know what's going on in the
21 future, you don't know about future orders, you look
22 at trends. But when you do know about future orders
23 or future plans, you look at those directly, and I
24 think in this investigation you should do exactly
25 that. We've put some information on the record in the

1 prehearing brief, we'll supplement it in the
2 posthearing brief. The threat is real and it's
3 imminent, it's not speculation.

4 COMMISSIONER WILLIAMSON: Okay, well I'll
5 look forward to seeing what your submission in the
6 posthearing, I think that probably complements what
7 Commissioner Lane has asked you to provide too. And
8 that actually was going to be my next question, if the
9 panel can explain why we should expect the filing of
10 the petition in July of 2009 to affect subject imports
11 in 2009 since as Mr. Sorensen has noted the lead times
12 are as long as 12 months? So I mean is it really the
13 filing, we shouldn't really be seeing the effects of
14 the filing of the petition until now going forward if
15 the 12-month lead time is the time you have to wait to
16 see something, is that correct?

17 MR. SORENSEN: No, because the retailers had
18 already made decisions, and the filing of the petition
19 caused retailers to stop in their tracks to wait to
20 see how this plays out.

21 COMMISSIONER WILLIAMSON: Okay, so you mean
22 decisions that were made say in April or May, they
23 changed those?

24 MR. SORENSEN: There were decisions that
25 were placed on hold. And we can expand further on

1 that in our postconference brief, that there is
2 decisions that were made prior to us filing that we
3 saw the impacts of. So what Seth was talking about,
4 you've seen in the presentation or the financials
5 you've seen to date, but there were also decisions
6 that have been made that those decisions were placed
7 on hold to allow the case to play out.

8 COMMISSIONER WILLIAMSON: Okay, thank you.
9 Another thing I was thinking about and wondering about
10 in looking at this long term trend, I actually
11 remember I was taking my kids in the '80s when, you
12 know, we had a craft project you would go into CT
13 Murphy or one of these other stores and they would cut
14 you some ribbon. And I'd take it, you know, I don't
15 think anybody does that, there may be a few stores
16 around, maybe GC Fabrics or something, but not too
17 many other places where you can do that. So what I'm
18 wondering, I assume that you go by the shorter orders,
19 you buy the smaller spools or something if you only
20 need a yard or two.

21 And so what I was wondering is how big an
22 impact has that had on the competition with the
23 imports and the pricing since again that smaller
24 spool, you said it's much higher cost. So I wonder
25 how much of an impact should we give to that

1 phenomenon, the fact demand now at least in the I
2 guess in the craft market is going to come from people
3 buying a smaller spool?

4 MS. PAJIC: There are still two customers
5 that carry what I'd call by the yard, which means they
6 cut it by the yard. It is a smaller volume to them in
7 total. The cost of the spools, where the demand goes
8 for the smaller put-ups has increased, so that cost
9 increases. And the, the cost per yard increases, let
10 me just clarify, the cost per yard increases. And it
11 is definitely a growing trend, but that's been growing
12 trend for, even though we still have two customers
13 that take a by the yard program, that's been growing
14 in China for probably about over five years, six
15 years, where they're just not able to cut anymore so
16 that that becomes a lesser demand for them.

17 MR. SORENSEN: And I mean when you look at
18 ribbons, the cost of the product, obviously most of
19 the cost of the product is in the product itself. And
20 you'll remember from your visit to Hagerstown that
21 whether it's a long or a short put-up our production
22 processes are identical, our weavings and our dying
23 are identical regardless of the, regardless of the
24 put-up, the end state put-ups.

25 COMMISSIONER WILLIAMSON: Okay, thank you.

1 My time has expired so thank you, I'll just come back
2 to some of these questions.

3 COMMISSIONER LANE: Okay, thank you.
4 Commissioner Pinkert.

5 COMMISSIONER PINKERT: Thank you. And I
6 thank all of you for being here today and helping us
7 understand this industry. A number of my questions
8 have to do with the claims that you're making about
9 things that are happening that you can't actually see
10 because things would have been different during the
11 period if the imports hadn't been there. And so you
12 don't see the correlations or the trends but you have
13 effects that are manifest throughout the period. And
14 I want to begin with this issue of the survivor bias.
15 Is there a way, Dr. Kaplan, that we can actually
16 quantify survivor bias?

17 MR. KAPLAN: There have been cases where we
18 were able to do that because we, particularly for
19 example let's say the steel 201s where you had five
20 years of data and during that period you had kind of
21 before-and-afters on companies that exited the market
22 or went bankrupt. But in this investigation you, I
23 don't want to get into confidential information, but
24 the information in the preliminary phase wasn't
25 available or wasn't reported in a way where I could

1 take actual performance and show that effect.

2 I could simulate that effect for you, but it
3 wouldn't be based on data in questionnaires because
4 the data wasn't submitted in a way that I could do it.
5 So I, being a little cryptic so as not to get into
6 confidential information, but I hope that answer
7 helps. So if you want me, I'll do kind of a pro forma
8 based on an example of entering and exit, in this case
9 it's just exit, but the actual data was not reported
10 for all firms to allow me to do that.

11 COMMISSIONER PINKERT: Well anything you can
12 do to help us to understand the quantitative impact of
13 this survivor bias would be helpful to me, so I would
14 appreciate that. Now you have another bias issue
15 here, not that I'm claiming that you're biased, but
16 simply a bias claim, and that is what I'm going to
17 call the cost saving expenditure bias issue. And I'm
18 wondering, for your theory about that to be true
19 should the cost saving expenditures be either stable
20 or increasing during the period or would it still be
21 true if those expenditures were decreasing?

22 MR. KAPLAN: Well it could be true if the
23 expenditures were decreasing, it's really the effect
24 of the expenditures that matter. And I guess my point
25 is oftentimes the way the expenditures are

1 characterized doesn't show up in the income statements
2 as much as the effects of the expenditures do. So the
3 effects of the expenditure is lower cogs, for example,
4 because they're labor saving or they're energy saving.
5 The expenditures for them might show up on the balance
6 sheet, but much less so on the income statements.

7 So when you're looking at like the trends
8 and operating income or actual income, they aren't
9 declining that quickly because you've managed to lower
10 cost somehow. And my only point on that is that the
11 Commission looks to see what's happening the costs and
12 prices and then says, well they're being injured or
13 not injured. And my point is that when you keep that
14 in mind, note that a industry that has taken every
15 action it can to stay in business by lowering cost
16 shouldn't be punished for taking those actions, that
17 if they didn't take would have shown the more
18 classical injury trend.

19 This is, these are, you know, when you see
20 this hollowing out what you're left with is the best
21 at the end, this is the best. You saw the facilities,
22 you see the people, the company's global. This is not
23 like some guy that, you know, never, you know, it kind
24 of hit him from out of the blue and they're this local
25 company and don't understand world markets. They have

1 offices abroad, they have multiple products, they
2 import products, they think it's cheapest to make this
3 in the United States in their current high quality
4 facilities if there wasn't dumping. They know how to
5 import.

6 So my point on that bias is, they've decided
7 the investment's worth it, don't hold that against
8 them. If those investments weren't made, and I'll
9 produce a pro forma for you on this, I could show you
10 numbers of how the industry profitability would have
11 decreased further had they not made these investments.
12 Don't hold their attempts to stay in business in the
13 United States against them. Their profits are
14 suppressed all three periods, they shouldn't have to
15 walk in on a gurney to be able to get relief at the
16 ITC when they're the remaining producer, there's large
17 volumes of dumped imports, they competed the same
18 customers and have lost sales and have lost revenues
19 and they're trying their best to survive.

20 COMMISSIONER PINKERT: I would invite both
21 your side and the other side represented here today to
22 comment on the trend in those expenditures and sales.
23 I understand your point about the impacts of the
24 expenditures, but to the extent that it's relevant to
25 this issue I'd like to know more about the trend in

1 the expenditures, and if it's not relevant then of
2 course I'm sure you'll explain that it's not relevant.

3 Now my next question is, it's again an
4 attempt to get at this issue of what actually happened
5 versus what would have happened in the absence of the
6 subject imports. And I want to direct your attention
7 to the period from 2007 to 2008. During that time
8 apparent consumption went up and the subject import
9 market share went down. Now should I expect that the
10 financial performance of the domestic industry would
11 have improved from 2007 to 2008 or is there something
12 that I'm missing in trying to tie these phenomena
13 together? It could be the economist on the panel or
14 it could be, just tell me what was happening from 2007
15 to 2008 that would explain why some of these
16 correlations don't seem to hold?

17 MR. KAPLAN: Well I'll give kind of global
18 perspective but I think it's important what the
19 company saw. And I, you know, from my discussions
20 they didn't see much of a change in the pricing
21 behavior of the imports and the competition they
22 faced. So at the margins there might have been some
23 small changes in share, but given the large quantities
24 of share by the imports relative to the domestics, I
25 mean I could characterize it as very large.

1 And so they're seeing those people in the
2 market all the time with respect to competition on
3 pricing, and therefore there might have been some
4 small effects on the volume side. But they weren't
5 able to benefit from that because the pricing had been
6 so suppressed for so long even in the good periods.
7 And it was suppressed in 2006 from the preliminary
8 first year, in 2007 and 2008, and then increased even
9 further in 2009. I'd like them to comment.

10 COMMISSIONER PINKERT: I know that as Mr.
11 Doris pointed out earlier we'll have different data
12 for subject imports in light of the decisions by the
13 Commerce Department, I understand that, but I'm still
14 trying to get at this question of what was happening
15 from 2007 to 2008 and should we have expected actually
16 the domestic industry financial performance to have
17 improved during that period?

18 MR. SORENSEN: Can you repeat the question?

19 COMMISSIONER PINKERT: The point I was
20 making was at least based on the data we have right
21 now there was an increase in apparent consumption from
22 2007 to 2008, and subject import market share went
23 down. So this looks like a favorable circumstance for
24 the financial performance of the domestic industry,
25 and I'm wondering if there was something that was

1 happening in the marketplace that helps me to
2 understand the actual performance of the industry?

3 MR. SORENSEN: From 2000, I'm going to
4 repeat the question to make sure I understand it.
5 From 2007 to 2008 you're seeing the imports going,
6 imports losing a share of the market, and that's not
7 something that we observed as it impacted our
8 business. We, you know, we're out in the marketplace
9 every day meeting with customers. The pressure from
10 imports which has been based on price is not something
11 that changed between 2007 to 2008 from our
12 observations. If anything, you know, certainly during
13 the period it's been increasing and it continues to
14 increase, and there's, you know, looming decisions
15 that are out there that are going to be based on
16 what's decided.

17 COMMISSIONER PINKERT: I've come to the end
18 of my time for this round, but I may come back to this
19 in the next round. Thank you.

20 COMMISSIONER LANE: Thank you. The
21 producers in their briefs allege that U.S. producers
22 would not, would be unable to supply the entire U.S.
23 market for narrow woven ribbons in the absence of
24 imported merchandise. Do you agree with these
25 allegations? Ms. Pajic, let's start with you.

1 MS. PAJIC: No, actually it's probably more
2 of a manufacturing question, because it comes down to
3 capability, but I will answer it anyway.

4 The number of looms that we have available
5 right now, and if you want about that now, I'd say are
6 substantial.

7 MR. SORENSEN: Substantial --

8 MS. PAJIC: We have capability and
9 availability to service that market. We have design
10 staff ready, willing, and able to service that market.

11 COMMISSIONER LANE: Mr. Sorensen, does your
12 company have the capacity to fulfill the entire U.S.
13 market for ribbons?

14 MR. SORENSEN: Yes, we believe that we do.

15 COMMISSIONER LANE: Have you ever in the
16 past supplied the entire industry?

17 MR. SORENSEN: In the past?

18 COMMISSIONER LANE: Yes.

19 MR. SORENSEN: In the past, we have not.

20 MS. PAJIC: No.

21 MR. SORENSEN: We have, right now we use
22 about half the number of looms that we have available.
23 And of the half that we use, we only use them on
24 limited shifts. So the amount of throughput that is
25 going through our plant versus what could go through

1 that plant is dramatic, and certainly would be enough
2 to, from what we understand about the market, to be
3 able to do the entire market, if not something very
4 close to the entire market.

5 COMMISSIONER LANE: Okay. Dr. Kaplan, you
6 have the numbers. Just tell me.

7 MR. KAPLAN: Yes, and I'd like to discuss
8 with them whether, and I'd have to think about whether
9 the numbers were reported with a complete number of
10 shifts.

11 I just want to make two points. The first
12 is that there is a real lot of excess capacity, and
13 shifts could be added. So there's a lot more
14 production the domestic industry could make,
15 regardless of whether they could supply the market.

16 The second point is the relief that's being
17 asked for is not a quota of zero on imports. There is
18 no problem. Imports could come into this market if
19 they'd pay the duties. So there is no concern
20 whatsoever of a shortage in this market, because
21 imports aren't being blocked.

22 The data, it doesn't show that, but it
23 certainly shows that there's lots of excess capacity
24 in the U.S. industry, and they could increase the
25 share, the volume, the prices. They have the

1 machinery. They have the design people to do it.

2 COMMISSIONER LANE: Dr. Kaplan, I would
3 suggest that perhaps post-hearing you could provide us
4 with an answer as to how much production the domestic
5 industry could provide. Would that be, would that be
6 --

7 MR. KAPLAN: I'd be happy to do that.

8 COMMISSIONER LANE: Okay, thank you. Now,
9 the retailers, in their brief, indicate that any
10 injury that the domestic producers are suffering are
11 self-inflicted because the U.S. producers are either
12 directly importing or facilitating the implications of
13 significant sale of subject imports.

14 How can the Commission determine that the
15 domestic industry is injured by reason of subject
16 imports, if said imports were, in some part, imported
17 or facilitated by domestic producers?

18 MR. KAPLAN: Commissioner, there's cases
19 like this before the Commission where the major buy
20 decision was based upon a dumped product. And the
21 Commission understood that that was injury to the
22 domestic industry.

23 But the Petitioner was an importer. The
24 Commission recognized there was no way that product
25 could be made domestically at that, at a reasonable

1 price, because the imported product was dumped. And
2 essentially the domestic producer was forced to buy
3 the product to keep a full product line.

4 So we'll talk about those cases later. But
5 when the gun is held to the head on the client of lose
6 money or import part of your production, they do what
7 they have to do.

8 The problem is, is that certain producers,
9 it came to the point where they just became an
10 importer of dumped product. They're injured, they're
11 out. The amount we replaced, that we were forced to
12 replace with respect to Berwick Offray is the injury
13 to all the workers, injury to all the shipments that
14 otherwise would have been made domestically had the
15 dumped imports not been here.

16 And I think evidence of that has been
17 discussed by both Mr. Sorensen and Ms. Pajic, when
18 they said that the institution of the filing of the
19 case and the preliminary duties have allowed them to
20 bring certain production back to the United States,
21 and cease importing certain products. The strongest
22 evidence there is.

23 COMMISSIONER LANE: Okay. Maybe I didn't
24 understand exactly what you said, but did you say that
25 Berwick is only importing product from Taiwan that it

1 can't make here in the United States?

2 MR. KAPLAN: No. I said that they had
3 started making product in the United States they used
4 to import, because of the filing of the case.

5 As Ms. Pajic said, and Mr. Deese and Mr.
6 Lee, they can make anything here. The reason they
7 aren't making it here, and importing certain products,
8 are because of the dumping. And that, should the
9 dumping and subsidization cease, they would start
10 producing products domestically that they have
11 imported over the period of investigation.

12 COMMISSIONER LANE: Okay. Can Berwick
13 provide, post-hearing, financial data for its U.S.
14 commercial sales of subject imports for the POI? Mr.
15 Dorris?

16 MR. DORRIS: We will provide, if possible.

17 COMMISSIONER LANE: Okay, fine. Now I want
18 to talk about Berwick facilitating subject imports.
19 What is your role in facilitating these imports? How
20 do you perform the services?

21 MR. SORENSEN: We meet, we meet with a
22 retailer, and we will take an order from the retailer.
23 And then the product gets shipped directly from our
24 vendor that's in Asia to the retailer's what they call
25 a freight-forwarder. And that's, the retailer's

1 freight-forwarder will handle delivery of that product
2 from that overseas location to their U.S. facilities.

3 MS. PAJIC: There's one other scenario. I
4 just don't want us to be incomplete in our answer.
5 That's the direct-import scenario. There's another
6 scenario where we would sell a line of product to a
7 client, and there would be a selection process. And
8 there would be a margin, or a price that they want to
9 achieve. So we'd look across the products which we
10 were offering, and we'd have to make a major buy
11 decision. And the retailer would not necessarily want
12 to import five out of 100 products, so we would import
13 that for them, put it in our warehouse, and ship it
14 along with their other products for them. So we see
15 most of them.

16 COMMISSIONER LANE: Okay, thank you. Can
17 you describe the different fees that Berwick charges
18 for such facilitation, and where that income is
19 booked? Is it excluded from the domestic sales
20 revenue reported in this case?

21 MR. SORENSEN: It is excluded.

22 COMMISSIONER LANE: And so you can provide
23 post-hearing the fees that you charge for this
24 facilitation?

25 MR. SORENSEN: When you say "fees," our

1 selling price?

2 COMMISSIONER LANE: Well, I'm assuming
3 that --

4 MS. PAJIC: There are no set fees for
5 implication.

6 COMMISSIONER LANE: I mean, I'm assuming
7 that if you facilitate the importation of a product,
8 you are making some sort of a profit on that when you
9 hand it over to your customer. And that's what I
10 wanted you to provide for us post-hearing.

11 MR. SORENSEN: Yes, we will do that.

12 COMMISSIONER LANE: Okay, thank you. And so
13 that would include all of your revenue that you
14 receive for this facilitation.

15 MR. SORENSEN: Yes.

16 COMMISSIONER LANE: Okay, thank you. My
17 time has run out, so now I turn to Commissioner
18 Pearson.

19 COMMISSIONER PEARSON: Thank you, Madame
20 Chairman. Mr. Sorensen, in my last round you had
21 indicated that Berwick had been importing from China
22 and Taiwan for more than 10 years. Has Berwick also
23 imported from other countries?

24 MR. SORENSEN: We have.

25 COMMISSIONER PEARSON: And has that been due

1 to some type of product that isn't made in the United
2 States; perhaps importing some high-end European
3 ribbon? Or has it been more due to competitive
4 pricing?

5 MR. SORENSEN: Not necessarily due to
6 competitive pricing, but you know, I guess first it's
7 very, very, very small, to the point that I'm not sure
8 how much I can give you in specifics.

9 COMMISSIONER PEARSON: Well, that's all
10 right. And it's possible that you might want to
11 answer this more thoroughly in the post-hearing, so I
12 don't want to push you where you ought not to go. I'm
13 just kind of wanting to understand.

14 MR. SORENSEN: Very, very, very small.

15 COMMISSIONER PEARSON: Okay. So what you're
16 saying, if I understand correctly, is the bulk of the
17 product that you're importing, or have imported over
18 time, has been Chinese and Taiwanese product.

19 MR. SORENSEN: That's correct.

20 COMMISSIONER PEARSON: Okay. How has your,
21 the ratio between what you make in the United States
22 and what you import changed over time? And again,
23 it's possible this would be something for the post-
24 hearing. But I'm just curious to know, over time, has
25 Berwick become more or less reliant on imports to

1 serve customer needs?

2 MR. SORENSEN: If that's okay, I feel more
3 comfortable answering in the post-conference brief.

4 COMMISSIONER PEARSON: Okay. Dr. Kaplan.

5 MR. KAPLAN: I just want to clarify what
6 reliance means. And just to make, make clear that
7 any, reliance is probably a bad word, in the sense of
8 characterizing what they do.

9 They've become, they could make all this
10 product here. It's not as if they need to import it
11 because they can't make it. So I just wanted to add
12 that caveat to your question.

13 COMMISSIONER PEARSON: Right.

14 MR. KAPLAN: So there's no confusion.

15 COMMISSIONER PEARSON: I understand. And I
16 just assume that there are some good business reasons
17 for the way things have evolved.

18 MR. KAPLAN: Yes.

19 COMMISSIONER PEARSON: That's what I'm --

20 MR. KAPLAN: Absolutely.

21 COMMISSIONER PEARSON: Ms. Pajic?

22 MS. PAJIC: Yes, sir.

23 COMMISSIONER PEARSON: How have you tried to
24 differentiate between domestically produced and
25 imported ribbons that you offer to customers? When

1 you're sitting down with a customer, how does that
2 conversation go? What are you trying to persuade them
3 to do, and why?

4 MS. PAJIC: Well, at the level in which I
5 see, the customer, when I'm showing them design in
6 ribbon, does not know necessarily where it's going to
7 come from. They assume it's going to come, we're
8 going to provide that ribbon to them as a company.

9 We make a decision after the fact, when
10 we're done selling design, whether they're going -- if
11 they ask for increased-price recession, I guess that's
12 a good word to describe that, increased pressure, we
13 have to make a make-or-buy decision at that point.

14 Sometimes they don't even, until we fill out
15 their forms, know where we're going to make the
16 product. So it's in order to meet a price point, if
17 we can't, we're looking at that particular product and
18 they want a much cheaper price on it, we would have to
19 make that decision at that time.

20 COMMISSIONER PEARSON: Okay. So the
21 customer isn't directly making a decision whether to
22 buy an imported product or a domestic product.

23 MS. PAJIC: No.

24 COMMISSIONER PEARSON: They're making a
25 decision to buy a Berwick product, versus a decision

1 to buy from some other supplier.

2 MS. PAJIC: Yes. There is, there is a
3 secondary -- let me complete the answer, that's a
4 majority scenario is they're a customer that would
5 want to buy it from a direct-import basis that would
6 then be fully involved in that decision, because
7 they're the importer of record.

8 So on perhaps, it's not necessarily, I can
9 think of a scenario, but it's not within our company.
10 When our company does import that product and they're
11 the importer of record, and they're the ones that are
12 making the decision whether they're going to import or
13 not. It's nothing we would, we offer on a regular
14 basis. It's not as common.

15 What we sell is a program, and the program
16 is, you know, if we can't meet price concessions that
17 they're asking for, we have to make a better business
18 decision at that time.

19 COMMISSIONER PEARSON: Okay. So you may sit
20 down with the customer and offer them a package of 50
21 different types of ribbon. I don't know if that's the
22 right number, but you're offering them some array of
23 ribbons so that they can have a display shelf really
24 well-stocked, to meet a whole range of customer
25 preferences.

1 Are you offering that at a package price?
2 Or do you have individual prices for each of the
3 ribbons?

4 MS. PAJIC: They're individually priced. We
5 bring them in as the importer of record, and we sort
6 them in our warehouse, so they would ship together
7 when they order. They might need a purple this week
8 and a green this week, and next week they need a red
9 or an orange. So they ship together. And the only
10 way you would really be able to tell is if you were to
11 look at the flange itself, and understand where it
12 came from. And then there's not a big percentage.

13 COMMISSIONER PEARSON: Okay.

14 MS. PAJIC: Does that answer your question?

15 COMMISSIONER PEARSON: Well, kind of. But I
16 think, I think what I'm understanding is that the
17 direct-importing customers have some direct
18 understanding of the prices that can be obtained from
19 foreign suppliers.

20 The other customers that you deal with may
21 not have that understanding. They're buying from you,
22 and they are negotiating for the best price that they
23 can get. But then they trust you to either make it or
24 bring it from somewhere else, and they're somewhat
25 neutral.

1 MS. PAJIC: All right, I wish we weren't
2 competing with anybody in that process. We are
3 competing with other people in that process. There
4 are other vendors in there showing product to them
5 that are importing directly, so they understand the
6 cost difference involved.

7 In other words, I would be sitting, I would
8 present; an hour later another vendor would present.
9 And you know, the fact that we're the largest direct,
10 or the producer in the U.S., it would have to be an
11 import.

12 So they would understand, the buyer would
13 understand the cost preferences that are coming from
14 overseas. And they would push our price to that level
15 in order to carry that product, if we wanted that
16 program.

17 COMMISSIONER PEARSON: Okay. So with the
18 other supplier, the buyer would know that all of this
19 is imported product and it's being offered at an
20 attractive price. And so they call you up again and
21 say well, if you really want this business --

22 MS. PAJIC: Give me a better price.

23 COMMISSIONER PEARSON: Okay. So in terms of
24 the way Berwick sees the pricing of domestic, domestic
25 ribbon versus imported, are you doing it kind of on a

1 blended-price basis? Where you think for this, for
2 this stuff overall, I need to achieve average price X?
3 Or is it item by item, for each, for each stock-
4 keeping unit, you think you need to obtain a margin of
5 X? And if you can only get it from importing, that's
6 how you do it.

7 MS. PAJIC: We typically price by the stock-
8 keeping unit. That's how it's been in our industry.

9 COMMISSIONER PEARSON: Okay.

10 MS. PAJIC: Did you want to add something?

11 COMMISSIONER PEARSON: Mr. Sorensen?

12 MR. SORENSEN: Sure. There's two types of
13 imports, and I want to make sure that, that your
14 questions and our answers were all consistent.

15 I mean, there's facilitated imports, which
16 recently we've defined it, in understanding the
17 questionnaires and so forth, is what we call direct
18 imports, where it is being turned over to the
19 customer's corridor overseas.

20 Then there's what's called just an imported
21 product that we're shipping domestically, where we
22 take, we take title. And we are the importer of
23 record.

24 In a case of direct imports or facilitated
25 imports, there are products that are -- I think you've

1 read or seen some of this in the documentation --
2 products that are brought in in trade. And those
3 trades are a mixture of products that are now woven,
4 as well as not now woven.

5 And those products, which do make up a
6 portion of those, of our facilitated imports, those
7 are going to be, the pricing is going to be a hybrid.
8 There's going to be some that are priced individually,
9 by spool; some that are priced for the entire tray.

10 And again, it's a mix of different types and
11 widths and styles and narrow-woven ribbon, which could
12 be in the same tray with cut-edge ribbon.

13 MR. DORRIS: Just to point out that the
14 total volume of those facilitated imports, those are
15 all very small.

16 MR. SORENSEN: Very small.

17 COMMISSIONER PEARSON: Okay. Well, it
18 doesn't surprise me to learn that the retailing, the
19 marketing of ribbon to retailers is more complicated
20 than I would like to think it would be. But, Madame
21 Chairman, my time has expired, so I think I better
22 quit there while I'm still ahead.

23 COMMISSIONER LANE: Commissioner Aranoff.

24 COMMISSIONER ARANOFF: I want to go back to
25 where I was in my last round, when I was talking about

1 the process whereby you and your customers agree on
2 what designs they're going to buy.

3 You told us that you have an extensive in-
4 house design staff. Is it typical for your customers
5 to also have a design staff? And does it vary by the
6 different markets that you sell into?

7 MS. PAJIC: It varies by the industry, and
8 it varies by retailer. In some cases they have
9 designers that focus on other products besides ours,
10 so they have a design staff, but not focused on
11 particular industries we're in. And in some cases
12 they're heavily involved and our, and our teams
13 collaborate with their teams. Depending on who we're
14 dealing with, there is a collaborative effort, or it
15 can be us presenting to them and their design staff
16 stays back.

17 COMMISSIONER ARANOFF: And your customer is
18 typically making a decision on an annual basis of what
19 they're going to purchase over a year?

20 MS. PAJIC: Yes. There are, there are small
21 change-outs, depending on who the customer is.
22 Potentially, they would want to maybe refresh, or
23 change a few SKUs out. But for the most part, the
24 bulk of what changes out is on a yearly basis.

25 COMMISSIONER ARANOFF: And is there a season

1 for that? You know, every year in March, or --

2 MS. PAJIC: It's typically spring, yes.
3 After the seasonal, you know, retailers are very busy
4 getting ready for seasonal, they want to clean up
5 that. And then normally what we've found in most of
6 our industries and every day is they change in the
7 spring.

8 COMMISSIONER ARANOFF: And do they give you
9 a contract, or do they give you a forecast?

10 MS. PAJIC: They give us a handshake and a
11 forecast. And since we know the business very well,
12 we try and anticipate the needs based on the color or
13 the design, or the -- I'll give you an example of
14 that.

15 We saw two symbols rising in popularity 18
16 months ago on clothing, with, you know, the resurgence
17 of the people in the U.S. just wanting peace in
18 general. And it became a tween trend, plus the folks
19 that are a little younger, like myself, that saw it
20 come around the first time. It was very, very
21 important.

22 So we decided to offer this peace symbol as
23 a ribbon. And that was something that they wanted
24 right away in the stores. So we were able to expedite
25 and get it in. So there's refreshes like that that

1 happen. Primarily, though, they're happening, you
2 know, annually. And then we're just trying to keep up
3 with trend to make sure that they're staying fresh,
4 and they have that, you know, capability to sell
5 through.

6 COMMISSIONER ARANOFF: We talked about how
7 the items are priced. When you are meeting with a
8 particular customer to talk about selling them stuff
9 for the following year, are you going item by item?
10 Or are they asking you to give them a price on a
11 bundle of items?

12 MS. PAJIC: It is item by item, by
13 item. Very detailed, and very specific.

14 COMMISSIONER ARANOFF: And so you're giving
15 them a price on every single one.

16 MS. PAJIC: Absolutely.

17 COMMISSIONER ARANOFF: Okay.

18 MR. SORENSEN: That's the way it's sold at
19 retail. I mean, they have a particular price point at
20 retail that they're going to sell the spools for:
21 \$1.99.

22 MS. PAJIC: And I will, want to clarify what
23 I said. Because if you are going to buy grosgrain,
24 seven-eighths-inch grosgrain, they won't say well, you
25 know, I want every single -- we would give them one

1 price for grosgrain, seven-eighths-inch grosgrain.
2 Or, you know, if it was a print pattern. Because they
3 expect that no matter, even though it costs us more
4 money to make a dark grosgrain versus a light
5 grosgrain, they don't always understand that. And
6 they're going to sell it at that common retail, and
7 they want that margin to be consistent on those
8 particular products.

9 So we have to, you know, obviously sometimes
10 take lower margins on higher-priced goods.

11 COMMISSIONER ARANOFF: Okay. The process
12 that you're describing for dealing with retailers, is
13 it the same for your industrial, what you're calling
14 industrial customers?

15 MS. PAJIC: Sometimes it is. Most times
16 it's more commodity-driven. We'll get a call from a
17 particular buyer who wants an item. They'll give us
18 the spec, they'll tell us when they want it delivered,
19 they want a price in 24 hours, can we meet that price.
20 Or sometimes it's an actual auction process, where
21 it's an electronic auction. So we go through this
22 process, and we compete against vendor A, B, C, D, and
23 E; we don't know who they are. We submit a price, we
24 get feedback. We submit a price. So it's very much,
25 sometimes we don't even meet the buyers.

1 COMMISSIONER ARANOFF: Who is, which parts
2 of the industry are using this kind of auction
3 process?

4 MS. PAJIC: I would classify them as major
5 retailers that are using that product within their
6 packaging process. So it's a supply item for them.
7 Not reselling it to an end consumer, but --

8 COMMISSIONER ARANOFF: Oh, so these are
9 given away for free.

10 MS. PAJIC: Absolutely.

11 COMMISSIONER ARANOFF: Okay. How much of
12 the market is it that your product goes into, or, if
13 you know, if your percentage is different maybe from
14 overall demand in the market. How much of the market
15 is ribbon that's given away for free?

16 MS. PAJIC: I would have to say, on average,
17 10 percent. I'm just thinking, I guess, in all narrow
18 wovens. Maybe it's less than that. They do sell
19 quite a bit, that's true. So probably the give-away
20 piece is probably lower than that.

21 MR. SORENSEN: And that's something that we
22 can, we can look at our information and provide you a
23 better response in our post-conference brief.

24 COMMISSIONER ARANOFF: Okay. Is it your
25 sense that the price pressure in the part of the

1 market where the product is, you know, not adding to
2 someone's bottom line, where it's being given away for
3 free, is more intense? Do you see a difference?

4 MS. PAJIC: I think we saw that earlier. I
5 think we saw that earlier. That came through first,
6 as if that were, those buyers were trying to take cost
7 out a supply, just as our own buyers do within our own
8 company. They're trying to reduce the price of shrink
9 film and corrugate. They go after those what I will
10 call ancillary items first.

11 And so the price pressure actually, and the
12 competition in that area is quite fierce. So the
13 price pressure and the competition is fierce in those
14 two areas. And we saw that, I would say we saw that
15 first. That was probably earlier in the period of
16 interest, and has continued to decline in price as
17 that became, you know, a giveaway item.

18 COMMISSIONER ARANOFF: Have you remained
19 competitive in that segment?

20 MS. PAJIC: We have lost a lot of projects
21 that come our way. And when I say lose, that means we
22 don't even get an opportunity to show it on our
23 financials. We just don't even get an opportunity.

24 We're asked to bid. We're told we're too
25 high, by double sometimes, and we just don't get the

1 business. And if we do try to compete, our lowest
2 price is sometimes -- am I allowed to disclose, our
3 variable pricing, without giving away too much
4 information that's savvy.

5 COMMISSIONER ARANOFF: Okay. So let me get
6 back to what we were discussing before, which is
7 annual conversations with large retail customers. Is
8 that all oral? You sit, you talk about the price on
9 each item? Or do you ever, I mean, do you ever have
10 in some cases we end up where people can show us
11 correspondence, where you get an e-mail back going
12 okay, well, your price is just too high.

13 MR. SORENSEN: Most of the discussions are
14 oral. There are some, you know, exchanges in an
15 informal way, but it's, it's hit and miss. And in the
16 post-conference brief, we will provide you with
17 examples of correspondence.

18 COMMISSIONER ARANOFF: And the reason that
19 I'm encouraging you to do that is, as I said, we've
20 had this he-said, she-said here, where they say it's
21 quality and you say it's price. And you know, if you
22 can show me that in the end they said you can make the
23 product, we know you can make it, but this other guy's
24 offering this lower price; are you going to meet it or
25 not. I think that, you know, is the kind of

1 documentation that could support the argument that
2 you're making. So if you have anything like that, it
3 would be great to submit it.

4 MR. SORENSEN: It will be a mix of both our
5 documentation of verbal conversations that we had --

6 MR. DORRIS: Yes, some contemporaneous call
7 reports.

8 COMMISSIONER ARANOFF: Yes, that works, too.

9 MR. SORENSEN: As well as to the extent we
10 have something in writing, certainly we'd be happy to
11 provide it.

12 COMMISSIONER ARANOFF: Okay, okay. I know
13 we found that helpful in some other cases, so we
14 appreciate that. In terms of what I can do in my
15 remaining time without running over again.

16 Oh, let me ask, is private label a big part
17 of the business in this industry? And is it a big
18 part of your business?

19 MS. PAJIC: We do both private label and
20 offer branded products. It's been shifting. We've
21 probably seen that shift a little more recently, maybe
22 in the last 18 months or so, because more, more
23 prominent.

24 COMMISSIONER ARANOFF: Private label would
25 only come up in the retail market, right? That

1 wouldn't be involved in the industrial.

2 MS. PAJIC: In some cases in the industrial
3 market, there's no flange information on it, even in
4 the manufacturing process. In some cases they would
5 require to have their labeling on it, because they
6 would like their customer to think it's coming
7 directly from them.

8 So we do do some private label for that
9 market, but not as, it's not prevalent.

10 COMMISSIONER ARANOFF: Okay, and just to
11 clarify. Industrial includes, you know, textile and
12 apparel applications. It includes floral. And is
13 there something else I'm missing?

14 MS. PAJIC: Confectioner packaging. So I'll
15 give you two examples. Neiman-Marcus has a ribbon
16 around their package when you receive a gift. That is
17 what we would call an industrial, because it's a used
18 product. Someone is actually using it, not reselling
19 it. And the wholesale floral area, the same. And the
20 retail floral area, the same.

21 So it can cover anybody who is actually
22 using our product, you loosely term industrial.

23 COMMISSIONER ARANOFF: Okay. And that would
24 be true even if they are hand-tying the product about
25 the box of candy in the store, as opposed to it coming

1 out of --

2 MS. PAJIC: Yes, correct. We would put that
3 in the same bracket.

4 COMMISSIONER ARANOFF: Okay.

5 MR. DORRIS: It would also include apparel
6 products.

7 COMMISSIONER ARANOFF: Pardon me?

8 MR. DORRIS: It would also include apparel.

9 COMMISSIONER ARANOFF: Right.

10 MR. DORRIS: Selling trim or things like
11 that to the apparel industry.

12 COMMISSIONER ARANOFF: Right, okay. My time
13 has run out again. Thank you very much.

14 COMMISSIONER LANE: Commissioner Williamson.

15 COMMISSIONER WILLIAMSON: Thank you, Madame
16 Chairman. Just continuing along that line of
17 questioning. How significant is the industrial use
18 compared to the, I guess, retail use of the product?
19 And trends. I notice one of the things the
20 Respondents have argued is that part of the decline in
21 subject imports is attributed to general economic
22 conditions declining, downstream apparel manufacturing
23 in the U.S.

24 And so we're trying to figure out, how
25 important has that trend been, in terms of the, say,

1 has there been more of a decline in the industrial?
2 And particularly in the apparel side? Is that where
3 the domestic production was stronger?

4 MS. PAJIC: The apparel industry left the
5 United States a long time before our decline.

6 COMMISSIONER WILLIAMSON: Okay.

7 MS. PAJIC: The industrial portion of our
8 business is primarily, it's a smaller percentage than
9 a craft. I can probably give you more specifics in
10 the post-conference brief, but it's a much smaller
11 percentage of our business.

12 COMMISSIONER WILLIAMSON: Okay. And as the
13 imports have, the impact of them has been what,
14 greater and more deleterious than the craft sectors?

15 MS. PAJIC: It's been earlier and deeper.

16 COMMISSIONER WILLIAMSON: In the craft
17 sector. Or industrial.

18 MS. PAJIC: In the industrial section. Now
19 it's falling through in the craft section.

20 COMMISSIONER WILLIAMSON: Right. I mean,
21 they don't, on the industrial side or the non-retail
22 side, their lead time in decision making is a
23 different mechanism than it is --

24 MS. PAJIC: That is correct.

25 COMMISSIONER WILLIAMSON: -- in, than

1 retail. Retail, you, retail is a large program. It
2 sits at retail for a period of time, whereas
3 intellectually --

4 MS. PAJIC: Industrial is a decision that
5 may call for a product one day, and the decision can
6 be made that day, same day or the very next day. And
7 they want the product right away. It's project-based.
8 Sometimes it's one or two skews of types of ribbon.
9 It's a different, something they, you know, less
10 complicated, so they can make those decisions quicker.

11 COMMISSIONER WILLIAMSON: Okay. Thank you
12 for those answers.

13 Chinese Respondent requested the Commission
14 exercise its discretion not to cumulate Taiwanese
15 producers with the Chinese producers, for purposes of
16 threat analysis. And I was wondering, given the
17 divergence in price and volume trends between subject
18 Chinese and Taiwanese ribbon and the U.S. market, why
19 should the U.S., why should the Commission cumulate
20 China and Taiwan? Mr. Dorris?

21 MR. DORRIS: I don't think there was a great
22 disparity in the volume trends, in terms of how they
23 moved over the period of investigation. And there
24 certainly wasn't a great disparity in the under-
25 selling. I mean, there was perhaps a little more

1 over-selling by the Taiwanese, but there was
2 substantial under-selling by both parties at
3 substantial margins. There wasn't a great disparity
4 that you're looking forward to say that the Chinese
5 imports went to zero, and the Taiwanese imports went
6 to 100 percent. It wasn't that type of disparity, and
7 nothing even close to that sort of range. It was both
8 of them dwindled down slightly because of the petition
9 being involved in 2009. Otherwise, it generally was
10 increasing in 2007 and 2008.

11 COMMISSIONER WILLIAMSON: Okay. So you see
12 no reason to cumulate for purposes of threat analysis.

13 MR. DORRIS: Right.

14 COMMISSIONER WILLIAMSON: Thank you. And
15 Mr. Kaplan, in your presentation of threat factors,
16 and you mentioned the negative effect on labor -- and
17 I think your time may have run out when you were first
18 presenting that. So were you suggesting that in this
19 case, labor would suffer more than, more injury than,
20 say, than we might normally think about in terms of
21 determining material injury? That we should give more
22 attention to that?

23 MR. KAPLAN: Well, I think we should
24 certainly, the Commission should certainly focus on
25 the effects on labor. Some of the changes

1 contemplated because of the imports would be kind of
2 gross changes.

3 I mean, there was talk of, you know, what to
4 do with a facility if trends continue. And that puts
5 a lot of labor at risk. It's not, you know, an
6 individual or two.

7 The same concerns were expressed by Mr.
8 Deese and Mr. Lee after seeing how much excess
9 capacity is available in their facilities. And the
10 amount of imports coming in, and the import pricing.

11 So I tried to highlight the effect on, on
12 labor, where it is, where these facilities are.
13 Sometimes there is not, and in fact in this case not a
14 lot of comparable employment for people with the same
15 educational achievement.

16 For your knowledge of how this resection is
17 working, you know, college-educated people have
18 suffered much, much less, in terms of employment, than
19 people with high school educations, or only some, some
20 technical training beyond high school.

21 So the labor market is in the high nine
22 percents, you know, nationally. But if you start
23 looking at the type of work there is, it's much more
24 severe, and the ability to obtain jobs is going to be
25 much more difficult.

1 COMMISSIONER WILLIAMSON: Is that the
2 reason, on the chart on page 19, that -- it's two
3 factories in red, and two in blue. Is there any
4 distinction, any reason for that distinction? Or is
5 it just who owns them.

6 MR. KAPLAN: Yes. Well, it's the Berwick
7 Offrays are in red, and then the --

8 COMMISSIONER WILLIAMSON: Okay, so not --

9 MR. KAPLAN: No argument that --

10 COMMISSIONER WILLIAMSON: Okay, we'll move
11 on from that. Thank you.

12 MR. KAPLAN: No red-blue-state thing going
13 on.

14 COMMISSIONER WILLIAMSON: Okay. In terms of
15 the investigation, some suppliers have provided
16 markdown support to certain retailers, in which the
17 supplier pays for retail space by incurring at least
18 some of the cost to clear out existing inventory. To
19 what extent is this a typical business practice? And
20 how are such markdowns factored into the pricing data
21 reported to the Commission? Does anyone --

22 MR. SORENSEN: It is part of the way that
23 our retailers work, and in non-retail, there are --
24 and like Julie was saying, in non-retail, there is not
25 many instances where we see markdowns, or requests for

1 markdown support, but in retail, we do see that, and
2 when you have made an effort to include that into the
3 pricing data.

4 MS. PAJIC: Not that the customer requires
5 markdowns in every industry. So it is in some cases a
6 request by the buyer, and in other cases it is not.
7 But as Chris said, I just wanted to make sure that we
8 mention how it is affecting the calculations.

9 COMMISSIONER WILLIAMSON: And so where is
10 the requested
11 -- or the fact that they take it into account?

12 MS. PAJIC: Correct.

13 COMMISSIONER WILLIAMSON: Okay. Can you
14 characterize the observations of practices, or --

15 MS. PAJIC: Say again? I'm sorry.

16 COMMISSIONER WILLIAMSON: Can you
17 characterize how pervasive the -- how much
18 significance can we attach to that?

19 MS. PAJIC: Can we answer that? Okay. It's
20 not -- it is simple to us, but in the whole financial
21 picture, it probably is not as material.

22 COMMISSIONER WILLIAMSON: How frequently?

23 MS. PAJIC: Oh, how frequently? Once a
24 year.

25 COMMISSIONER WILLIAMSON: Okay. In the big

1 scheme of things, it is not a big thing?

2 MS. PAJIC: It is not a big thing.

3 COMMISSIONER WILLIAMSON: Okay. Thank you.
4 Let's see. Okay. In their prehearing -- the
5 Respondents have argued that any industry declines in
6 the average unit values by the U.S. producers relates
7 to sell down in U.S. producer inventories, and what
8 role did inventories play in the average unit values
9 of shipments to be reported by the domestic industry
10 over the period of investigation?

11 MR. SORENSEN: I'm sorry, can you repeat
12 that?

13 COMMISSIONER WILLIAMSON: How significant --
14 what role is inventories, and the level of inventory
15 during the period of investigation played in terms of
16 average unit values? Because the Respondents have
17 said or have argued that the industry declines in
18 average unit values of U.S. producers relates to the
19 sale of inventories, and that inventories is what is
20 driving that. If you don't have an answer now, I
21 could take it post hearing.

22 MR. SORENSEN: We will address that post-
23 conference.

24 COMMISSIONER WILLIAMSON: Okay. Thank you.
25 My time has expired. Okay. Thank you.

1 CHAIRMAN LANE: Commissioner Pinkert.

2 COMMISSIONER PINKERT: Thank you. Just for
3 a moment, going back to my question about 2007 and
4 2008, Dr. Kaplan, I noticed that you have been shaking
5 your head earlier about that, and I was wondering if
6 you have anything additional?

7 MR. KAPLAN: Yes, you know, in thinking
8 about the question further, and additional comments,
9 in 2008, until the very end of the year, was a better
10 year than 2007. The economy was growing very
11 strongly, and it was before the end of the bubble.

12 You would have expected to see this
13 industry, like many others, improve. The kind of
14 industrial goods that were talked about, the Godiva
15 Chocolates, and William Sonoma, that is a real --
16 certainly a pre-bubble kind of thing of places that
17 people would be going.

18 The economy was doing really well, and every
19 year is better than the last. The stock market is
20 going crazy, and these are types of vendors that
21 Berwick supplies, and nonetheless, you are not seeing
22 any increase in profitability, despite some increase
23 in consumption.

24 And what you would think would be an
25 increase in demand for types of products that these

1 are used for on the industrial side. So I think that
2 your point that there wasn't a decline, or that there
3 wasn't an increase during that period, and one might
4 be expected, is appropriate.

5 And it is once again in a time sense kind of
6 a but for. You know, once you think that it would
7 have, and I think the answer is yes, and I think it is
8 just suppression the whole period. If you are looking
9 at profitability, what the economy did, didn't make
10 that much difference.

11 It was the price ceiling and the suppression
12 of prices by imports that put a damper on the whole
13 industry, and caused two firms to exit the industry,
14 and leave this as potentially another hollowed out
15 U.S. manufacturing market.

16 COMMISSIONER PINKERT: As we get additional
17 information about the subject import market share
18 adjusted for the changes warranted by the Commerce
19 Department's determination, please feel free to come
20 back to this issue in the post-hearing, and comment on
21 whether in fact the subject import market share
22 declines in 2007 to 2008, and what the impact of that
23 might have been.

24 Now, another -- my last counter-factual
25 question of the day. Do you have any thoughts about

1 what the impact of the non-subject imports would have
2 been during the period under examination had the
3 subject imports exited the market?

4 And I know again that we have an adjustment
5 as between the non-subjects and the subjects because
6 of the Commerce Department decision.

7 I would like to have further discussions
8 with respect to the substitutability between the
9 subjects and non-subject product, but for a very long
10 time the market has been dominated by China and
11 Taiwan, and it is my understanding, and I hope that
12 Christian and Julie will give details to it, but they
13 have been dominating the market and driving the
14 market, both in terms of price and price suppression.

15 MR. SORENSEN: Commissioner, I understand
16 the question. When you are talking subjects and non-
17 subjects, you are talking for imports, or you are
18 talking that the non-subject is the domestic
19 manufacturing, and subject is that coming in from
20 China and Taiwan?

21 COMMISSIONER PINKERT: I am just talking
22 about various kinds of imports, and what makes this
23 case more difficult to talk about when you are talking
24 about subjects and non-subjects is that some of the
25 non-subjects would be coming from a country that is

1 under investigation.

2 But again I am talking about what would have
3 happened with non-subject imports had the subject
4 imports exited the market during the period under
5 examination?

6 MR. DORRIS: Well, I think at least with
7 respect to the non-subject imports, it would have been
8 a restraint on them, in terms of their capacity and
9 ability to produce. They would not be able to
10 supplant the subject imports, and obviously if the
11 subject imports are out of the market, then the U.S.
12 industry's would all go through the roof hopefully.

13 COMMISSIONER PINKERT: Thank you. Now, from
14 the counter-factual to the factual, and please, Dr.
15 Kaplan, or Mr. Dorris, comment on the issue. How I am
16 supposed to look at the question of vulnerability?

17 Is that a snapshot of the present state of
18 the industry, or am I supposed to be looking at
19 trends? And I think -- well, you might be able to
20 make the case either way, but I am wondering what you
21 think is the right way of viewing the vulnerability
22 issue is?

23 MR. KAPLAN: From an economic perspective --
24 and this is kind of economic and legal, and so I could
25 be wrong here, and you do it differently. If you can

1 give me the law, I will help you with the economics.

2 But it seems to me that the question is the
3 condition of the industry. Is the state of the
4 industry such that it is susceptible to increases in
5 imports, susceptible to further injury, and the more
6 susceptible it is to this injury, the more vulnerable
7 it is as a condition.

8 If I have got this wrong legally, then it is
9 wrong legally, and so that is my kind of what my
10 foundation is, and then you look, and you say, well,
11 you know, are they insulated in way. Do they have a
12 segment of the market where they don't face
13 competition, or do they face competition across the
14 board?

15 It is my understanding across the board, and
16 in every segment, in every end-use, and every type of
17 product. That makes them more vulnerable. Are they
18 doing very, very well financially, such that if they
19 have an increase in imports that had an adverse
20 affect, they would be able to weather it more.

21 Or are they doing poorly financially, and
22 stressed financially, such that if there was an
23 increase in imports that they are more vulnerable
24 financially? I think in this case the answer is the
25 latter.

1 Are there channels of distribution, or
2 relationships that insulate them in some ways? Well,
3 no, there is not. Is their information about how
4 these types of firms operate under stress; if they do
5 really well, or whether they exit the market.

6 Well, two other firms have exited the
7 market. That suggests that this industry is
8 vulnerable. So those are the kind of things that I
9 look at. Is there a way to mitigate or insulate
10 themselves from imports making them less vulnerable,
11 or is the conditions of competition in the industry
12 such that they can't do that, making them more
13 vulnerable.

14 And I think what we have heard from the
15 witnesses and see from the record is that in fact they
16 are quite vulnerable. They finished their cost
17 saving, and their profits were low and depressed over
18 the business cycle.

19 It wasn't like they were making great money
20 to support themselves in a downturn. Profits were
21 suppressed then. They compete across the board.
22 Other firms that faced this competition were forced to
23 exit the industry.

24 The labor doesn't fact alternative
25 employment in the locations they are given their

1 education and their skill set. Those are the kind of
2 things that I would like, and then weigh them if I got
3 the law right. So if I have got the law wrong, forget
4 everything that I said.

5 MR. DORRIS: I think we will look at the law
6 for the post-conference brief, but I am not sure it is
7 an either/or situation. I think it is a discretionary
8 determination made by the Commission, and looking at
9 all the factors that are available to them on the
10 data.

11 COMMISSIONER PINKERT: Perhaps the company
12 witnesses can comment on this point about the
13 financial stress of the company, and one of the
14 difficulties that we have -- and maybe you can't
15 comment on this in the public hearing, but you could
16 comment in the post hearing, but one of the
17 difficulties is determining based on the data that we
18 have right now, what would constitute a financial
19 performance that is stressed, that it is stressed from
20 the company's perspective?

21 So if you can comment on that in the public
22 session that would be great. Otherwise, I will wait
23 for the post-hearing on that issue.

24 MR. SORENSEN: We can be specific in the
25 post-conference brief, but I can give you a couple of

1 pieces of information. When we look at a facility or
2 a set of facilities that we have, that had the
3 available capacity that those facilities had -- I
4 mean, there is dollars that we spend that we are not
5 able to turn into revenue.

6 And as that continues that has and will
7 continue to create a very financially stressful
8 situation for this business, which is why it is
9 economics as to losing large portions of volume to the
10 Chinese and Taiwanese imports, will cause us to -- you
11 know, it is highly likely that we would close one or
12 both of those facilities.

13 COMMISSIONER PINKERT: Perhaps in the post-
14 hearing you can give us some understanding of what the
15 company's assumptions are about the return on
16 investment that would be necessary to justify the
17 investment.

18 MR. SORENSEN: Which we will do.

19 COMMISSIONER PINKERT: Thank you. Thank
20 you, Madam Chairman.

21 CHAIRMAN LANE: Thank you. I am going to
22 talk a little bit about the pricing products that we
23 have, and I want to start with product two, and could
24 you tell me what is going on as far as the domestic,
25 the Chinese, and the Taiwanese prices are, because

1 there appears to be some unusual differences there.

2 And so perhaps you can tell me in the post-
3 hearing what those differences are, and what is
4 causing them?

5 MR. DORRIS: Yes, I will do that.

6 CHAIRMAN LANE: Okay. Thank you. And then,
7 Ms. Pajic, we had six pricing products, and could you
8 tell me which of these products, what kinds of
9 channels of distribution do these products go through?

10 We have the retailers, the industrial users,
11 and the final consumers, and the wholesalers, and
12 distributors. So could you go through the six pricing
13 products and tell me which channels of distribution
14 they go through?

15 MS. PAJIC: Off the top of my head, without
16 looking at the details, most of them are sold to all
17 those channels, and with respect to my memory, I would
18 have to say that that would still stand.

19 (Pause.)

20 MS. PAJIC: Yes, they are all sold to all
21 those channels of distribution.

22 CHAIRMAN LANE: Okay. Thank you. Is
23 Berwick's spooling capacity in Mexico included in its
24 capacity numbers that were submitted to the Commission
25 staff?

1 MR. SORENSEN: The capacity numbers that
2 were provided to the staff were based on what we could
3 weave, and what it is that we could weave is what it
4 is that we can dye; and a portion of what it is that
5 we can dye is then spooled in Hagerstown, Maryland, as
6 well as in Juarez, Mexico.

7 CHAIRMAN LANE: So the spooling isn't
8 separated out? It is just part of the whole process
9 and it is the actual weaving and dyeing that
10 determines how much the capacity is?

11 MR. SORENSEN: Correct.

12 CHAIRMAN LANE: Okay. Thank you. Now,
13 would it be more efficient for Berwick to locate all
14 of the production processes in one location?

15 MR. SORENSEN: Certainly if you were to
16 create this business from the ground up, you would put
17 it in one facility. There is no debating that. But
18 when we purchased the company, it had two different
19 facilities, and the investment to move one facility to
20 another facility, and as you have seen from the
21 pictures, it would be a sizeable investment.

22 And we have done analyses over the years to
23 look at what the price investment is to ship between
24 the two facilities, and whether or not there would be
25 any benefit to us consolidating, and it is not close.

1 There is a truck that will make a trip on a
2 daily basis between those two facilities, and it is
3 taking products back and forth, and so the truck is
4 always full of product, and in configurations similar
5 to what you see on your left.

6 That is typical of what is going to go from
7 Leesville to Hagerstown to be dyed. So we will load a
8 truck, and ship up there.

9 CHAIRMAN LANE: Okay. And refresh my
10 memory. Does the product from Hagerstown go to Mexico
11 and then come back from Mexico to Hagerstown?

12 MR. SORENSEN: No. The products from
13 Hagerstown, which will look -- it will be in two
14 different configurations. It will be either similar
15 to what you are looking at here on your left in a dyed
16 form, will be either finished and converted in
17 Hagerstown, and then shipped to retailers, or in a
18 dyed form and in a solid large spool, and will be
19 shipped to Mexico, where it will be converted and then
20 shipped from our El Paso, Texas warehouse to our
21 retailers.

22 CHAIRMAN LANE: So anything that has
23 anything at all done to it in Mexico is shipped from
24 your El Paso office?

25 MR. SORENSEN: Yes, with some small

1 exceptions, depending on what a retailer or what --
2 you know, if there is a customer that takes their
3 shipments out of Hagerstown, Maryland, because they
4 want some of the larger -- the largest, or if they
5 want a couple of the smaller spools, they are going to
6 get shipped from Mexico to wherever if they want
7 something very, very small.

8 CHAIRMAN LANE: So have you determined what
9 your productivity would be if you had all of your
10 facilities in one location?

11 MR. SORENSEN: When you say productivity,
12 help me and let me make sure I answer your question.

13 CHAIRMAN LANE: Would you be able to make
14 more product per -- would the employees be able to
15 produce more product per unit if you were all in one
16 place?

17 MR. SORENSEN: No.

18 COMMISSIONER LANE: Okay. Thank you. The
19 retailers and the Taiwanese producers agree that there
20 is underselling by imported merchandise that argue
21 that there are low correlations, and at times negative
22 correlations between domestic price and subject import
23 prices and that in most instances domestic prices do
24 not appear to be depressed or suppressed by the
25 availability of lower priced competition.

1 In your opinion, do the data that the
2 Commission gathered on pricing products demonstrate
3 the existence of price depression or price
4 suppression? Dr. Kaplan?

5 MR. KAPLAN: Yes, they do.

6 COMMISSIONER LANE: Okay. What data would
7 you point to that demonstrates that?

8 MR. KAPLAN: Well, what I'd look at is the
9 profitability of the domestic industry relative to the
10 demand that occurred over the POI and what's been
11 happening to their prices.

12 And you have an industry where all its
13 domestic rivals are going out of business, and yet
14 they're unable to raise prices, and their profit
15 levels are at levels that are distinctly below what
16 the economy and other industries in the economy are
17 doing during this booming period.

18 And then you have to ask the question. You
19 know, why is this industry at that level of
20 performance? Why can't they raise prices like
21 everybody else in the economy is doing, as every
22 industry is reporting record profit, especially when
23 two of their rivals have shut down.

24 And the answer is pretty simple. The answer
25 is there is all this competition from dumped imports

1 that are at lower prices and so while the trends are
2 not correlating, the level is depressed.

3 And the question I would ask -- one of the
4 questions I would ask -- of the Commission is why is
5 the level depressed in a boom time when their rivals
6 are going out of business? And it's because you're
7 seeing low prices, low price offers and the inability
8 to raise prices to get them to higher levels of
9 profitability during the boom.

10 And as I said, both Mr. Pajic and Mr.
11 Sorensen could speak to the individual negotiations
12 they've had where they tried to raise prices and have
13 been unable to and the fact that with certain
14 customers they'd have to lower prices.

15 Now, as a technical matter on some of the
16 pricing products is that originally Petitioners had
17 submitted 15 pricing products, which is large for the
18 number of products the Commission usually collects
19 data on, but the idea was to get the products narrow
20 enough that you could get a good head-to-head
21 comparison.

22 The volumes would have been pretty small,
23 and there would have been a lot of products. The
24 Commission understandably doesn't like to do that, and
25 I'm sure with the economists six products is a lot in

1 sorting them out. Fifteen? You know, you'd have to
2 hire more staff.

3 COMMISSIONER LANE: Okay. Dr. Kaplan?

4 MR. KAPLAN: But what we've got from that is
5 the difference between customer mix and product mix
6 within these pricing products that have created some
7 products. I'm sorry for taking so much time.

8 COMMISSIONER LANE: That's okay. I'll come
9 back to you in the next round. Commissioner Pearson?

10 VICE CHAIRMAN PEARSON: Thank you, Madam
11 Chairman. Mr. Dorris, I understand your argument that
12 subject imports declined in 2009 due to the filing of
13 the petition. And the Respondents have different
14 views on that. We may hear more about it this
15 afternoon.

16 But my specific question is we can see that
17 subject imports also declined in 2008 relative to
18 2007, well before the petition was filed. What's your
19 theory on why subject imports declined going into
20 2008, especially in the context of what we are
21 measuring as an increase in apparent consumption
22 between 2007 and 2008?

23 MR. DORRIS: Well, I think obviously the
24 first thing will be when you look at the new record
25 you'll see that subject imports actually increased

1 from 2007 to 2008 because of the volume of imports
2 that are going to come in from the Chinese that were
3 left out before. And I think the evidence of that is,
4 of course, these were the lowest priced imports, and
5 obviously that's why they're increasing because
6 they're the ones that are dumped and subsidized.

7 So I think the record is going to be very
8 different when you look at that point from 2007 to
9 2008. It's not a huge increase, but it's an increase
10 as opposed to a decline as it was before, and I think
11 that increase would have continued through 2009 had
12 the petition not been filed.

13 And on that point I think it's important to
14 realize a couple of things. One is there is the
15 industrial sector which makes decisions a lot faster.
16 It's still a large segment of the market. Those sales
17 probably declined. Even though they may have
18 increased, the overall total volume would have been
19 even higher had not the petition been filed.

20 There may be a time lag for retailers, but
21 retailers can make decisions on when they have
22 different product mixes and they can lower those
23 amounts and not increase them as much as they had, so
24 even though there may have been some increase in that
25 latter period it would have been a lot larger had it

1 not been because of the petition.

2 VICE CHAIRMAN PEARSON: Okay.

3 MR. DORRIS: So from 2007 to 2008 you're
4 going to see an increase.

5 VICE CHAIRMAN PEARSON: I will look forward
6 to seeing your submission --

7 MR. DORRIS: I think I did the math right.
8 I hope so.

9 VICE CHAIRMAN PEARSON: -- in the
10 posthearing. Okay.

11 I think my last question, Respondents are
12 encouraging us to consider seasonal pricing data. Do
13 you have thoughts on that issue?

14 MR. SORENSEN: We don't view this product
15 category, narrow woven ribbon, as having a seasonal
16 component to the extent that the Respondents have
17 indicated. We ship product all year, every year.

18 Is there a pickup? Sure, there's a pickup
19 at the time of seasons, but there are seasons
20 throughout the year. There's Easter. There's
21 Valentine's Day. There's Christmas. A large portion
22 of the business -- most of the business -- is an every
23 day business.

24 VICE CHAIRMAN PEARSON: Okay. Ms. Pajic,
25 did you have anything to add?

1 MS. PAJIC: I just wanted to ask you to
2 clarify when you say define the seasonal pricing
3 structure. There is some seasonality discussed, but
4 the seasonality wouldn't have with it a different
5 pricing structure, so I just wanted to make sure I
6 understood your question so I can further answer it.

7 VICE CHAIRMAN PEARSON: Right. We may learn
8 more from the Respondents this afternoon --

9 MS. PAJIC: Okay.

10 VICE CHAIRMAN PEARSON: -- but my
11 understanding is that they're arguing that there are
12 some seasonal price effects maybe related to whatever
13 seasonal volume effects there might be.

14 MS. PAJIC: Okay.

15 VICE CHAIRMAN PEARSON: And I'm just
16 wondering whether you find that to be the case.

17 MS. PAJIC: Normally we see upticks in
18 current programs four different seasons, whether it be
19 Christmas or Val or Mother's Day. There is some
20 seasonality to this product with regard to Christmas
21 packaging, but of the whole industry it is not as
22 significant as, for example, gift wrap would be or
23 gift bags, et cetera.

24 That's really what they're all about. It's
25 the majority of the market. We see it as a little bit

1 of an uptick, but it's typically -- typically, not
2 necessarily -- a different buying pattern. There are
3 some retailers that buy just narrow woven ribbons, and
4 that is treated specifically in a different manner.
5 That is not typical.

6 VICE CHAIRMAN PEARSON: Okay.

7 MR. SORENSEN: Just to clarify, when Julie
8 is talking about upticks, you are talking upticks in
9 quantities sold.

10 MS. PAJIC: Quantities sold.

11 MR. SORENSEN: Not at all related to upticks
12 in price.

13 VICE CHAIRMAN PEARSON: Okay. Well,
14 depending on what we learn from Respondents this
15 afternoon, you may want in the posthearing to comment
16 on whatever is said.

17 MR. SORENSEN: We will.

18 VICE CHAIRMAN PEARSON: Madam Chairman, I
19 believe I have no further questions, so I would like
20 to express my appreciation to all of you on this panel
21 for being with us today.

22 COMMISSIONER LANE: Thank you. Commissioner
23 Aranoff?

24 COMMISSIONER ARANOFF: You had said at
25 several points that the cost-saving investments and

1 measures that your company has made, you've basically
2 reached the limit of that.

3 Can you elaborate on that a little bit to
4 me, because one thinks of the sort of constant
5 improvement climate in manufacturing. Why is it that
6 you think that you've done everything that you can do
7 to get your cost of production down?

8 MR. SORENSEN: The weaving of narrow woven
9 ribbons, weaving and dying, is a very mature
10 technology, so it's been around for a long time. You
11 know, there's equipment that we use that is identical
12 to what is used in factories that are all over the
13 world, and there's really only so much you can do with
14 that equipment. Even replacing it isn't going to get
15 you increased efficiencies of any sizeable amount at
16 all.

17 Also, this equipment is in a building. I
18 mean, the building has energy that we use, and there's
19 things that we have described where we've done things
20 to figure out how to heat our water by using less
21 energy, done things related to electricity within the
22 facilities that relates to improving the lights.

23 So if we've done the equipment, we've done
24 the utilities, there's not really much else that we
25 can do. We've cut staff out, made things more

1 efficient over the years. There's nothing else that
2 we have that we can do, and you can see that in our
3 declining investment in what it is that we call
4 capital.

5 We continue to invest through maintaining
6 the machines. We have a staff of maintenance folks
7 that are there to keep the existing equipment
8 operating at world class rates.

9 COMMISSIONER ARANOFF: Okay. One of the
10 arguments that's made in your brief is that the reason
11 that the Commission isn't seeing the pattern that we
12 traditionally look at to see price suppression is
13 because price suppression was I think the term used in
14 your brief was a preexisting condition.

15 Mr. Dorris, can you identify any other cases
16 where the Commission has found price suppression based
17 on this kind of a preexisting condition theory?

18 MR. DORRIS: I will look at that for the
19 postconference brief. I don't have any in my head.

20 I think you have to think about some
21 industries like perhaps the steel industries are
22 monitoring constantly imports. They know exactly when
23 the imports are going up, when they're going down.
24 They time their cases perfectly, to an industry who
25 has never really brought a case and finally getting

1 around to coming to someone and saying do we have an
2 issue here and we look at it and say they do, but by
3 the time we do that it's already been done, you know.

4 VICE CHAIRMAN PEARSON: Right. To me, this
5 sort of plays into this debate that plays out in our
6 reviewing Courts every now and again about the
7 difference between injury as of vote day versus
8 lingering effects of past injury and how we can walk
9 that tightrope in this case.

10 MR. DORRIS: Yes. I understand. And again,
11 I think if you didn't have the significant volume of
12 imports throughout the period you wouldn't have the
13 same issue either. Obviously if they were injured but
14 there was just a tiny volume of imports the causation
15 wouldn't be there from the start.

16 COMMISSIONER ARANOFF: Okay. Dr. Kaplan?

17 MR. KAPLAN: It's not as if they were
18 suppressed back then and they aren't suppressed
19 anymore. It's they're continuously suppressed so
20 there's current price suppression.

21 And the issue has to do and it's somewhat
22 methodological. This goes back a long time at the
23 Commission. It has to do with some of the trends
24 issues. You know, I've seen it's like knife fights if
25 you add an extra year to the POI because all the

1 trends flipped. Now, the imports are there at huge
2 volumes with really high margins the whole time, but
3 because of extraneous factors the trends might be
4 flipping.

5 And I guess what I'm asking in some cases
6 here is to step back and look at what the effects are
7 rather than looking at trends and numbers and trying
8 to figure out if there was a problem. When you have
9 really high import penetration and really low margins
10 in a time when people are going out of business and
11 you have head-to-head competition at retailers when
12 they could all make the same product it seems like
13 that's a lot of firsthand evidence about what's
14 happening.

15 And when you sort through numbers that are
16 affected by other factors and sometimes have a hard
17 time pulling those factors out -- you know, the
18 recession, how much exactly did it contribute -- well,
19 when things are suppressed before and after and
20 there's a small marginal change don't let the fact
21 that the recession occurred dissuade you from the
22 obvious that there were high levels of competition,
23 extremely high levels of imports and inability to
24 raise prices in both good times and bad.

25 So I've struggled with this since I was at

1 the Commission, and it's how do you combine the law
2 and economics to get to the right answer. And what
3 I'm hoping is that you struggle with the correct
4 economics and the correct law, which you try to do,
5 rather than look at indicia that are two or three
6 times removed to get what you may have direct evidence
7 on. A problems from the past. A problem for the
8 future.

9 COMMISSIONER ARANOFF: Okay. Let me turn to
10 another issue that Respondents raise. We were talking
11 about sort of lack of correlation of certain trends as
12 demonstrating lack of causation, and in particular you
13 pointed -- and, Mr. Dorris, you even did it in your
14 introductory remarks this morning. You pointed to the
15 fact that had certain things improved for the domestic
16 industry in 2009, which you said demonstrates
17 causation because once the petition was filed things
18 seemed to turn around, or that's what I heard you to
19 argue.

20 If your argument is that imports declined in
21 2009 due to the pendency of the investigations, but
22 our evidence also shows that the domestic industry's
23 capacity utilization declined the most during the
24 period that we're looking at between 2008 and 2009,
25 shouldn't we then conclude that the decline in

1 capacity utilization is not due to the imports, which
2 you've said were driven out to some extent by the
3 petition, but in fact due to demand effects?

4 I'm trying to figure out how you can have it
5 both ways, which I think your argument sort of
6 requires.

7 MR. KAPLAN: Well, in a recession you expect
8 everything to head south, so if things are heading
9 north in some areas you might consider why they're
10 going against trend.

11 COMMISSIONER ARANOFF: That part I get, but
12 what if things are going south, some get better, but
13 some don't?

14 MR. KAPLAN: Right.

15 COMMISSIONER ARANOFF: The ones that don't,
16 doesn't that kind of break the causal connection with
17 the subject imports?

18 MR. KAPLAN: Well, I guess if you'd expect
19 everything to head south and some things are heading
20 north you might want to look at why those things are
21 heading north and how big the effects are. Are the
22 effects large enough to turn everything around when
23 you have a big decline in consumption?

24 MR. DORRIS: Related to pricing? No.

25 MR. KAPLAN: Unlikely. But to have to turn

1 some of them around against trend you have to look at
2 what are the reasons for those factors and see if you
3 can tie them to the imports. So that's one thing that
4 changed that was a positive effect during that period.

5 Are there other things that would drive
6 positive effects during that period as well? Most of
7 the things I could think of are things pushing things
8 south with respect to the economy as a whole.

9 COMMISSIONER ARANOFF: Okay. Let me turn to
10 a threat question. My observation, looking at the
11 record in this case, is that both importers and
12 domestic producers have typically held inventories
13 that are large relative to production or import levels
14 due to the need to generally serve customers out of
15 inventory.

16 If that's the case, in this instance why
17 would the existence of importer inventories be a
18 concern with which the Commission needs to take
19 account in its threat analysis, which I know that's
20 the argument that you make in your brief, that we need
21 to take account of these inventories, but that's just
22 the business model in this industry. Anybody who's in
23 it has a lot of inventories. Or am I looking at it
24 wrong?

25 MR. DORRIS: No. I think in part you're

1 looking at it right, although I think when you're
2 thinking of the threat analysis you're deciding
3 whether it's going to be imminent or not. How quickly
4 are those imports going to re-enter the market? Well,
5 if they've got the inventory sitting there ready to go
6 into the market, if they ship it in the market, they
7 increase production to refill the inventory.

8 So if the inventory was there and they had
9 to start producing their inventory from scratch and
10 get it ready and get them packaged and get them out
11 the door, maybe you're talking six months, seven
12 months. We're talking next day, tomorrow. Those
13 imports are immediately going to come back in the
14 market. If you don't make an affirmative vote, that
15 inventory is going to be shipped to the U.S.

16 COMMISSIONER ARANOFF: That is a problem
17 that we sometimes run into, sort of the chicken and
18 egg situation. Those inventories, those have already
19 been imported so we counted those imports. We're
20 looking at those imports. When we look at present
21 injury we're looking at any price effects they're
22 presently having overhanging the market sitting in
23 inventory.

24 And then can we also turn around and say oh,
25 by the way, they're also a threat because they're now

1 going to go into the market? So if you want to take a
2 look at that for posthearing I'd appreciate that.

3 Thank you, Madam Chairman.

4 COMMISSIONER LANE: Thank you. Commissioner
5 Williamson.

6 COMMISSIONER WILLIAMSON: Thank you. Just a
7 few questions.

8 Mr. Kaplan, you were earlier talking about
9 the pricing data and you talked about originally
10 wanting 15 categories and doing six. What does that
11 tell us about the reliability of the pricing data, and
12 what should we make of it?

13 MR. KAPLAN: Well, you know, when you are
14 first getting into the weeds into any of this you
15 realize that all the data is slightly compromised in
16 what you want it to do which would cause me for the
17 Commission to have extremely, extremely fine-grain
18 data of head-to-head comparisons. But then that's not
19 the coverage you want. So if you increase the
20 coverage, sometimes you miss a little bit of the head-
21 to-head comparison.

22 COMMISSIONER WILLIAMSON: But what should we
23 do in this case about the pricing data?

24 MR. KAPLAN: I think you --

25 COMMISSIONER WILLIAMSON: I don't want to

1 hear that.

2 MR. KAPLAN: I think it's plan that there is
3 underselling. I think the margins are so large, and
4 irregardless of product mix or customer mix you have
5 significant underselling and it's increasing, and I
6 think that's the conclusion you can draw.

7 I think that with respect to certain of the
8 trends you should recognize that they could be
9 affected by product mix within stock.

10 COMMISSIONER WILLIAMSON: Okay.

11 MR. KAPLAN: So if you have a category of
12 ribbons that includes higher and lower price stuff,
13 that if the lower price stuff gets pushed out for some
14 reason the average will go up within that category
15 even though each particular product unit is undersold,
16 or if you end up switching from customers that have --
17 you have higher or lower margins with internally in
18 terms of which customers you have pushed out. That
19 might affect the trend.

20 COMMISSIONER WILLIAMSON: Okay.

21 MR. KAPLAN: So I think you could look at
22 it. I think we will try to give you specific
23 instances of specific customers with specific products
24 in the posthearing briefs to give you an idea of
25 what's going on when it's head to head by customer by

1 narrowing defined products, but I think you take it
2 for what it's worth.

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. KAPLAN: You don't throw it away.

5 COMMISSIONER WILLIAMSON: Okay. I will be
6 looking forward to what you give me posthearing that
7 will help me decide what do I do here and when should
8 I use the pricing data and when I shouldn't, and what
9 should I factor in. Okay, thank you.

10 Another question: When we consider the
11 extent to which bias may affect our data should we
12 take into consideration why a firm exited the
13 industry, and particularly if we were to decide that
14 subject imports were not the reason why the firm
15 closed is still relevant?

16 MR. KAPLAN: I think that's a great
17 question.

18 COMMISSIONER WILLIAMSON: Can you answer it?

19 MR. KAPLAN: I think that you should
20 consider the -- as a mathematical exercise, the reason
21 they left is irrelevant in the sense that it will
22 distort the data. But in interpreting it, I think you
23 should take into account why people exited definitely.

24 I think here when a producer turns into an
25 importer there is some pretty good evidence about what

1 is driving the market. It's not like the guy decided
2 it's a bad business. He decided it's a bad domestic
3 business. If you've got to compete against dumped
4 imports, I'll join them. So the reason they left can
5 give evidence of how much weight you should give to
6 the survivor buyer.

7 COMMISSIONER WILLIAMSON: Okay. Thank you.

8 I hope this hasn't come up before, but do
9 any of your customers insist on U.S.-made products?
10 And if so, how significant are these customers?

11 MS. PAJIC: They do not insist on it. No.

12 COMMISSIONER WILLIAMSON: Okay. Thank you.

13 MS. PAJIC: If they did, we would make it
14 all here and the price would be what the price would
15 be if that was the requirement that we made it here.
16 To my recollection there is not a customer that has
17 said you must make this product here, and actually
18 impact my decision whether I buy something or not.

19 COMMISSIONER WILLIAMSON: Okay. Okay, thank
20 you. With that I have no further questions and I want
21 to thank the panel for their testimony, and we look
22 forward to their posthearing submissions.

23 COMMISSIONER LANE: Commissioner Pinkert.

24 COMMISSIONER PINKERT: I just have one or
25 two questions.

1 Going back to this issue of the cost-saving
2 expenditures, I may have misinterpreted the testimony
3 so I want you to clarify for me. Are you saying that
4 the expenditures were undertaken as a result of the
5 impact of subject imports, or is the reason why they
6 were undertaken more or less irrelevant to your
7 argument?

8 MR. SORENSEN: We are continuously -- you're
9 talking about cost savings within our facility?

10 COMMISSIONER PINKERT: You remember there
11 has been a discussion about how the -- you shouldn't
12 be penalized, I think that was the argument --

13 MR. SORENSEN: Right.

14 COMMISSIONER PINKERT: -- that Dr. Kaplan
15 made, you shouldn't be penalized for responding to the
16 competition from the subject imports by undertaking
17 cost-saving expenditures. So what I'm wondering is
18 are you saying that the reason why those expenditures
19 were undertaken matters for purposes of this
20 discussion, or is the more important question whether
21 the expenditures have reached the end of their --
22 reached their limit as it were?

23 MR. SORENSEN: Well, the expenditures have
24 reached their limit, but, you know, we are business
25 people. We have the business that we are talking

1 about here today, and we have various other
2 businesses, and what we want to be able to do are have
3 viable businesses that make money, and to do that we
4 need to price our products in such a way that we can
5 make money and manage and maintain our costs.

6 The situation that we are in now is an
7 environment where managing the selling price is not
8 something that we are able to do on a level playing
9 field. We are going against dumped and subsidized
10 imports from China and Taiwan, so that's causing the
11 price to go down. That's just economically going to
12 cause us to look at our costs and take our costs and
13 strip out whatever costs we can in order to respond to
14 that.

15 So it's hard for me to describe for you
16 which projects are in response to the pressure from
17 overseas and which projects were projects that we were
18 embarking upon to lower our costs.

19 COMMISSIONER PINKERT: Well, maybe I can ask
20 Dr. Kaplan for clarification. Were you saying that
21 the cost-saving expenditures were a result of
22 competition from subject imports or is it really a
23 broader -- a response to a broader set of things?

24 MR. KAPLAN: Seth Kaplan. As Mr. Sorensen
25 said, people are always -- a well-managed firm is

1 always looking to lower their costs, but think of it
2 as a -- in the context of what I was urging about the
3 bias, think of it has a major buy decision for the
4 plant as a whole, and you know they make major
5 decision, and the decision was under the assumption
6 that they would have fair trade, and that they are
7 nonetheless facing tough competition.

8 And what my point was is that the decision
9 to make the investment to try to work on a fair
10 playing field shouldn't be held against them rather
11 than deciding to do the buy decision and import more
12 and not invest in and watch the -- you know, watch the
13 facility bleed away due to import competition when
14 they know they could lower costs.

15 So they may be cognizant of the price
16 pressure they were being under and recognizing that
17 they would be fruitful if they face fair competition
18 rather than, you know, exiting the industry or exiting
19 the industry slowly, and if they exit the industry
20 slowly and bled over three years maybe you would have
21 the more traditional pattern that you see in some
22 investigation.

23 Instead by making the commitment to try to
24 keep things going and be the low-cost producer they
25 could be rather than shipping offshore you don't see

1 as large a decline in profitability, and that's what I
2 am saying that shouldn't be held against them. I hope
3 that answers your question.

4 COMMISSIONER PINKERT: It does. Thank you
5 very much, and again I thank the panel and I look
6 forward to the posthearing submissions.

7 COMMISSIONER LANE: Thank you, and I have
8 two more questions, and they are for Dr. Kaplan, and
9 this is related to costs and price suppression.

10 There appears to be a different picture of
11 the price in looking at the absolute change in cost of
12 goods sold and average unit sales prices, or looking
13 at the ratio of those number. For price suppression,
14 should we focus on the changes and differences in the
15 absolute value of unit cost of goods sold and unit
16 prices, or the cost of good sold to sales ratios?

17 MR. KAPLAN: I will answer that in the
18 posthearing, but I want to make a point once again
19 that when something is suppressed throughout the whole
20 period that the focus on trends within the period
21 could mask that injury to both continue it current.

22 COMMISSIONER LANE: Okay. Now, for somebody
23 from Berwick. Could you explain the cost-saving
24 projects that were undertaken? I think you've already
25 explained that, but could you tell me the effect, if

1 any, that these majors impacted employment levels or
2 wages of domestic workers?

3 MR. SORENSEN: We can respond more
4 specifically in a postconference brief. However, I
5 can tell you that, you know, some of the projects that
6 we have taken on has helped us to reduce staff levels.
7 It's not something I feel comfortable talking about
8 the extent of.

9 COMMISSIONER LANE: Okay. So you'll do that
10 in the posthearing. That is fine, and that is all
11 that I have. Commissioner Pearson, do any of my
12 colleagues have anymore questions? Okay, thank you.

13 Does the staff have other questions?

14 MR. DEYMAN: George Deyman, Office of
15 Investigation. The staff has no questions.

16 COMMISSIONER LANE: Okay, thank you. Does
17 the Respondents have any questions?

18 MR. CANNON: No, we do not.

19 COMMISSIONER LANE: Okay, thank you. With
20 that I think we will take a lunch break and it's 1:15,
21 so let's take a lunch break until 2:20, and I would
22 like to remind everybody to take your stuff with you
23 because this room is not secure and you may have some
24 confidential business information. Thank you.

25 //

1 (Whereupon, at 1:14 p.m., the hearing in the
2 above-entitled matter was recessed, to resume at 2:20
3 p.m. this same day, Thursday, July 15, 2010.)

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1 Asleigh Liao and I'm the Sales Manager of King Young
2 Enterprise Co., a Taiwanese ribbons company founded in
3 1988. As part of my responsibilities, I handle sales
4 to Berwick Offray, and I'm very familiar with the
5 nature of competition within the U.S. market for
6 narrow woven ribbons. I'm also speaking on behalf of
7 King Young's President, Yu Pi-Lan, who is here with me
8 today given that she is not used to speaking English.
9 Ms. Yu Pi-Lan is the founder of King Young and is
10 directly responsible for managing the operations of
11 the company, including sales to our major customers.
12 She has more than 20 years experience in this
13 industry. We will be pleased to provide answers to
14 any questions you may have.

15 Today I will cover three basic subjects:
16 first, King Young's sales with Berwick, second, the
17 importance of design in this industry, and third, the
18 future prospects for demand in the U.S. market. King
19 Young first began directly shipping ribbons to the
20 U.S. in 1997. In 1999, we first began selling to
21 Berwick and it is still one of our customers today.
22 Berwick first approached us in 1999 in order to be
23 able to offer a greater variety of products and
24 designs to its customers. I would first like to
25 describe the sales process with Berwick which is

1 generally the same as with our other customers.
2 Berwick contacts us from its U.S. or Hong Kong offices
3 usually by email and let's us know the particular
4 products they're interested in buying.

5 We will then begin the development process
6 and produce a sample for them. In some cases, Berwick
7 provides a design for us to produce. In other
8 instances, King Young provides its own design. Once
9 Berwick approve the product it will place a purchase
10 order with us by email and we then manufacture the
11 merchandise to order. In terms of price negotiations,
12 King Young quotes prices to Berwick according to the
13 product specifications that Berwick provides.
14 However, the profitability of sales to Berwick has
15 declined over the years. Each year since 2007,
16 Berwick has requested that we reduce our prices by
17 about five to 10 percent. King Young has agreed to
18 lower its prices in response to Berwick's demands
19 because they are one of our longstanding customers and
20 it is most important for us to preserve our
21 relationship.

22 Given our experiences with Berwick, I was
23 quite surprised when I learned about Berwick's claim
24 that Taiwanese producers had been dumping in the U.S.
25 It did not make any sense that Berwick would ask us to

1 lower our prices and then turn around and accuse us of
2 selling at uncompetitive prices. To me it seems clear
3 that Berwick has filed this petition because it is
4 trying to protect its own imports of ribbons. When
5 Berwick purchases from King Young it does so either as
6 a direct importer or as a broker on behalf of major
7 U.S. purchasers. In the past couple of years, several
8 of Berwick's customers have approached us directly to
9 purchase ribbons and King Young is more than happy to
10 sell to them because we are able to sell at higher
11 prices than when we sell to Berwick.

12 The buyers that approach us directly have
13 explained that they wanted to deal with us directly
14 because they preferred our excellent service and
15 product varieties since both are crucial to their
16 choice of suppliers. The ability to produce many
17 different styles and types of ribbons, including
18 custom made ribbons, is particularly important.
19 Contrary to Berwick's position here, ribbon is not a
20 commodity with little product variety. It really is a
21 fashion-driven product, and fashion trends are
22 extremely important. The companies who are the most
23 successful are the ones that can develop their own
24 design ideas or can work with their customers to come
25 up with innovative new designs.

1 In the past year alone, King Young has
2 invested in the development of more than 7,000 new
3 product designs on its own or in coordination with its
4 customers because we have recognized that innovation
5 and quality are key competitive advantages. A company
6 that only offers stock ribbons from inventory will not
7 last long in this industry. Finally, I'd like to
8 mention that King Young, like other producers in
9 Taiwan, made in China and the U.S., has been hit hard
10 by the global recession. Unfortunately for us, people
11 spend less money on ribbons when the economy is bad
12 and our production and sales have been hit hard as a
13 result.

14 However, in 2010, things have already
15 started to turn around. I believe there will be
16 significant growth in demand within the domestic
17 Chinese market because of the growing number of
18 apparel and other manufacturers there that consume
19 ribbons as a material input. I believe that the
20 Commission should not take the actions that Berwick is
21 requesting today. Berwick is seeking to protect its
22 imports of ribbons, not its U.S. production. In fact,
23 I understand that in the past year Berwick has been
24 shifting its purchases from Taiwan to our competitors
25 in India and Malaysia, among others.

1 King Young competes fairly in the U.S. and
2 we have focused our resources on being very responsive
3 to the needs of our customers through new designs,
4 quality products and improved services. I believe
5 that other Taiwanese producers follow the same
6 approach. Taiwan has contributed to developing new
7 demand that did not previously exist in the U.S. and
8 which Berwick is unable to supply with U.S.
9 production. The U.S. has benefitted from Taiwanese
10 imports. That concludes my remarks. Thank you.

11 MR. CANNON: Madam Chairman, I'm Jim Cannon,
12 I'm here on behalf of the group of importers.
13 Starting from my left is Joe Duffey. Joe's company
14 supplies to the mom and pop stores across America. He
15 stocks something like 6,000 different types of ribbons
16 in his stores. On my far right we have Vinci Wong.
17 Vinci's company, MNC Ribbons, sells to the -- I'm
18 sorry, Papillon. Vinci's company, Papillon, sells to
19 the apparel market, to industrial end users, such as
20 stationery. He also sells to scrapbooking and he
21 sells to distributors. I will let Tom Lodge and
22 Charlie Vaughn introduce themselves. Take it away,
23 Tom.

24 MR. LODGE: Good afternoon. My name is Tom
25 Lodge, and I'm the President of Liberty Ribbon and

1 Packaging. Liberty was founded in 2004 following the
2 asset sale of our family business, Delaware Ribbon, to
3 Berwick Offray under Delaware's Chapter 11
4 reorganization. I'm the fourth generation in my
5 family to work in the ribbon industry, and I have
6 personally worked in the industry since 1988. I am
7 here today to express my opposition to the antidumping
8 and countervailing duty petition filed in this
9 investigation. Stated simply, the domestic industry
10 does not adequately satisfy U.S. demand for custom and
11 holiday-themed narrow woven ribbon. Imports of
12 ribbons from China and Taiwan which focus primarily on
13 these markets have not harmed the domestic industry.

14 Liberty imports narrow woven ribbons from
15 both countries that are subject to this investigation.
16 We're also a domestic producer of cut edge ribbons
17 which can compete with narrow woven ribbon in certain
18 gift wrap applications. Liberty operates a facility
19 in the United States for production of cut edge
20 ribbons embossing, printing both our own ribbons and
21 the ribbons we import, as well as a variety of other
22 processes. Our production facility is in Cherry Hill,
23 New Jersey. Liberty's narrow woven ribbons are sold
24 to retailers or through distributors for in store or
25 in house use as decorations or gift wrap. We also

1 provide NWR to the cosmetics, fragrance, floral and
2 confectionery industries.

3 Our ribbons are not for resale to consumers
4 and we do not compete for sales to mass merchant
5 retailers or for sales to the craft and hobby stores,
6 dollar stores or discount drugstores as Berwick does.
7 Our customers have very exacting requirements
8 regarding design, quality and dependability. Though
9 price is certainly a factor, it is typically not our
10 customer's primary concern. Our customers are looking
11 for the latest colors and trends or seeking holiday-
12 specific products. For us, the ability to deliver a
13 unique quality product on a deadline far outweighs
14 cost considerations.

15 The ribbon market is essentially divided
16 between custom and basic ribbons. Basic ribbons
17 consist of commonly used sizes and styles that can be
18 mass produced, stored and dyed later to customer
19 specifications. Custom or made-to-order ribbon
20 include ribbons that reflect the latest weave,
21 designs, colors, sizes and trends as well as the most
22 significant market, holiday-themed ribbons. Examples
23 of these specialized ribbons include metallic ribbons,
24 metallic gimp yarn ribbons, wired ribbons, plaids and
25 ribbons with unique prints or embossings. Certain

1 customers, such as high end retailers, almost
2 exclusively order custom ribbons for gift wrapping,
3 holiday decoration or other in house uses.

4 They are more concerned with presenting a
5 coherent theme consistent with their brand image and
6 distinguishing themselves from the other retailers
7 than with the actual cost of the ribbon. They want
8 the newest designs and colors and they must have it in
9 time for the holiday season. This is imperative. The
10 ribbon specifications usually change each season and
11 require a significant lead time with us in designing
12 the ribbons, and all require careful coordination to
13 ensure on time delivery for the holiday. These are
14 nonnegotiable deadlines. Such customers place a
15 premium on service and dependability. To serve this
16 portion of the market, the manufacturer must maintain
17 production agility and have an excellent reputation
18 for quality and on time delivery.

19 The ribbon industry is highly seasonal,
20 particularly in the custom market that we serve. In
21 2009, for example, well over half our total annual
22 revenue was generated through holiday orders. It is
23 impossible to overstate the importance of the holiday
24 season to Liberty Ribbons. To ensure timely delivery,
25 product coordination for holiday season starts in the

1 first quarter of each year. Customers will approach
2 Liberty with a unique design concept or
3 specifications. The designs, patterns and colors
4 required by our customers do change each year. Our
5 customers usually provide at least their own design
6 concepts, and for printed ribbons, most provide art
7 work.

8 We then take that concept or art work and
9 develop it into the appropriate yarn type, weave
10 design and construction and printing method, if
11 applicable. Then we identify a factory with the
12 necessary manufacturing experience and capacity. As
13 we all are aware, the holiday season seems to come
14 upon us earlier and earlier every year, so imported
15 ribbons must ship from China or Taiwan during the
16 summer months to ensure delivery in advance of the
17 holiday season. Such orders begin to arrive in June
18 and continue into the fall. Failure to deliver an
19 acceptable product on time can mean the loss of the
20 client and many times the loss of a buyer's job.

21 That is why the industry places such a
22 premium on timely delivery and dependability. In
23 fact, although the antidumping petition was filed in
24 July of 2009, we did not cancel any orders or cut back
25 any shipments for the 2009 holiday season. Our

1 customer relationships are too important for us to
2 simply abandon them in that way. When identifying
3 potential suppliers in China and Taiwan, we focus on
4 experience, flexibility and dependability. Because of
5 the almost infinite combinations of weave designs,
6 yarn types, widths and color combination, each
7 manufacturer tends to have experience with different
8 types of ribbon. A potential supplier must have the
9 ability to shift between styles in order to be
10 competitive.

11 In general, the manufacturers in China and
12 Taiwan are flexible and efficient with loom changes,
13 designs and willingness to produce smaller looms, and
14 they enjoy an excellent reputation for quality and on
15 time delivery. The domestic industry, however, does
16 not share the same reputation. Throughout my career
17 in the ribbon industry I have had many opportunities
18 to inspect the production facilities of prospective
19 suppliers in China and Taiwan. I focus primarily on
20 the efficiency of the factory itself, including
21 housekeeping and the level and sophistication of
22 equipment maintenance. Plant layout tells you a great
23 deal about the factory's efficiency and how fast it
24 can execute on and deliver an order.

25 Factories with isolated areas of operation

1 that require long distance transport of materials
2 between sites for processing, like Berwick, cannot
3 react quickly to specialized orders. In China and
4 Taiwan, most of our suppliers' production processes
5 are under one roof or within the same premises. These
6 companies are able to shift quickly between ribbon
7 styles to meet our customers' needs, optimizing
8 fulfillment time. While there is a three to four week
9 or more shipping time associated with the imports from
10 these countries, it is more than offset by the
11 efficiency and flexibility of the operations.

12 By contrast, Berwick Offray's production is
13 inefficient. Berwick already stated today and in the
14 preliminary hearing that it designs ribbons in New
15 Jersey, weaves in South Carolina, ships ribbons to
16 Maryland for dying and finishing and may even then
17 transport them to Mexico for spooling and printing and
18 finally ships the ribbons to Texas for ultimate
19 distribution through Berwick's service area.

20 This cross-country shipment and
21 transportation cost and, most importantly, the
22 associated manpower and material handling overhead
23 burden associated with the packing, unpacking,
24 inventory tracking, building and relieving inventory
25 from place to place adds to lead time for filling

1 orders, particularly the custom orders. While Berwick
2 should have a competitive advantage over imports in
3 China and Taiwan in this respect, it's failed to
4 capitalize on this potential advantage. Furthermore,
5 Berwick's production facilities lack the flexibility
6 necessary to produce the custom sizes, colors and
7 patterns required by our customers.

8 Berwick does not appear to maintain the
9 sufficient extra production equipment for the custom
10 ribbons that facilitate easy switching between
11 different styles of ribbons, nor does it seem to have
12 focused on set up time reduction for changeovers, and
13 they are unwilling to engage in the time-consuming
14 process of relacing or rethreading its looms to meet a
15 customer's specifications. Indeed, customers that
16 have a custom order with a crucial delivery time are
17 not even likely to ask Berwick to bid. Apparently,
18 Berwick's business model is to focus primarily on the
19 production of the noncustom, or basic, ribbons at the
20 expense of the more specialized markets.

21 In comparison, Liberty enjoys an excellent
22 reputation in the narrow woven ribbon industry, a
23 reputation that is the product of four generations of
24 knowledge, experience and dependable service and on
25 time delivery. We have painstakingly identified and

1 qualified suppliers who offer quality, flexibility and
2 dependability. That is of critical importance to our
3 customer base. While price is certainly a
4 consideration, our customers are most concerned with
5 quality and on time delivery. If imports from China
6 and Taiwan become unavailable as a result of this
7 case, we cannot rely on the domestic industry to
8 source the custom ribbons our customers demand. We
9 will be forced to identify nonsubject suppliers at
10 great expense to Liberty, and likely, greater cost to
11 our customers, costs that will ultimately be passed
12 down on to the consumers in the form of higher priced
13 goods. The domestic industry will not benefit from an
14 affirmative determination, though U.S. consumers and
15 U.S. importers, such as Liberty, will surely suffer.
16 For these reasons, I hope you will make a negative
17 determination. Thank you.

18 MR. CANNON: Thank you, Tom. And next
19 we'll hear from Charles Vaughn.

20 MR. VAUGHN: Good afternoon. My name is
21 Charles Vaughn. I'm the president of MNC Stribbons,
22 Inc., and I appear today in opposition to the petition
23 filed by Berwick Offray. In my opinion, Berwick
24 Offray has faired quite well, despite the recession
25 and despite the fact that the U.S. apparel industry

1 has nearly disappeared.

2 I do not believe that Berwick Offray is
3 materially injured or even threatened with injury by
4 imports. I've been in this business for nearly 30
5 years and have had extensive experience with both
6 Berwick Industries and CM Offray.

7 Initially, my employer sold ribbon bows as
8 well as functional and decorative packaging products.
9 We had automatic bow-tying machines, which
10 manufactured pre-tied bows that were sewn onto to
11 intimate and children's apparel. We purchased ribbon
12 from CM Offray and Lawrence Schiff to make bows.

13 Every December Offray's sales team would
14 announce their annual price increase, which was
15 generally 5 percent and which seldom bore any
16 relationship to economic conditions. At that point,
17 most of our customers were located in the United
18 States. Over time, the apparel industry moved
19 offshore. Soon all of our apparel customers went
20 Asia. To supply these customers, we eventually moved
21 the bow-tying operation to China.

22 For a few years, we continued to buy ribbon
23 from Offray and Schiff and other U.S. producers, but
24 we were at a severe disadvantage in terms of freight
25 costs, delivery time, and logistics. Eventually, we

1 invested in a factory in China and began the process
2 of learning to weave and dye ribbons. We now
3 specialize in the production of high-quality ribbons
4 in small quantities for demanding end users.

5 We are constantly seeking ways to reduce
6 costs and to be more socially responsible. Today, MNC
7 Stribbons sells decorative packaging, bows, and
8 ribbons to the industrial end user markets,
9 distributors and specialty retailers. Our customers
10 include cosmetic companies, confectionary, the jewelry
11 trade, fancy food suppliers, paper and packaging
12 companies and distributors of packaging products.

13 The largest part of our business is bows,
14 including the pink breast cancer awareness fund-
15 raising bows used by the Susan G. Komen Foundation.
16 We provide more than 7 million of the awareness bows
17 every year. We also supply hand-tied bows to
18 customers in the United States, China, and around the
19 world.

20 At many accounts, in addition to bows we
21 also supply matching ribbons. Our distributors
22 typically supply upscale retailers with wrapping
23 paper, boxes, gift bags, and matching ribbons and
24 bows. Our bows and ribbons are not resold to
25 consumers. All of the products are coordinated, so

1 the colors and patterns must match. In fact,
2 customers generally will not buy coordinated ribbons
3 and bows from different sources. This business is
4 highly seasonal and it's a very important part of our
5 business.

6 Retailers and distributors will normally
7 approve designs and colors in the second quarter each
8 year. Then we need to rapidly set up our looms and
9 commence production of ribbons to fill these orders.
10 Our factories are currently working hard to make bows
11 and ribbons for the 2010 holidays. Shipments for the
12 holiday season start as early as June and continue
13 into September and October.

14 Because of our relationships with upscale
15 retailers, we focus on supplying a relatively small
16 number of demanding customers. We are not trying to
17 compete with Offray or Schiff to supply ribbon to all
18 of the large retailers. In fact, our only spooled
19 ribbon sold at retail is a 100 percent post-consumer
20 recycled polyester ribbon that supports our social
21 events.

22 Over the years both Offray and Schiff have
23 tried to sell to our customers. One of the reasons we
24 maintain these customers is our sales relationships.
25 We have a team of over 10 U.S.-based sales

1 professionals with in depth product knowledge who have
2 developed long-term relationships with our accounts.

3 One of my key sales people is 82-years old.
4 He spent the last 50 years of his life understanding
5 his clients preferences and requirements. One of his
6 customers has even provided him with his own key card
7 into their building. He's affectionately known to his
8 accounts as Uncle Harold. It's a long-term, close
9 relationship. That's the way we sell ribbon.

10 At least at this point none of our
11 competitors have been tremendous successful by simply
12 playing the price card. They do not have the chance
13 to play the price card because Harold is there every
14 day. His service is unsurpassed and we obviously back
15 him up. An example is our design department, which
16 consist of four designers who collaborate with our
17 customers to provide innovative packaging solutions.
18 In fact, the ribbon business has been very stable over
19 the long term.

20 If you're incumbent in an account, it's
21 basically your account to lose. To keep the account,
22 you negotiate a fair price and then you do your job.
23 This means you give them an innovative product,
24 reacting to the latest market trends and styles and
25 materials and the quality that they expect on a

1 consistent basis. Most importantly, you deliver when
2 you say you're going to deliver. If you do all that,
3 you can expect that customer to ask you back next
4 year.

5 MNC is by no means the low price player in
6 U.S. markets. We don't want be and never have been.
7 But particularly, during the last few years there has
8 been and continue to be situations in which customers
9 are under pressure to cut costs and so seek to reduce
10 our prices to them. Often we simply can't help.

11 I understand that Berwick Offray claims that
12 the filing of the anti-dumping petition caused imports
13 to decline in 2009. There are two things that are
14 wrong with this analysis. First, orders for the 2009
15 holiday season had already been placed well before the
16 anti-dumping petition was filed in July. Because our
17 sales are relationship-driven, we could not and did
18 not cancel any NWR orders for delivery in the third or
19 fourth quarter of 2009.

20 In fact, MNC was aware that countervailing
21 duties could be imposed in mid-December and would
22 impact one of important customers. But because the
23 order was booked and accepted, we honored the quote
24 and bore a substantial loss in 2010.

25 Secondly, MNC's bookings for the first and

1 second quarters of 2009 were substantially lower than
2 those of 2008, reflecting continuing uncertainty in
3 the economic recovery and a dismal 2008 holiday
4 seasons. CSS Industries, the parent of Berwick
5 Offray, has made similar statements to their
6 shareholders in their 10Q and 10K filings.

7 Furthermore, it has stated that a ruling by
8 the Commission will "not have a material impact on the
9 company." By comparison, MNC's 2009 business was down
10 significantly more than the 9 percent reported by
11 Berwick Offray, and an affirmative vote by the
12 Commission would have a very material adverse impact
13 on MNC and its customers.

14 In summary, both as an importer and a
15 manufacturer, MNC Stribbons serves a relatively small
16 group of upscale end users and retailers. Our
17 customers demand new, eye-catching and stylish designs
18 and colors to package jewelry, cosmetics, and
19 confectionary products. Other high-end retailer
20 consumers require our bows and ribbons for in store
21 packaging during the holiday season.

22 We generally do not compete with Berwick
23 Offray or Schiff in the markets because of our long-
24 term customer relationships, our ability to provide
25 short runs, our service, and our reputation.

1 For these reasons, we do not believe that
2 our imports have any impact whatsoever on the domestic
3 industry. We therefore request that the Commission
4 make a negative determination in this case. Thank you
5 for your attention.

6 MS. JACOBS: Good afternoon. I'm Brenda
7 Jacobs, Sidley Austin. I'm here on behalf of a
8 coalition of five ribbon retailers. I am joined by my
9 co-counsel Neil Ellis and Jill Caiazzo, and by five
10 different companies that represent the range of
11 different types of retailing in the United States
12 today, including specialty retailers, discount
13 department stores, and the wholesale retailer.

14 Let me introduce those you'll hear from.
15 We'll have direct testimony from three of them and
16 then they'll all be available during the Question &
17 Answer period. To my immediate left is Toni Dembski-
18 Brandl, senior counsel with Target Corporation. To my
19 immediate right is David Mitchell who is the business
20 unit divisional manager with Celebrations with
21 Michaels Store. Immediately next to him is Heather
22 Morschauser, who is associate general counsel at
23 Michaels Stores. That's a specialty retailer.

24 Immediately next to Heather is Melissa
25 Freebern, who is the soft lines merchandise manager

1 for Hobby Lobby Stores, and with her is John Graham,
2 who is the associate counsel of Hobby Lobby. Behind
3 us, to the right, Mr. Robert Icsman, who is the
4 senior legal counsel with Jo-Ann Stores, and next to
5 him is Garth Pauley, who is the director for product
6 development at Jo-Ann Stores.

7 And then finally over here is Shelly
8 Bucklin, who is the assistant general merchandiser for
9 Costco Wholesale Corporation. And we're going to
10 start with Mr. Mitchell talking about the specialty
11 retailer side.

12 MR. MITCHELL: Good afternoon. I'm David
13 Mitchell, vice president and business unit divisional
14 manager of the Celebrations Division at Michaels
15 Stores, Inc. Michaels is the largest arts and crafts
16 specialty retailer in North America with 1,029 stores
17 in 49 states and Canada, offering a large selection of
18 arts, crafts, floral, home décor, framing, and
19 seasonal merchandise. We employ over 30,000 people in
20 the United States.

21 Our stores carry typically more than 39,000
22 different items. Narrow, woven ribbons account for
23 about 2,000 of those items. Ribbons are used by
24 Michaels customers for gift wrapping, home decor,
25 floral design, scrapbooks, art projects and apparel.

1 Although, Michaels ribbon sales occur
2 throughout the year, those sales are weighted toward
3 the fourth quarter with increased sales during that
4 period. This reflects the important role of the
5 holiday season in ribbon purchases for decorating,
6 crafting and gift wrapping.

7 Our ribbon department is divided into two
8 areas. The first is our standard, basic assortment,
9 which refers to the year-round business with the
10 emphasis on everyday items. The second area is our
11 seasonal business, which includes events such as
12 Christmas, Valentine's Day, St. Patrick's Day and
13 Easter.

14 Michaels has purchased ribbons from
15 suppliers through several different types of
16 transactions. Those transactions can be either
17 domestic buys or overseas purchases. A domestic buy
18 means that we place an order in the United States and
19 the product is shipped to us as a domestic
20 transaction. The fact that we make a purchase in the
21 United States does not mean that we are necessarily
22 buying ribbon that is produced in the United States.
23 In fact, many of the goods that Michaels purchases
24 domestically are imported.

25 Historically, the country of origin has not

1 been important to our purchasing decisions, and we
2 have left it to our suppliers, including Berwick to
3 source the products where they see fit. But we have
4 come to recognize that we are actually paying a
5 premium for buying imported product domestically since
6 the supplier adds its own markup to the price.

7 Turning to overseas purchases, there are two
8 types. The first involves imported ribbons in which
9 Michaels is the importer of record that has purchased
10 the ribbons overseas through a middleman. This is
11 what the Commission staff report identified as
12 "facilitated sales."

13 In this situation, we place an order with
14 the vendor and the vendor places the order with a
15 factory to produce the selected ribbon. The ribbons
16 are then shipped to us by the factory and the invoice
17 is issued by the vendor and includes the vendor's
18 markup.

19 The second type of overseas transaction we
20 call our direct imports. We negotiate directly with
21 the factory to produce the desired ribbons and then
22 the factory ships the ribbons to us, invoicing us
23 directly. We are then responsible for entering those
24 goods through customers.

25 In 2007, Michaels made a decision to

1 reevaluate the benefit of middleman transactions.
2 Importantly, the purpose of its decision was not to
3 replace domestically-made ribbons with foreign
4 ribbons. Rather, it was taken for three reasons.

5 First, to improve purchasing efficiency and
6 expand Michael's margins. Second, to stop using
7 middlemen who do not add significant value to the
8 purchasing process. We concluded that the level of
9 service that middlemen provide to Michaels simply does
10 not justify the premiums that they charge. Third,
11 selecting our own factories to produce exclusive,
12 proprietary designs would allow Michaels to
13 differentiate itself in the market.

14 Placing our own import orders has allowed
15 Michaels to develop its own product under its own
16 private label. In a market where consumers want to
17 see fresh products and don't like to see the same
18 merchandise in every store they visit, having
19 differentiated products is essential.

20 As you can see at the front of the table,
21 the white boards that are leaned right against the
22 front, those are examples of a portion of four of
23 Michaels' Christmas ribbon groups. These groups
24 include narrow woven ribbons as well as other types of
25 ribbons. These boards showcase the design details,

1 embellishments, and color integration that we can
2 achieve through private label. These color stories
3 and design themes are developed by Michaels' in house
4 design staff and integrated with other products
5 throughout our stores.

6 In 2009, we stopped using middlemen for
7 import transactions for ribbons. That brings us to
8 why we're here today. The Petitioner is a significant
9 ribbon vendor for Michaels. In terms of domestic
10 buys, our purchases from Berwick are considerable and
11 have remained steady over the period of investigation.
12 But the Petitioner has also been heavily involved in
13 the development of the infrastructure for ribbon
14 production in Taiwan.

15 Berwick has provided Michaels with ribbon
16 from Taiwan since at least 2005, and that Taiwan
17 production has certainly given Berwick the ability to
18 offer a far greater variety of ribbons. In fact,
19 Michaels and Berwick currently source ribbons from the
20 same factory in Taiwan.

21 We recognize that our direct import program
22 has had an impact on Berwick's revenues, just as it
23 has had an impact on the other firms that served a
24 similar middleman role. But our conversion to direct
25 imports from middle man imports and from buying

1 imported merchandise through domestic purchases does
2 not harm U.S. factory or production workers.

3 We did slightly reduce our total buys of
4 ribbon in 2009. But this reduction in shipments in
5 2009 reflects the economic environment we faced then
6 and a need to maintain a lean, holiday inventory, not
7 the petition filed in July 2009.

8 Our orders for imported seasonal merchandise
9 are placed a minimum of four to six months before
10 receipt. In 2009, ribbon import orders for the
11 critical fourth quarter of the year, for the holiday
12 season that starts with Halloween and goes through
13 Christmas were placed by early April and the ribbons
14 were imported between July and September.

15 This concludes my testimony. I'm happy to
16 answer any questions you may have.

17 MS. JACOBS: Next, we'll hear from Melissa.

18 MS. FREEBERN: Good afternoon. My name is
19 Melissa Freebern. I am the merchandise manager in the
20 soft lines department for Hobby Lobby Stores, Inc.
21 Prior to joining Hobby Lobby, I owned and operated my
22 own successful scrap booking business.

23 Based in Oklahoma City, Hobby Lobby has 447
24 stores in 37 states. Hobby Lobby is not just an arts
25 and crafts store. We have departments ranging from

1 crafts, framing, jewelry, fashion fabrics, floral,
2 cards and party, home accents, and holiday supplies.
3 We even have our own manufacturing facility.

4 Hobby Lobby and its affiliated companies
5 employ about 18,000 people in the United States. Our
6 ribbon collections span several departments. I am
7 responsible for the soft lines department, which
8 accounts for mostly arts, crafts, and fashion ribbons,
9 which are non-seasonal, but ribbon is also purchased
10 by our seasonal department and by our floral
11 department.

12 My department accounts for more than 1100 of
13 our almost 2100 different ribbon SKUs that Hobby Lobby
14 offers each year. Importantly, most of these ribbons
15 are our own design. No matter which department is
16 involved, the ribbon category is a fashion business.
17 Once Hobby Lobby made a decision to introduce fashion
18 colors and trendy designs in our ribbon selections, we
19 saw sales improve and confirmed how important fashion
20 is for ribbon. That was in 2006 and we think it
21 explains why we were able to buck the trend in 2009
22 and continue to grow our ribbon sales despite the
23 terrible economy.

24 I have to give some credit to our
25 outstanding and passionate art department, which has

1 won over buyers in every one of our departments,
2 including mine, because our original creations have
3 driven and increased sales.

4 Today, Hobby Lobby has an art department
5 with 61 designers up from just a dozen people in 2005.
6 About 12 of those artists design ribbons. They have
7 proven time and again their ability to successfully
8 translate current trends into original art for use
9 with ribbons, fabrics, paper products, ceramics, and
10 frames, just to name a few.

11 They do an art show twice a year to help
12 identify new designs to introduce in our stores. The
13 show lines almost one mile of the hallway at our
14 headquarters for a 14-day time each time the show is
15 presented. We send the designs our in house team has
16 developed to the factories with which we work to
17 create product that is unique and exclusive to Hobby
18 Lobby. We also work with design teams in the
19 factories in which we do business.

20 The importance of fashion and design in our
21 business is reflected in the expectations we place on
22 our ribbon suppliers. A supplier that simply presents
23 a printed catalog once a year with only minimal
24 changes from the catalog the year before and the year
25 before that is not providing the fresh designs that

1 the market demands. And if a buyer for Hobby Lobby
2 were to just rely on a catalog to select the
3 merchandise for our stores, they would not generate
4 the traffic and the sales needed to succeed in the
5 market.

6 Our seasonal department each year for Hobby
7 Lobby replaces over 70 percent of its selection with
8 updated styles and patterns. Seasonal ribbon has
9 never been sourced in the United States. Our primary
10 supplier is a factory in China that has a large design
11 department that assembles multiple designs into
12 assortments that are used for Hobby Lobby.

13 To generate multi-item sales, we also
14 coordinate our ribbon designs with other items in our
15 stores to complete a story. For example, a customer
16 may have just been shopping for a gift bag, but if
17 they are seeing coordinating ribbons and tissue paper,
18 these are additional sales that we might not have
19 otherwise gotten if we carried just the standard
20 ribbon design.

21 We even offer coordinated frames, stamps,
22 ceramic ware and candles. We make some of these items
23 in our manufacturing facility at our headquarters, but
24 we also work with overseas factories that can product
25 coordinating products that show up at the same time.

1 Let me show you some examples of
2 coordinating products from just one of our
3 collections. Jill is going to show you what we call
4 our "Happy All Over" collection. In addition to the
5 ribbon that is in this collection, we also have
6 fabric, stationery, stickers, bags, paper products,
7 and scrapbook albums like this that I'm holding in my
8 hand, and they all coordinate.

9 Another great thing that our art department
10 does is create what we call inspiration sets and
11 project sheets, which identify particular ribbons and
12 papers and candles that can be coordinated and
13 decorated to create a theme and an atmosphere. I have
14 brought a few project sheets along with me to share
15 with you. They may look like this. And this one you
16 can see coordinates with the collection that I just
17 showed you.

18 And I believe you already have in front of
19 you some other project sheets, including some that
20 emphasize narrow woven ribbon. They too have
21 generated multiple item sales that include our ribbon.

22 When we are choosing ribbons to purchase, we
23 first select from designs and styles we believe our
24 customers will like. After we make that selection, we
25 ask for the price. Design and price are

1 complementary. If a ribbon is a great design, but a
2 high price the customer might prefer to purchase a
3 finished good rather than spend money on do-it-
4 yourself projects or instead might use a cut-edge
5 ribbon.

6 But the reverse is also true. If a ribbon
7 is at a low price, but the design is not great because
8 it does not match the current trends or is not up-to-
9 date with the colors and the patterns the customer
10 will not be influenced by the price alone to buy the
11 ribbon.

12 I will be glad to answer any questions that
13 you may have. Thank you.

14 MS. DEMBSKI-Brandl: Hi. Good afternoon.
15 My name is Toni Dembski-Brandl. I am senior counsel
16 for Target Corporation. In that capacity, I advise
17 Target Corporation in matters related to international
18 trade and customs, including those related to the
19 importing of products for our stores.

20 Target is an upscale discount department
21 store, not a craft store. The non-craft segment of
22 ribbon sales is a different kind of business than what
23 you've heard about from Michaels and Hobby Lobby. For
24 Target, most of our ribbon business is seasonal. That
25 means that over three times as much ribbons is

1 purchased for the holiday season -- for holidays --
2 than for non-holiday purposes. The predominate
3 holiday season for Target is Christmas and New Year's.

4 The Petitioners' parent company is an
5 extremely important supplier for Target for ribbons
6 and other related merchandise, such as gift bags,
7 tags, embellishments, and gift wrapping. We were
8 frankly surprised when this petition was filed because
9 our ribbon imports and the prices set for those
10 imports are largely determined by Berwick. The orders
11 we place with Berwick include U.S.-made and imported
12 ribbons. In many, but not all instances, Target acts
13 as the importer of record for the imported ribbons.

14 We've also looked at the data for our
15 domestic buys from Berwick and have determined that a
16 sizable portion of that ribbon is also imported, even
17 though we purchase it domestically. We estimate that
18 in each of the years covered by this investigation,
19 2007 to 2009, over 40 percent by value of our domestic
20 ribbon buys from Berwick were imported ribbons for
21 which Target was not the importer of record.

22 Because of the long lead time associated
23 with imported ribbon orders, these trade remedy
24 proceedings had a very limited impact on Target's
25 ribbon purchases in 2009. That is because the

1 petition was filed in July 2009. The majority of the
2 purchase orders for 2009 were already delivered. And
3 that said, Target would not know if Petitioner
4 redirected the domestic orders.

5 Let me speak for a moment about pricing.
6 Our product mix is constantly changing to address
7 marketing trends. Products such as ribbon would
8 generally turn about every six weeks. For example,
9 ribbon sold in one season in a roll with six other
10 types of ribbon may or may not be available the next
11 year. It's most likely that the color, the number of
12 ribbons on a spool, or the composition will be
13 modified from program to program so that Target is
14 constantly offering a new and exciting product to its
15 guests.

16 That means that not only is it difficult to
17 compare supposedly identical products, but it's also
18 inappropriate to consider price alone in making
19 comparisons. Much more goes into pricing than simple
20 square yards. The packaging, the fiber, and other
21 design factors like handling issues all go into the
22 mix.

23 Importantly, though, for the products
24 provided by Berwick, Berwick not Target sets almost
25 all of these prices, makes decisions about where the

1 products will be manufactured, and whether the product
2 will be imported or produced domestically. As a
3 result, we do not believe that the Commission can find
4 that imported ribbon is under selling or suppressing
5 the prices of domestic ribbon.

6 I would be glad to take any questions that
7 you have.

8 MS. JACOBS: That concludes our
9 presentation.

10 COMMISSIONER LANE: Mr. Cannon, is that all
11 of the Respondents' presentation?

12 MR. CANNON: Yes, Madame Chairman. That
13 concludes the entire panel.

14 COMMISSIONER LANE: Okay. Thank you. We'll
15 begin this afternoon's questioning with Commissioner
16 Pearson.

17 COMMISSIONER PEARSON: Thank you, Madame
18 Chairman. and permit me to welcome the afternoon
19 panel. I appreciate your persistence and am glad to
20 see you decided to stay with us.

21 This may be a question for counsel, but this
22 morning we had a discussion with Petitioner about the
23 question of whether ribbon prices were suppressed by
24 imports prior to the period of investigation. Do you
25 have an opinion on that? Should we consider that, and

1 if so, how? What does the law tell us?

2 MR. CANNON: I'm not trying to step on
3 Brenda or David's toes here. Price suppression,
4 typically, in precedent when you see that is when you
5 have a cost price squeeze. and so the elements of it
6 is not simply one dimensional. You can't only look at
7 the domestic price. It isn't, as in the case of say
8 price depression you might see a downward trend and be
9 able to conclude that prices that are going down,
10 price suppression a component is always what's the
11 trend in prices. And therefore, to look back into the
12 distant past for which we have no data it takes you
13 outside of any case, at least I've ever read.

14 You have no precedent for looking beyond the
15 three-year period. And by definition, when you're
16 looking at suppression, the notion is that the
17 domestic producer is unable to raise its prices to
18 cope with rising costs. Now, as you know in this
19 case, at least the unit cost, whether as a unit or as
20 a percentage of revenue, either way, the unit cost is
21 declining, unit cost of goods sold. And so we, at
22 least, believe you can't find price suppression.

23 COMMISSIONER PEARSON: Okay. Thank you.

24 MR. ELLIS: Commissioner Pearson? I'm
25 sorry. This is Neil Ellis.

1 COMMISSIONER PEARSON: Please. Go ahead.

2 MR. ELLIS: If your question is whether or
3 not there would be reason to extend the POI further
4 back, in effect, to look for whether suppression was
5 occurring before this, the petition?

6 COMMISSIONER PEARSON: Well, I didn't
7 understand Petitioners to be requesting that we extend
8 the period of investigation, so I wasn't suggesting
9 that, but please continue.

10 MR. ELLIS: But it sounded from what I
11 heard this morning, if technically they weren't saying
12 extending the POI, they were at least saying
13 suppression had been going on for a long time, much
14 longer than the three years that we have data for.
15 But we don't really have data going back -- you don't
16 have sufficient data to know whether or not
17 suppression was occurring over a long time period.

18 And so if this were a case where it would be
19 appropriate to look at a longer time period, you don't
20 have the data in which to do it. There's no reason to
21 know why it would be appropriate to do that. Thank
22 you.

23 COMMISSIONER PEARSON: Thank you.

24 MR. PARK: Commissioner Pearson, I'd just
25 like to add -- David Parks from Akin Gump. On the

1 same note in terms of your questions about from a
2 legal perspective, we think that the trends actually
3 go to causation. And when you see that there are
4 trends, it actually shows what is causes the trends.
5 That is part of the analysis. And to just simply say,
6 well, you can't really see it because the price
7 affecting it has been there for a long time I think
8 you then lose the causal connection.

9 I think earlier this morning you heard from
10 Berwick that they're a sophisticate company that has
11 been importing for a number of years. They've been in
12 this business for quite a long time. Along with
13 implication, the trade limited loss has been around
14 for a very long time and Petitioners, of course,
15 determine when they file a case.

16 If this was a case -- or if there were
17 dumping or a causation that happened a number of years
18 ago, they had that opportunity to file their case a
19 number of years ago when they could have showed a
20 causation. But simply to come here today and say
21 everything happened in the past and you should accept
22 it as such, I think you lack the legal causation
23 that's necessary for your analysis today. Thank you.

24 COMMISSIONER PEARSON: Okay. Thank you.

25 Now, apparently, the Department of Commerce

1 has concluded that there are no non-subject Chinese
2 producers in this case. Can you give an assessment of
3 how that might affect our analysis of volume?

4 MR. CANNON: Certainly, if you turn to the
5 charts that appear in the staff report, and just take
6 an example, I would refer to the apparent domestic
7 consumption table.

8 COMMISSIONER PEARSON: Are you in the C
9 table, or you're somewhere else?

10 MR. CANNON: You know I didn't do the math
11 on the page with the C table. I just scribbled it on
12 the bottom of that page, 4-17.

13 COMMISSIONER PEARSON: Okay.

14 MR. CANNON: Table 4-9. So if you look at
15 that one, for example, you see the percentage import
16 market share. And if you scan down, you see subtotal
17 subject, right? And you can see those percentages by
18 volume or value, right? If you simply add the number
19 right below it, so for example, subtotal subject 2007
20 there's a percentage there. And then right under it,
21 kind of comma non-subject. In the final staff report,
22 that number will be subject and that's their change.

23 COMMISSIONER PEARSON: Okay. So, if I look
24 at the pre-hearing briefs, would you --

25 MR. CANNON: We won't change anything.

1 What will happen is the bars in the chart will be a
2 little bit taller, but the slope will be exactly the
3 same and it might be a little more -- there might be
4 slightly more increase in non-subject. But under the
5 subject, it'll look the same.

6 COMMISSIONER PEARSON: Okay. Any other
7 comments on that?

8 (No response.)

9 COMMISSIONER PEARSON: Okay. Are you making
10 an argument regarding cumulation for purposes of
11 threat, the domestic industry would have us stimulate
12 the two countries?

13 MR. PARK: Commissioner Pearson, this is
14 David Park again. On behalf of the Taiwanese
15 Respondents we did make the claim and we believe that
16 we have a group of documents in our pre-hearing briefs
17 that we do have addressing further questions or
18 address it further in our post-hearing. A lot of the
19 information regarding the different trends are
20 proprietary, so it may be addressed there. But we do
21 have the answer --

22 COMMISSIONER PEARSON: So it's safe to say
23 that nothing you heard this morning from the domestic
24 industry has changed your view regarding cumulation.

25 MR. PARK: That's correct.

1 COMMISSIONER PEARSON: Okay.

2 MR. CANNON: We agree. We also are not
3 throwing in the towel based on their statement.

4 COMMISSIONER PEARSON: Okay. Now, in their
5 pre-hearing brief, the domestic industry argued that
6 imports in China and Taiwan would quickly reenter the
7 U.S. market absent the discipline that's been provided
8 by the preliminary duties. What's the probability
9 that imports would reenter the U.S. market back to the
10 pre-2009 levels if the duties were removed -- why
11 should we think that wouldn't happen? That might be
12 the better way to express it.

13 MS. JACOBS: I think one example you should
14 look at with respect to China, as you may recall or
15 the staff certainly would, that during the
16 preliminary, the Petitioner made a strong argument
17 that the absence of quota on China would result in a
18 surge because the quotas had ended on December 31,
19 2008. In fact, there was no surge. The trade
20 continued just to go down in 2009. And in fact, when
21 you looked at the trade during the earlier period, it
22 was clear that the quotas had never been restrictive,
23 that they were quite irrelevant and that there were
24 other factors that were making this product less
25 likely to be sold in the U.S. market. It wasn't the

1 fact that there was quota. So I think that provides
2 one indication that we're unlikely to see a change.

3 The other would be if we look at the margins
4 that we're seeing from Taiwan on the subject imports,
5 not particularly large, not necessarily ones that are
6 likely to impact the market. So it's hard to imagine
7 that there will be any real change.

8 MR. CANNON: The only footnote that I would
9 add, and I think those are excellent points, is that
10 at least we do not concede that there was any decline
11 in 2009 to any extent caused by the filing of the
12 petition. And the preliminary margins were not put in
13 place until December on countervail and February of
14 this year on dumping, and so there's no trend from
15 2009 that has anything to do with the petition itself.

16 COMMISSIONER PEARSON: Right. And I think
17 you had indicated earlier that with the buying done
18 months in advance you wouldn't expect to see much of
19 an affect from the orders in 2009, that's correct?
20 Okay. I don't want to put words in your mouth.

21 MR. CANNON: It would be not only in our
22 mouths, but I believe this morning in the mouths of
23 the Petitioners' witnesses who have conceded in their
24 buying cycle is just as long.

25 COMMISSIONER PEARSON: Okay. Thank you.

1 MR. CANNON: For twelve months.

2 COMMISSIONER PEARSON: My time has expired.
3 Madame Chairman, back to you.

4 COMMISSIONER LANE: Commissioner Aranoff?

5 COMMISSIONER ARANOFF: Thank you. And
6 welcome to everyone on the afternoon panel. We
7 appreciate your being here and answering our
8 questions.

9 I'm struggling with the idea that you guys
10 are so much better tapped into the very tricky talent
11 of predicting trends than the Petitioners are when you
12 all have designers on staff and they're all looking at
13 the same things. Do you think you're really better at
14 it, or is there something else going on?

15 MS. FREEBERN: Hi. I'm Melissa Freebern,
16 Hobby Lobby. I honestly can say I think we are
17 better. We have a 61-person staff that spends day and
18 night working on art shows and art for all products.
19 And as you can see on all these blackboards that I've
20 brought what differentiates Hobby Lobby in the market
21 is that we can coordinate all types of products across
22 our store.

23 A customer can come in and set up their
24 whole parties from invitations to party ware to gift
25 wrapping with everything that we coordinate. And if

1 we bought Offray's designs, it would not be as color
2 coordinated or a theme as we would like it to be. And
3 that alone separates us from everybody else. And we
4 all don't have the same designs out there for the
5 customers to buy. Nobody wants to go to Michaels and
6 Jo-Ann's and see the exact same thing in their craft
7 stores that we have on the shelf. So I feel that we
8 do do a better job than them at that with the staff
9 that we do have.

10 COMMISSIONER ARANOFF: Okay. Let me ask a
11 couple of follow-up questions.

12 MS. FREEBERN: Okay.

13 COMMISSIONER ARANOFF: First of all, there
14 where you have -- your sale of these collections at
15 different coordinate products those are not all made
16 by a single vendor, right? You're buying the ribbons
17 from a ribbon factory and the other pieces from
18 someone else?

19 MS. FREEBERN: Right. No one factory could
20 produce everything. But when we have control over our
21 own designs, we can make sure that the colors do
22 coordinate. If we rely on another company outside to
23 do that, we don't know that the color that they're
24 going to strike off is going to be the same with all
25 of the products.

1 COMMISSIONER ARANOFF: So once you design a
2 collection like that, and you know that those are the
3 products that you want, and you've got the colors and
4 the designs that you want together have you ever taken
5 one of those to any of the domestic producers and
6 asked them whether they can produce the ribbons piece
7 of it, and have you ever said no?

8 MS. FREEBERN: We have not done that in
9 ribbon printing. But we have asked for a design
10 specifically for a bow. They weren't prints. They
11 were solid designs to be manufactured and those
12 designs were actually sourced out by the United
13 States. They were a new style of ribbons. We had two
14 of them in the last year to two years that we asked
15 them to manufacture and they chose to do that in
16 Taiwan instead in a United States factory. We did not
17 tell them to do it in Taiwan. But as for prints, we
18 have not given them our prints and we will keep it in
19 house.

20 COMMISSIONER ARANOFF: Okay. Let me ask the
21 other retailers to answer that. Have you taken your
22 designs and gone to domestic producers and ever have
23 them say, sorry, we don't make that color or we're not
24 capable of weaving that design or anything along those
25 lines?

1 MR. MITCHELL: In our instance, I can't
2 answer that question directly, but Michaels is
3 invested in infrastructure and expertise to be able to
4 come up with the types of products that you see in
5 front of you. And that means that we've actually done
6 a great deal of the work that traditionally a vendor
7 would have done.

8 There isn't an enormous amount of value at
9 that point to add an extra layer into the process, to
10 add the inefficiencies, to add another link into the
11 communications. If we start the process, we might as
12 well see it all the way through to the end.

13 COMMISSIONER ARANOFF: No, I understand that
14 with respect to direct imports because that's sort of
15 separate from the question that I'm asking. You know
16 if you've taken a design to your domestic producer and
17 said we'd like you to make this for us and they've
18 said, sorry, we don't do that metallic thread or we
19 can't weave that -- you know, we don't -- on principal
20 won't put Santa Claus on a ribbon or whatever the
21 problem is. Anybody?

22 MR. MITCHELL: Michaels has not
23 specifically asked that question, but in our instance
24 we build proprietary design and those end up staying
25 proprietary, and that's the point.

1 MR. PAULEY: This is Garth Pauley from Jo-
2 Ann Stores. In Jo-Ann's specific situation, we have
3 taken some of our proprietary designs to vendors that
4 we considered domestic vendors. At that time we do
5 not ask where they will be sourcing the materials, so
6 we have no knowledge that they will or will not make
7 it domestically. But we have taken our designs to a
8 domestically-purchased vendor and then they have
9 sourced it for us.

10 COMMISSIONER ARANOFF: Okay. Let me turn to
11 a slightly different question then and ask. This came
12 up this morning. So those of you here who purchase
13 narrow woven ribbon, how many of you either purchase,
14 use online auctions or other sort of bidding events.

15 MR. PAULEY: Jo-Ann Stores does not use
16 that method.

17 MS. DEMBSKI-BRANDL: Target Stores does not
18 use that method.

19 MR. MITCHELL: Michaels does not use that
20 method.

21 MS. FREEBERN: Hobby Lobby does not use
22 auctions either.

23 MS. BUCKLIN: Costco does not use auctions.

24 COMMISSIONER ARANOFF: Okay. So all of you
25 are using something like the process that the

1 Petitioner described to us this morning where you sit
2 down with the vendor and go through, you know, SKU by
3 SKU, looking at the product, talking about the prices
4 in a face-to-face type of a negotiation? Is that a
5 fair characterization of what people are doing?

6 MS. FREEBERN: Yes, for Hobby Lobby that
7 would be correct.

8 MS. DEMBSKI-BRANDL: Target at any one time
9 has 60,000 to 100,000 SKUs, so I really doubt -- I'm a
10 lawyer, so I really doubt it would be just the one-by-
11 one and negotiates them, but I do know that it is a
12 face-to-face conversation based on an assortment or a
13 program.

14 MR. MITCHELL: Michaels' process is
15 somewhat similar to what Berwick outlined, pretty
16 close.

17 MR. PAULEY: Jo-Ann Stores' process is very
18 similar to what Berwick outlined.

19 COMMISSIONER ARANOFF: Okay. One of the
20 things I was asking about this morning was there seems
21 to be a portion of the market, and I don't know if any
22 of you can estimate how big it is, but a portion of
23 the market where the product -- where the ribbon
24 ultimately is given away for free because it's being
25 used to wrap something I guess it would be the most

1 typical situation. Are the condition of competition
2 in that part of the market different? Are people who
3 are purchasing something they're going to give away
4 for free more concerned about price, less concerned
5 about durability, or have different considerations
6 that drives the purchasing?

7 MR. VAUGHN: Charles Vaughn, MNC
8 Stribbons. I can respond to that. The end of the
9 market, which you're referring to, I believe Berwick
10 referred as to the "industrial end of the market."

11 COMMISSIONER ARANOFF: I'd probably say it
12 was a subset of industrial because I won't include
13 this as giveaway if you've sewn it onto a pillow and
14 then sold the pillow or something like that.

15 MR. VAUGHN: I agree. I think they refer
16 to industrials pretty much as anything other than
17 retail was my take on it, and it is certainly a
18 subset. The account which I referred to in my
19 testimony and said, look, I'm sorry, I just can't go
20 there was, in fact, lost by me this year and it is a
21 giveaway item on a box which they give away to their
22 customers.

23 They threatened us with taking it out to
24 auction. We said, look, we're not going to
25 participate. We did that once several years ago and

1 it was thoroughly unsatisfying, Berwick won the
2 action, incidentally. And we decided we weren't going
3 to do it any more. So we've made a corporate
4 commitment that we won't participate in auctions, and
5 I think that's the end of the market. I hope it was
6 responsive to your question.

7 COMMISSIONER ARANOFF: Yes. That is
8 helpful. Thank you. One of the things I've heard --
9 I can't remember who testified to this this afternoon
10 was that you don't think that the domestic industry --
11 or I think the person who was testifying said Berwick
12 in particular has a quick turnaround advantage
13 compared to importing because even though it takes
14 much longer to ship a product from overseas there
15 seemed to be some production efficiencies that make up
16 for that; is that true of the other large domestic
17 producer as well?

18 MR. LODGE: Tom Lodge, Liberty Ribbons. I
19 don't have any specific knowledge on the other large
20 domestic producer, but through Berwick's own testimony
21 and information that's already in the record, we do
22 know about their different facilities and the
23 coordination that's required between them. So that's
24 all I can really speak to.

25 COMMISSIONER ARANOFF: Do you have, you

1 know, ordering experience? I mean I'm trying to
2 figure out if this is just sort of an informed opinion
3 based on their production model or whether you
4 actually have experience at trying to order something
5 on what you would consider short turnaround and have
6 had a more successful time getting it from subject
7 countries.

8 MR. LODGE: Most of the information that I
9 received is the antidotal information from our
10 customers that have come to us because of our
11 reputation for being able to turn something around
12 very quickly, whether that's in our own production
13 facility in Cherry Hill for the cut edge ribbon or for
14 ribbons that we design and bring in from overseas.

15 COMMISSIONER ARANOFF: My time is up. So
16 thank you all for your answers.

17 COMMISSIONER LANE: Commissioner Williamson?

18 COMMISSIONER WILLIAMSON: Thank you, Madame
19 Chairman. I do want to express my appreciation for
20 the witnesses for sticking around and being available
21 to us this afternoon.

22 Mr. Lodge, just to finish up with you, I
23 got -- you talked about the inefficiencies, I guess,
24 Berwick having the three different sort of sites,
25 shall we say, and I just trying to figure out why is

1 that any more efficient or why does that take any more
2 time than having to order things from overseas,
3 particularly, I guess if somebody produces something
4 overseas someone may want to examine it before they
5 ask for the final run. So I was just curious as to
6 how significant -- I mean how much significance do you
7 attach to that in this case?

8 MR. LODGE: With all of our overseas
9 factories, we can usually turn a significant order for
10 any of the high-end retailers in 30 to 40 days from
11 the time that we have a producible design. At that
12 point, it then goes on the water and that can be 21 to
13 35 days. And we have heard repeatedly from our
14 customers that that delivery window does, in fact,
15 very much favorably compare to the Berwick delivery
16 for a custom product.

17 If it's a product where a customer comes to
18 us with a concept, we don't pretend to try to predict
19 the trends. All we do is take the trends that our
20 high-end retailers come to us with, produce a design
21 that's technically able to be reproduced, whether it's
22 the number of yarns, the type of yarn, the type of
23 weave construction and get that moving in a very
24 timely way.

25 Our customers also have access to somebody

1 who has technical expertise in our organization 24
2 hours a day really because I get calls at all hours
3 for specific changes in the design structure, and
4 that's were I think we offer the advantage over
5 Berwick's ability to react. And that's why even with
6 the on-water time we can compete very favorably with
7 them.

8 COMMISSIONER WILLIAMSON: Okay. Because I
9 was just wondering, having the factories there seems
10 to be a lot of very small, almost like Mom & Pop
11 operations in their factories. That's why I didn't
12 understand, you know, what was inherent in these
13 structures.

14 MR. LODGE: Well, when you have multiple
15 facilities -- my old company, Delaware Ribbon -- I
16 have experience with this. We grew and we added
17 facilities as we grew. And we were dazzled by
18 automated equipment and we spent millions of dollars
19 on that automated equipment. In retrospect, and with
20 the benefit of hindsight, what I would have done was
21 try to consolidate these in a rational operation where
22 instead of packing, unpacking, scanning the inventory,
23 unscanning the inventory and having redundant
24 personnel at each facility and the queue time that's
25 associated with the loading and loading and packing

1 and unpacking and tracking and relieving of inventory,
2 I would have started there. The time that it adds is
3 very significant.

4 And also the timing, not knowing what's
5 going on between the two facilities can cause problems
6 such as missing components where you can't go any
7 further because you're missing one key element of the
8 product. The list can go on and on.

9 COMMISSIONER WILLIAMSON: Okay. Okay.
10 Thank you for that clarification. Petitioners this
11 morning argued that there had been -- I don't think it
12 was the historical argument. It was just during the
13 period of investigation there had been price
14 suppression. And I was wondering what -- most of the
15 answers we heard earlier were always talking about
16 this historical thing, so what about the current
17 period of investigation? Any response to the argument
18 of price suppression there?

19 MR. CANNON: I think it's a little
20 difficult at least from my witnesses not having seen
21 the confidential data from the domestic industry, but
22 if you simply look at table C in the back, the costs
23 per unit are declining and the unit COGs, cost of
24 goods sold, and the average unit value for the whole
25 domestic industry is also declining.

1 If you then look at that gap, which
2 translates to profitability, in our view it's not
3 substantial. It is a slight decline. And in fact, as
4 we discuss in the brief, it's not due to cost of goods
5 sold. It's due to below the line costs, the fact that
6 there are profitability changes.

7 In addition to that, if you look at,
8 specifically that top line, that revenue line that
9 average unit decline isn't a decline if you take into
10 account -- what if I lay out in the post-hearing?

11 COMMISSIONER WILLIAMSON: Okay.

12 MR. CANNON: I mean it's covered in the
13 pricing section in our brief. And I believe one of
14 your questions went to this, but I think I'm going to
15 constraint by brackets.

16 COMMISSIONER WILLIAMSON: Okay. No, that's
17 fine. No, thank you. I'll look forward to seeing
18 your post-hearing.

19 MR. CANNON: Almost as a matter of math,
20 yes, the decline is parallel. In other words, as
21 their costs fell, so they lowered their price to match
22 with their cost, but there's no suppression. There's
23 no squeezing, all right. There's no cost price
24 squeeze there.

25 COMMISSIONER WILLIAMSON: Okay.

1 MR. PARK: Commissioner, David Park again.
2 Just to add to that point, our understanding was that
3 Petitioners' argument -- well, the argument that we
4 had been making was that there were really no adverse
5 price affects. And their argument -- their countered
6 to that because you couldn't see that many trends, an
7 account for that was, well, you can't really see the
8 trends because prices have been suppressed all along.
9 So that was the point that we were addressing. They
10 were saying, well, you can't see the trends because
11 they were suppressed all throughout, and so the trends
12 have been in existence from before the filing of the
13 petition.

14 And so our point just now was that part of
15 the analysis through the trend analysis, so that's the
16 Commission's analysis to show causation. You can't
17 simply say, well, you can't see any trends because it
18 was in existence prior to the POI. That was the point
19 that we were trying to make today.

20 COMMISSIONER WILLIAMSON: I guess the
21 question might be, just looking only at the period of
22 investigation with the prices -- you know, the selling
23 prices had been higher if the import competition
24 wasn't there, or the prices of the imports were
25 different. So I think -- I mean you can -- in other

1 words, the question, and actually, the question I was
2 posing was what about that argument?

3 MR. PARK: This is David Park again. I
4 think our argument is you can't see any -- we can't
5 draw any conclusions and show there was any price
6 suppression, or that it would have been higher but for
7 the imports. In other words, the imports there's no
8 relationship that we can see, or that Petitioners have
9 shown that prices would have been higher, except for
10 the imports. So the answer we don't think there's any
11 connection that prices would have been different.

12 COMMISSIONER WILLIAMSON: Okay. So you
13 disagree with Petitioners.

14 MR. PARK: Yes. That's correct.

15 COMMISSIONER WILLIAMSON: I'm sorry,
16 Mr. Vaughn?

17 MR. VAUGHN: Yes, sir. I really can't
18 think or argue one way or another in terms of the
19 legal arguments here I'm not sure what to advise, but
20 I can give you some anecdotal information. And I also
21 made a living, like Mr. Lodge, it's polypropylene
22 ribbon and I made it in another life in another
23 company.

24 We were competitors of Berwick's, which as
25 that point was separate from CM Offray. And Berwick

1 made the decision at some point in our competition
2 that they were going to drive us out of the market,
3 that they were going to maintain or enhance their
4 market share by aggressively pricing every account
5 that they knew we were in.

6 And we oftentimes laughed because, you know,
7 we were keeping prices the same and these guys were
8 leaving so much money on the table by aggressively
9 pricing it down. I don't think -- the feedback loop
10 between a customer and a supplier is not always a good
11 one, so you don't really know what the other supplier
12 is doing, and they tended to really overact. And I
13 sense that much of that is happening today in regard
14 to NWR.

15 You know we tend to take the position of,
16 okay, we're going to hold our price as I was
17 explaining with this other account that we've recently
18 lost. It was very large account. It was a six-digit
19 account. We didn't want to lose it, but I suspect
20 that they may be involved in it. I'd very interested
21 in providing you the name post-hearing and you can
22 check it out with them. It wouldn't surprise me if
23 they were the winning party in that.

24 COMMISSIONER WILLIAMSON: But the behavior
25 you're talking about is that prior to the period of

1 investigation awhile ago.

2 MR. VAUGHN: Well, no. It's in 2010, yes.
3 Right, so this year, subsequent to the period of
4 investigation.

5 COMMISSIONER WILLIAMSON: You mean the
6 example you first cited?

7 MR. VAUGHN: The first example, yes, not
8 the polypropylene.

9 COMMISSIONER WILLIAMSON: Okay. Thank you.
10 My time is expiring, so thank you for those answers.

11 COMMISSIONER LANE: Commissioner Pinkert?

12 COMMISSIONER PINKERT: Thank you, Madam
13 Chairman and I thank all of you for being here today
14 and taking time out of your business schedules to help
15 us understand what's happening and what's likely to
16 happen in this industry. I noted a comment that Mr.
17 Cannon made just a little while ago that he was
18 talking about the trend of unit costs in the industry.
19 And I'm wondering, does this panel have a view of
20 what's driving the trend in unit costs for the U.S.
21 industry? And then I'll get to my follow-up, which
22 is, is that trend likely to continue in the near
23 future?

24 MR. VAUGHN: I would suggest that the
25 Commission might be well served to look at the

1 polyester, cost of polyester prices, the raw material
2 component of the majority of ribbons, which are
3 produced by the Petitioner. World market, the cost of
4 polyester has fallen and certainly that's the largest
5 single component of ribbon. I would suspect there is
6 some other perhaps local concessions that they have
7 won from the municipalities that they are located in.
8 Threatening to leave the community is always a good
9 way to shake a few shekels out of somebody's pocket.

10 COMMISSIONER PINKERT: Any other comments on
11 that issue on the panel?

12 MR. CANNON: I suspect that Petitioners
13 might want to address that in their post-hearing, but
14 we can certainly look at raw material costs. I think
15 that the same is true with regard to nylon, polyamide,
16 and also basically plastics. Raw materials cost all
17 fell in 2009.

18 COMMISSIONER PINKERT: You heard the
19 testimony earlier that these cost-saving expenditures,
20 these efficiency expenditures were helping them stay
21 ahead of the curve and they stated that they couldn't
22 keep doing that. And so I'm wondering if you have
23 either information about the cost that might help me
24 to evaluate that claim or information about the
25 processes that are claimed to be keeping those costs

1 going down, so that I can evaluate the claim.

2 MR. CANNON: Without trying to -- I mean,
3 Brenda and David wanted time in here, but if you look
4 at the capital expenditures in Table 6-1, which is a
5 confidential number, it's not very large and you can
6 see the trend is downward. And they're not spending a
7 lot on capital because these weaving machines. Newer
8 weaving machines are 30 years old and they are long
9 paid for and they sit there and run. And this, as
10 they said, is a well-established technology for which
11 they don't need to spend a lot of money to run these.

12 MR. VAUGHN: Excuse me, Commissioner. I
13 hate to disagree with my counsel, okay. You know, we
14 try to --

15 MR. CANNON: It's worse if it goes the other
16 way around. They're not 30 years old?

17 MR. VAUGHN: Well, I don't know how old they
18 are. It's confidential. And I've never visited their
19 factory, so I can't tell you. But I can tell you that
20 I just came from the ITMA show in Shanghai, okay, and
21 there's lots of new machinery out there, contrary to
22 what you heard the Plaintiff saying this morning.
23 There's a shuttle bloom out there that runs at 2,200 -
24 - or 2,200 picks per minute, which is a huge amazing
25 increase over some of the machinery that's out there.

1 Some of the new Meuller stuff, you can automatically
2 print as the machine is weaving and setting the yarn.
3 You can print a heat transfer printing onto it.
4 There's some new dye ranges out there that are
5 terrific for short-run production.

6 If you look at the kind of machinery that
7 they had in their display, which they graciously
8 showed -- that was the first I'd seen of anything in
9 their factory, but I was impressed by the size of the
10 huge dye vessel that they have there. From my
11 experience in dyeing, that's about a 2,000 pound
12 kettle. It's not very good at running short-run
13 production like we run, but it's a heck of a way to
14 run a very large amount of yarn or a yarn dye product
15 that would be sold to like a retailer. But, it's not
16 to the industrial end of the market or the small end
17 of the market. My dye vessels are 150 pounds. That's
18 the maximum I could dye at any one time.

19 So I think you have to listen to what they
20 say and ask some follow-up questions about what are
21 they actually doing to determine what the state of
22 technology is. Mr. Deese is a nice man and I am
23 impressed with his years of service to Berwick. But
24 if he's not going to these shows, he's not staying
25 current. It's no surprise that technologically, the

1 company might be falling behind.

2 COMMISSIONER PINKERT: Thank you. Now,
3 going again to something that Mr. Cannon said in his
4 statement earlier, I'm just interested to know whether
5 it's your view or the view of any of the lawyers on
6 the panel that the Commission can't find present
7 injury in a case where subject import market share is
8 stable and prices are not declining.

9 MR. CANNON: I was going to wait and see if
10 Charley was going to correct me.

11 (Laughter.)

12 MR. CANNON: Okay, subject import markets
13 are stable and prices are not declining.

14 COMMISSIONER PINKERT: I think that's --

15 MR. CANNON: I believe it's more complex
16 than that. We still need to know trend in unit cost
17 of goods sold and we need to know something about
18 causation. But are prices sensitive -- is it a price
19 sensitive market such that there is some suppression
20 perhaps going on. And so -- you know, I have to keep
21 my options open here. I could be on the other side of
22 the room. No, I think in truth, right, there's more
23 than two variables by statute and by your model. And
24 so I couldn't say purely on stable market share and
25 stable or increasing even prices. That means no

1 injury. I think you also have to factor in what's
2 happening on the cross side as well and also the
3 linkage, is there causation.

4 COMMISSIONER PINKERT: I saw Mr. Ellis's
5 head go up back there. I am interested to know what
6 he has to say about this.

7 MR. ELLIS: Yes, thank you. It's volume
8 price and impact and you've said in your hypothetical
9 there that volume is stable and price is improving.
10 So two of three legs are up, of the fundamental legs
11 that you look at. It looks like you're not leading
12 toward a current material injury determination. As
13 Jim said, there may be complexities that would lead
14 you to the other direction. But the cases that I'm
15 aware of, where you have that situation, it's very
16 hard to reach an affirmative determination.

17 COMMISSIONER PINKERT: Now, you also heard -
18 - and this is a question for the entire panel, not
19 just the lawyers -- you also heard an argument about
20 how the domestic industry was significantly
21 underperforming complementary industries that are
22 suppliers to the same end uses. And I'm wondering not
23 so much about other cases that we've had here at the
24 Commission, but just in terms of logic and common
25 sense, is that a meaningful comparison? Is that

1 something that we should be looking at?

2 MR. CANNON: I would point out first that
3 Berwick's parents, CSS, a publicly-trade company, is a
4 supplier of complementary products. They supply all
5 of these things, all of -- not simply ribbons, but all
6 the various other decorative items, including I think
7 the tissue. In the tissue paper case, I think they
8 were sitting on our side of the room. And if you look
9 at their annual report and at their profit performance
10 for the fiscal year ended March 2010, they had a loss.
11 So they actually did worse than the ribbon business.
12 So I question first of all your comparison in terms of
13 complementary products and looking at them. Secondly,
14 I don't -- although I might like to argue it, an
15 industry peer type argument, I've searched my -- sort
16 of racked my brain for any case where you ever have
17 done that.

18 MR. MITCHELL: This is David Mitchell from
19 Michaels. They actually referenced comparing volumes
20 to Michaels in their statement and I just think it's
21 personally a little hard to generalize from such a
22 small subset of our business to the total and then to
23 extrapolate that to the entire industry. I just --
24 it's really hard for me, understanding Michael's
25 business internally, to make that generalization.

1 COMMISSIONER PINKERT: Thank you. Thank
2 you, Madam Chairman.

3 COMMISSIONER LANE: Thank you. We thank you
4 for this panel being here this afternoon. I would
5 like to start off with the question that I asked the
6 Petitioners. I asked the Petitioners if they were
7 able to produce all of the product ribbons that the
8 consuming public in the United States wants and I
9 think their answer is yes and they're going to provide
10 specifically in post-hearing. So I would like -- Mr.
11 Cannon, what is your response to that question and any
12 of the rest of the panel that wants to chime in?
13 Maybe we should let your client answer.

14 MR. CANNON: That's what I was going to do.

15 COMMISSIONER LANE: Okay, yes. The client
16 is always right, right?

17 MR. CANNON: So we will start with Joe.

18 MR. DUFFEY: I would say that as I listened
19 to that question this morning, it struck me as do you
20 have the capacity to meet the yardage of demand in the
21 U.S. --

22 COMMISSIONER LANE: Yes, that was my
23 question.

24 MR. DUFFEY: -- is your question. I would
25 have no way of knowing what their capacity of yardage

1 output is. What struck me in your question was two
2 things. One is they're willingness to meet the
3 multiple segments of buyers in the marketplace that
4 have very distinct needs from the traditional market
5 served by both, in terms of the service and support
6 and timeliness of delivery. So having the capacity to
7 put out the yards, I would have no way of knowing
8 that. Having the willingness to meet that different
9 needs of different market segments is something that I
10 would say is highly suspect because as you listen to
11 the four of us, none of us are truly competitors with
12 each other. We all sell ribbons. None of us even
13 step on each other's toes in our bidding process. In
14 my case, I never bid. I've never imparted even a
15 direct quote. I don't even quote ribbon. We have a
16 list price for our product. We only sell at list
17 price. We never discount. So I would say that the --
18 so their willingness to meet the market.

19 And then I would say that even if you could
20 service that market, then the question is, you have
21 the challenge that I have, in that you have to go out
22 and get that customer, which is distinct from being
23 able to produce a ribbon, is being able to find the
24 customer at a time that they want to buy, which we
25 spend an enormous amount of time and effort going and

1 getting our customers. Almost every day of the year,
2 we're fighting the marketplace to get new customers.

3 COMMISSIONER LANE: Okay, thank you.

4 MR. PARK: Commissioner Lane, this is David
5 Park.

6 COMMISSIONER LANE: Yes.

7 MR. PARK: Sorry. I believe the comment you
8 had -- the question you had raised was in reference to
9 a comment that we had made in our brief and while the
10 numbers of proprietary, our numbers were based on the
11 numbers in the pre-hearing staff report, which
12 confirmed, based on the report of capacity, that they
13 would not be able to cover all demand. Because the
14 numbers are proprietary, we can address it again in
15 our post-hearing.

16 COMMISSIONER LANE: Okay, thank you.

17 MR. MITCHELL: David Mitchell from Michaels.

18 COMMISSIONER LANE: Yes.

19 MR. MITCHELL: From a product standpoint,
20 not a capacity standpoint or a production standpoint,
21 from Michaels' perspective I'm kind of curious, then
22 why would they have ever gone overseas so early in the
23 process to develop partnerships, if they could have
24 done everything domestically? And then one other
25 point is to the relative to Michaels' business, there

1 are certain segments, specifically the Christmas
2 seasonal segments that you see on the boards in front
3 of you, that Berwick has never really been a
4 significant player in. So there's definitely some
5 pieces of the business where they've not historically
6 been important.

7 MS. DEMBSKI-BRANDL: This is Toni --

8 COMMISSIONER LANE: Go ahead.

9 MS. DEMBSKI-BRANDL: This is Toni Dembski
10 from Target. Just again, I don't have access to their
11 proprietary data, so I don't know what their overall
12 capacity is. But I will tell you that at Target, the
13 very largest share of it is delivered right at the
14 holiday season. I look at a very narrow window of
15 time and our concern is that they may, over the course
16 of a year, have enough capacity, but that production
17 time has very much shrunk, especially among our
18 segment, which is a very large segment with our
19 competitors. We are all going to want that product in
20 our stores at exactly the same time. And we have seen
21 that in other industries where that demand bunches up
22 to a month or two out of the year; that, you know,
23 even though there's a lateral capacity, that
24 seasonality, sometimes a single facility isn't able to
25 accommodate that.

1 COMMISSIONER LANE: Mr. Lodge?

2 MR. LODGE: Yes. With regard to product
3 types, if you look at the boards here that are in
4 front of me, those ribbons look a lot different than
5 ribbons that Berwick Offray showed this morning. The
6 ribbons this morning were mostly satins, some yarn
7 dyed, and some prints. I didn't see much -- and a few
8 plaids. But if you look here, you see a lot of
9 metallic yarns in very different weave constructions
10 and I didn't see any of those on the boards today.
11 And I would be very surprised -- it would be worth
12 asking if they've ever made these particular styles of
13 ribbons in the past.

14 COMMISSIONER LANE: Okay. Yes, there in the
15 back. I'm sorry, I can't --

16 MS. BUCKLIN: That's okay. Shelly from
17 Costco.

18 COMMISSIONER LANE: Okay, go ahead.

19 MS. BUCKLIN: My concern also would be the
20 seasonality, since our business is in the fourth
21 quarter, 75 percent of our business, and that we need
22 that shipped all at once, that they cannot provide the
23 capacity.

24 COMMISSIONER LANE: Okay. Now, I have --
25 okay, Mr. Vaughn?

1 MR. VAUGHN: Madam Commissioner, I'm sorry.
2 This is a kind of follow-up to what Tom said. The
3 metallics that you see there can't be done effectively
4 in the United States for a couple of reasons. I used
5 to use tons of metallic material in a different
6 product entirely, but I'm very familiar with the
7 metallic producers in the United States. They are
8 triple the cost of what you can locate in Asia for the
9 same material. And the quality, although it's
10 excellent in the United States, is just as good in
11 Asia and, needless to say, they're manufacturing the
12 product everyday.

13 The other thing that I would say to the
14 Commission, it sounds as though Petitioner wanted to
15 just simply do a mathematical extraction for you; to
16 say, okay, I have the following numbers of looms, they
17 run at x number of picks per minute and they have so
18 many spaces and I can do so many yards per day and,
19 therefore, I can fulfill the demand. But what they're
20 not taking into account is the cost of changing over a
21 loom from one product to another and the downtime
22 associated with doing that. It's a very extensive
23 process to literally hand weave, as their own
24 admission, thousands of strands of yarns for one
25 machine, one-by-one. And it takes a lot of time and

1 that's one of the reasons that the product is -- the
2 capacity they're advertising is not going to be nearly
3 what the mathematical extractions are.

4 COMMISSIONER LANE: Okay. Now several of
5 you have raised -- in answer to my question, have
6 talked about the seasonality and you need the ribbons
7 during the proper season. Now I also think that I
8 heard that you design what you want several months in
9 advance. And so I am assuming that probably in June
10 or July, you place your orders for the upcoming
11 season. So following your own logic, if you went to
12 Berwick in May, after you had used your in-house
13 designers, and say this is what I want, would Berwick
14 be able to provide you the product that you want in a
15 timely fashion?

16 MS. FREEBERN: I'm Melissa Freebern, Hobby
17 Lobby. I have had one example on my mind, that
18 several years ago we did have some fall merchandise
19 that we needed in for a specific season and at that
20 time, it was only one or two SKUs. We were out during
21 that holiday season because they were out of stock and
22 could not ship us. So we missed the sales in that
23 peak season. So I find it very hard to believe that
24 if they had to take on all of the business in the
25 United States, that there would be no way that they

1 could do that in a timely manner, when they couldn't
2 do it with just a few SKUs that I was asking for.

3 COMMISSIONER LANE: Okay, thank you.

4 MS. DEMBSKI-BRANDL: Could I respond as
5 well? This is Toni from Target.

6 COMMISSIONER LANE: Yes, go right ahead.

7 MS. DEMBSKI-BRANDL: You know, if anyone of
8 us were standing in isolation in the market, your
9 point is well taken. But we don't stand in isolation.
10 Target has a competitor that's four times its size.
11 And so if its business runs at the same time or even
12 some of my competitors in this room, you have multiply
13 that effect times the multiplicity of retail stores in
14 the United States.

15 COMMISSIONER LANE: Okay, thank you.

16 MR. MITCHELL: David Mitchell. About your
17 time frame, Michaels Christmas ribbons orders were
18 placed in early April, so -- and I think that if you
19 asked each of us, you would find that our PO cut dates
20 were probably a little earlier than the June date that
21 you quote.

22 COMMISSIONER LANE: I just picked a June
23 date. I mean, I was trying to make the point that you
24 don't decide today that you need Christmas ribbons and
25 want to order by tomorrow, so I had just picked June

1 out of the air. But --

2 MR. MITCHELL: And a lot of the value that
3 Michaels asks of their vendors, in order to be
4 strategic partners with us, is that they should bring
5 us those concepts. And so it would really go against
6 our approach in terms of the value provided by
7 vendors. If we develop this, then the vendor, by
8 definition, didn't do their job.

9 COMMISSIONER LANE: Okay, thank you. My
10 time is up and will turn to Commissioner Pearson.

11 COMMISSIONER PEARSON: Thank you, Madam
12 Chairman. You provide that the domestic industry has
13 not suffered material injury. But, yet, in this
14 investigation, we know that some domestic producers
15 have left the industry and some of the remaining
16 producers have had losses. Aren't these facts
17 indicative of injury?

18 MR. CANNON: It depends on if you're in the
19 unitary or bifurcated analysis. Having said that,
20 standing alone -- actually, the producer that's left,
21 and we've talked a lot about this and we had this
22 whole sort of survivor notion going on here, if you
23 look at the table, the financial table, you know,
24 Table VI-2, which shows company by company, the little
25 piece that left is even --

1 COMMISSIONER PEARSON: So you're not
2 objecting to the survivor bias argument?

3 MR. CANNON: -- have a model with or without
4 it. Now I understand that what they're really talking
5 about is William Wright, who left before the period
6 under review, and so we don't have their data. I'm
7 curious to see our Mr. Kaplan is going to model that.

8 But just to go to your question about this,
9 if standing alone, some producers have left the
10 business or entered, albeit small, and some are making
11 losses and some are not, the Commission has looked at
12 this historically. You've looked at this in
13 agricultural cases, in which there were literally 200
14 flower producers. You looked at the number year-by-
15 year, how many are incurring losses out of the total.
16 To the producers, if the total incurring losses
17 increases, that can be a factor. So I think, indeed
18 looking at your analysis, you have looked overall at
19 those trends, but you have always primarily focused on
20 the aggregates. And in fact, the courts tell you that
21 you're not supposed to disaggregate. And the case I
22 can think of is Mirror Manufacturers because I
23 unsuccessfully argued that you should look at
24 individual companies, you did not, and the court said,
25 you were right.

1 COMMISSIONER PEARSON: Before my time, so I
2 can't take any credit for it. Mr. Lodge?

3 MR. LODGE: Yes. I might note one other
4 thing, that of the four domestic producers that were
5 listed in this morning's presentation, to my
6 knowledge, William E. Wrights was the only one that
7 actually made narrow woven ribbons. And McGinley
8 Mills was a cut edge producer. Venus Trims and
9 Trimtex made novelty trims, but not -- they were not
10 narrow woven ribbons produced on needle looms. They
11 were mostly raschel and trico knits. So of those four
12 that they have listed, I only see William E. Wrights
13 as someone who is a narrow woven ribbon producer.

14 COMMISSIONER PEARSON: Okay, thank you. Mr.
15 Vaughn?

16 MR. VAUGHN: Yes, Commissioner. I can speak
17 to Wrights from a limited basis. I was employed as
18 the president of Conso Products in the years 2003 and
19 2004. Conso Products was a subsidiary of Conso
20 International, which also owned Williams E. Wrights.
21 And I participated in several board-level meetings of
22 the company during which it was pretty clear that the
23 board wanted management to come up with ways to pay
24 down a debt, which was incurred in the acquisition of
25 that company, Conso International, of which Wrights

1 was a portion of the share. And part and parcel of
2 that discussion was a plan was put forth to turn the
3 Wrights property in West Warren, Massachusetts into
4 condominiums and -- in other words, as a lot of
5 companies were, at the end of the century, were worth
6 more dead than alive. So I think the impediment to
7 that was that they obviously had a manufacturing base
8 that they had to figure a way to get rid of so that
9 they could do that. And I think the decision to go
10 offshore and purchase the product, although it may
11 have been influenced to some extent by imports, it was
12 also largely influenced by other factors.

13 And just to that point, while on Wrights, I
14 can also speak to some of the significant barriers to
15 competition that they face, that any potential China
16 or Taiwan producer might face in trying to service
17 that type of an account. Wrights had a phenomenal
18 computer system and distribution system that they used
19 to satisfy the fill rates at Jo-Ann stores and Hancock
20 Fabrics and at WalMart that was upwards of 90 some odd
21 percent. And I think the folks here from Jo-Ann can
22 testify that the Wrights were always a great vendor
23 for them and would have been very difficult to
24 knockout as an incumbent by anyone other than a
25 domestic manufacturer or someone with infinite

1 knowledge of those stores in this market.

2 So the notion that someone from Asia is just
3 going to simply hop on the next jet airplane and come
4 over here and slay Berwick is just pure nonsense. It
5 just isn't going to happen in the real world.

6 COMMISSIONER PEARSON: Okay, thank you. In
7 the back, Mr. Park?

8 MR. PARK: Commissioner Pearson, David Park
9 again. Just to reiterate the point I think that the
10 others have made in terms of the Commission's
11 analysis, we do agree that it should be the industry
12 as a whole, which is the analysis that is required.
13 And then you do look at the industry as a whole, some
14 of the data is proprietary, but when you look at
15 profitability, when you look at market share, when you
16 look at confirmed or lack of confirmed lost sales,
17 lost revenue, you don't see the signs of material
18 injury. And furthermore, you don't see again the
19 causal nexus -- to the extent that there is any injury
20 at all, the causal nexus that they're related to
21 imports. So our position is we don't see the injury
22 and to the extent there is any, it's not caused by
23 imports.

24 COMMISSIONER PEARSON: Okay, thank you.
25 Some retailers have indicated that they place orders

1 with a domestic source, such as Berwick, without
2 knowing whether Berwick will fill the order
3 domestically or through imports. So a retailer
4 potentially could cause harm to the domestic producer
5 by demanding a price that's so low that the producer
6 simply can't produce domestically and has to go
7 offshore to meet the -- find the supply. How do we
8 know this hasn't happened? And if it has, what should
9 we do with it in our analysis?

10 MS. DEMBSKI-BRANDL: Well, I think what --
11 this is Toni from Target stores. I think part of it
12 is that what you're arguing would be an assumption
13 that the market -- a business partner, which is the
14 way our vendor is viewed, has no power within the
15 market to negotiate, do a fair negotiation, that it's
16 a unilateral negotiation, and that they have no
17 opportunity to explain the elements that go into
18 costing. And in my experience, that's just not true.
19 There is a true negotiation.

20 MR. MITCHELL: And we negotiate price as
21 merchants at Michaels. We don't dictate price and we
22 start by understanding what our product is that our
23 consumers are going to want and we try to do our best
24 to get the very best cost. So, again, to back up what
25 Toni said, I think the ball is already in that court

1 to make the right decision.

2 COMMISSIONER PEARSON: Okay.

3 MR. CANNON: I think that my clients who are
4 anxiously waiting at the bit to correct me would say
5 that they sell a project or a program of multiple
6 products and so the buyer looks overall at the price.
7 And if the price that they are offering is too high,
8 then they might come back and say, well, all right,
9 how about instead of using a woven ribbon, we
10 substitute a cut edge or we change a style or
11 something like that and they adjust and that's how
12 they would respond.

13 COMMISSIONER PEARSON: Okay. Thank you for
14 those responses. And Madam Chairman, my light is
15 yellow, so I will pass.

16 COMMISSIONER LANE: Commissioner Aranoff?

17 COMMISSIONER ARANOFF: Thank you, Madam
18 Chairman. Following on, on the question that
19 Commissioner Pearson was asking, this morning I asked
20 the domestic industry panel if they could provide me
21 with any documentary evidence of their price
22 negotiations, which would show that their customers
23 were putting price pressure on them, saying your price
24 is too high or I can get this from an import source
25 for less. Are they going to submit documentation

1 that's going to reflect anyone present on this panel?

2 MR. CANNON: I do have an observation about
3 that and that is that indeed that is what lost sales
4 are and they've already made all kinds of allegations
5 and staff contacts them. And so we'll see what comes
6 up in the post-conference, but you, of course, are
7 aware, you have -- they had their shot.

8 MR. VAUGHN: Pardon me.

9 COMMISSIONER ARANOFF: Mr. Vaughn?

10 MR. VAUGHN: It's interesting to look out
11 for that and that is that I can produce e-mails that
12 say I'm going to lose an order because of price or
13 because of whatever, but there's no assurance that the
14 order has ever placed. That's the real craziness of
15 this industry, is that sometimes a customer will come
16 to you thinking they have a program or ask you to do
17 certain things and will negotiate hard and you think
18 you're where you need to be and you still don't get
19 the order. It's because they didn't get the order.
20 So even if they can produce an e-mail that shows that,
21 oh, yeah, they were high and they had to come down on
22 price, that doesn't mean that they necessarily lost
23 the business or that there was price suppression.

24 COMMISSIONER ARANOFF: I want to go back to
25 this issue of domestic producers either importing

1 products of their own accord and then providing them
2 to their customers or they facilitated imports. And
3 one of the arguments that I've heard and certainly
4 read in a number of the Respondent's briefs was that
5 the domestic industry is here at the Commission
6 complaining because large purchasers have gone to
7 direct imports and now they've lost that middleman
8 business. My sense, and I don't know if any of you
9 agree, is that that argument is something of a red
10 herring in this case because the data that the
11 Commission is supposed to be looking at is the data on
12 the Petitioners' operations for their domestic
13 production only. The data for their domestic
14 production only show that their production in
15 shipments are down and that's what we should be
16 looking at and that we were never looking at,
17 certainly shouldn't be looking at any injury that they
18 may have suffered in some broad sense from losing
19 business as a middleman on imports. Does anybody want
20 to comment on that? Otherwise, I'll just take it that
21 you all agree with me or maybe you want to come back
22 to it in the post-hearing.

23 MR. PARK: Commissioner Aranoff, this is
24 David Park. I think we do agree that the Commission's
25 analysis should be based on the Petitioners' domestic

1 operations. At least from our perspective, I don't
2 think we were trying to suggest that you should take
3 into account the lost that may or may not have
4 occurred as a result of them losing the broker or
5 middleman business. I think what we were trying to
6 say is when looking at the data that the Commission
7 has collected, based on the U.S. operations, we don't
8 believe there's been material injury or threat or
9 material injury or causation thereof and rather the
10 explanation for the lost of business was what we felt,
11 what we were trying to raise as their true -- what we
12 thought was their motivation for bringing the case.
13 But the analysis that we're suggesting that the
14 Commission undertake is based on the data that you
15 have corrected, which is based on their domestic
16 operations.

17 COMMISSIONER ARANOFF: Okay. Let me turn to
18 another question then. Mr. Cannon, did you want to
19 add something?

20 MR. CANNON: I was just going to say there's
21 a little footnote on that. As a rational businessman,
22 Berwick would organize itself and its factories in
23 such a way that it would perhaps be producing steadily
24 month by month its sort of base product in its
25 factory; and it's selling that at that steady rate;

1 and it perceives that it's not even a seasonal
2 industry; and it's bringing in its imports to add to
3 its domestic production and serve that seasonal type
4 business. And so over time, you have a situation
5 where it's probably not even competing with its own
6 imports. That would be rational. So if it loses
7 those import accounts to other imports, that has
8 nothing to do with that steady operating month-by-
9 month business that it has going on domestically and,
10 in fact, explains why you hear Berwick tell you it's
11 not a seasonal market.

12 COMMISSIONER ARANOFF: Okay. Well, I will
13 think about that. I'm not sure that we have any
14 evidence on the record to suggest that the products
15 that Berwick is importing on its own account are
16 seasonal. I've looked at the catalog and I'm not sure
17 I would agree with that characterization, but I'll let
18 them respond post-hearing.

19 I want to turn to another topic.
20 Petitioners have argued that because we do see some
21 improvements in some indicators with respect to the
22 domestic industry in the second half of 2009, that the
23 statute says that we can kind of presume that that is
24 the result of the filing of the petition. That's a
25 rebuttable presumption. What evidence is there on the

1 record to rebut that presumption because a lot of
2 their causation argument hinges on the idea that
3 subject imports must have been the cause of their
4 prior bad performance if things improved after the
5 petition?

6 MR. CANNON: I am happy to catalog all of
7 that in the post-hearing brief and just list it. But,
8 you heard the testimony today, you heard even the
9 statements from the Petitioner, that there is a long
10 lead time. The orders, they show up as early as April
11 or perhaps even earlier. The shipments were all made.
12 And all of my clients testified that not one of them
13 canceled an order. Even at a great expense, they all
14 continued to import. And then in addition to that,
15 you have the picture, I think it's on page eight in my
16 pre-hearing brief, that shows the trend in imports.
17 And if you just look at the monthly trend in imports,
18 there's no decline in the second half.

19 COMMISSIONER ARANOFF: Okay.

20 MR. ELLIS: Actually, Commissioner Aranoff,
21 this is Neil Ellis.

22 COMMISSIONER ARANOFF: Sure.

23 MR. ELLIS: I just want to reiterate that
24 point. There is no evidence that the petition caused
25 the effects from the second half of 2009, we would

1 submit, because all of the trade that occurred the
2 second half of 2009 with its attendant economic impact
3 were all negotiated and worked out before the second
4 half of 2009. All of the testimony is to that effect.
5 So to say that suddenly on July 9, 2009, when the
6 petition was filed, everything became good because of
7 that petition would be making a completely unsupported
8 conclusion I would submit.

9 COMMISSIONER ARANOFF: Okay. Well, I
10 understand that argument. I guess there's a couple of
11 data points that are missing to help me evaluate it.
12 One is, I mean, everyone on this panel is telling a
13 very distinct story about seasonal items and when they
14 order them. I don't know if you guys represent the
15 majority of the imports that are coming in or whether
16 other people acting in the market are doing -- whether
17 there's a very robust business in importing these more
18 year round ribbons that you might argue compete more
19 directly with what the domestic producers are making.
20 I don't think we have information on the record that
21 allows us to assess that.

22 I would argue, and you could disagree with
23 me, that all of these sort of sets that we have up on
24 the cards here, none of those look seasonal to me, in
25 the sense that they're -- you know, it would only sell

1 in a certain month of the year. I mean, some of them
2 look like they may be more fall colors and some of
3 them look like maybe they're more summer colors, but
4 those look like year round types of products to me.
5 So I don't know whether the seasonal argument explains
6 enough of the import trends that we're seeing.

7 MR. PAULEY: This is Garth Pauley from Jo-
8 Ann Stores. As a retailer that has a large segment of
9 our business that is considered to be year round, our
10 demand and the fulfillment of keeping our shelves full
11 is dictated by our customer. And those prices for
12 which we are paying for that year round supply of
13 ribbon were negotiated well before July of 2009.
14 Therefore, we do not see the correlation between the
15 petition being filed and adjusting those orders. For
16 if we did as what the Petitioner suggested, we would
17 have had empty shelving in our stores because we cut
18 back those orders just based upon the petition, alone.

19 COMMISSIONER ARANOFF: Well, let me ask you,
20 because Jo-Ann is a good example of this. You've got
21 a lot of customers who are doing sewing projects for
22 either clothing or home decor, things like that;
23 right? Okay, so, you might have customers, for
24 example, who are going to come in and look for things
25 say for spring, where they want pastel colors and that

1 sort of thing for projects that they're going to do to
2 use in the spring. When do you order those pastel
3 colored ribbons that people are going to want to use
4 in their homes or on their clothing in the spring?

5 MR. PAULEY: Well, the Petitioner is our big
6 supplier of that type of business. And again, we
7 analyze that segment of our business on a yearly basis
8 and the trend for direction of color, to which you
9 refer to, is often determined on a continuous basis.
10 So we may switch out the color depending upon the
11 season. But because we offer it at the same
12 competitive retail price, typically regardless of the
13 season, the cost remains consistent. So we would have
14 ordered spring --

15 COMMISSIONER ARANOFF: Okay. But you would
16 order your light pink ribbon for spring and your navy
17 blue ribbon for fall all at the same time once a year
18 or are you ordering throughout the year?

19 MR. PAULEY: We are updating our assortment
20 based upon trend. But, again, the prices are kind of
21 separate from that determination of color that goes
22 into those slots. So we have slots designated for
23 those trend colors that will switch out continually
24 throughout the year, but the prices are determined
25 well in advance, approximately about a year prior to

1 it going in.

2 COMMISSIONER ARANOFF: Okay.

3 MR. PAULEY: So we will evaluate our spring
4 business at the end of the spring season.

5 MS. FREEBERN: Melissa Freebern. Can I say
6 one thing on that?

7 COMMISSIONER ARANOFF: Sure.

8 MS. FREEBERN: Hobby Lobby also carries
9 fabrics and those types of products for the spring
10 seasons, Valentine, St. Patrick's, Easter, and spring
11 apparel, and those we do evaluate in the fall and they
12 ship probably October to be there by the end of the
13 year, so they can get into the stores in January.
14 But, we also do have year round pinks and pastels that
15 we sell year round that are there and they only change
16 when the color trends change.

17 COMMISSIONER ARANOFF: Okay. I think what
18 I'm trying to get at and feel free to add post-hearing
19 if you want, I was trying to figure out whether the
20 holiday-related products have the same lead times on
21 them, in terms of how far in advance you order them as
22 the holiday-type products. But anything anyone can
23 add on that, I will appreciate it. And I'm way over
24 my time, so I apologize to my colleagues.

25 COMMISSIONER LANE: Commissioner Williamson?

1 COMMISSIONER WILLIAMSON: Thank you, Madam
2 Chairman. Let me come back to this, although it may
3 have, I think, been asked way earlier. The
4 Respondents have argued that many of the typical
5 indicia of industry -- of industry performance that we
6 typically look at kind of improved or didn't change
7 over the period. But I was going to say that the
8 Petitioners also argued that the indicia demonstrated
9 a deterioration in its performance, including things
10 like factory closures -- and I know there's some
11 question about why some factories closed and which
12 ones might be relevant -- I guess decreased shipments,
13 layoffs, and another end-year losses. And so I was
14 just wondering why should we not give those indicia
15 credit and take those into account in trying to figure
16 out there's been injury?

17 MR. ELLIS: This is Neil Ellis. We haven't
18 said the big word yet this afternoon, which is
19 recession. We did live through the most severe
20 recession in American history, since the 1930s. And
21 while the economists on the other side tried to
22 downplay that, saying everybody is booming, everything
23 was doing great until late 2008, the fact is that
24 starting in mid-2008 and through the end of 2009, the
25 American economy took a real beating and as some of

1 our folks testified, some of that beating did have an
2 impact on the ribbon industry. So, you will obviously
3 see economic indicators that aren't looking great.

4 The job for the Commission, I would submit,
5 is to make sure that you aren't attributing the impact
6 of the recession to imports and that has to be
7 carefully done when you've got a situation of a really
8 severe recession. It went on for a good chunk of this
9 POI.

10 COMMISSIONER WILLIAMSON: So how would you
11 have us do that, given that as some people said, the
12 hobby industry probably has not -- would not show the
13 same decline that maybe some other industries, that
14 people would start doing more craft objects at home.
15 Now, I know that's only part of the use of ribbons,
16 but --

17 MR. MITCHELL: I can share in the post-
18 hearing brief that we actually had a dismal 2008
19 holiday selling season at Michaels for ribbon and our
20 planned 2009 purchases were down and the orders were
21 cut in April. But they were planned down based on
22 that performance. That's completely independent of
23 anything having to do with the petition or the way
24 that we sourced our purchased product. So there is
25 one example where there isn't the link.

1 MS. BUCKLIN: Shelly from Costco. We also
2 had -- in 2008, our ribbon business was down. We had
3 imported our orders, so our imports were high. But
4 when it came to the actual sales, we had significant
5 decreases and incurred markdowns because of those. So
6 when we did place orders for 2009, we decreased our
7 total amount that were imported.

8 MR. ELLIS: If I may address your question.

9 COMMISSIONER WILLIAMSON: Sure.

10 MR. ELLIS: It's Neil Ellis, Commissioner
11 Williamson. In order to make sure you don't attribute
12 to the imports the injury caused by the economic
13 conditions, you're able to look at trends in imports,
14 you know, the underselling, the price suppression, if
15 you will, and the volume. And as was discussed in --
16 answer to previous questions, you don't have those
17 indicators here. The volume, without going into much
18 detail, the volume trend isn't ripe to find a causal
19 connection there and the price suppression/depression
20 information isn't there either. So you've got some
21 injury factors that are not consistent, as we know
22 that also, and you have indicators that don't permit
23 any causal connection. So I don't understand how you
24 would end up with a material injury determination in
25 this case.

1 COMMISSIONER WILLIAMSON: What about the
2 argument that the Petitioners have made that they
3 reduced their unit cost. You had a lot of cost
4 efficiencies. And actually, their losses would have
5 been a lot worse if they hadn't had those cost
6 reductions and they shouldn't be penalized for those
7 savings.

8 MR. ELLIS: I've got views on that, too --

9 COMMISSIONER WILLIAMSON: Okay, fine.

10 MR. ELLIS: -- which is just this: there's
11 a strange case to me, it would seem, where a
12 petitioner has the financing and it has the ability to
13 invest in upgrading its equipment and improving its
14 cost. And, in fact, it is able to improve its cost
15 and reduce its revenue ratio and then you find injury
16 because of that. Typically, where you find injury
17 it's where the U.S. industry is not able to invest and
18 it is running its equipment into the ground and can't
19 -- doesn't have the financing because the banking
20 doesn't support it anymore. You don't have that
21 situation. So you're not penalizing them because
22 they've -- you're not penalizing them at all. You're
23 recognizing that they are -- that this is not an
24 injury indicia.

25 COMMISSIONER WILLIAMSON: Well, what if you

1 do have -- I mean, there were cost incurred in doing
2 this. They had some employment costs. There is also
3 this question that they've raised, you know, we can't
4 cut anymore and so maybe you think about the question
5 that there's not going to be anymore cost savings like
6 that.

7 MR. ELLIS: That's possible, but we don't --
8 that's speculation in my view. The fact is that they
9 have invested, which is a good thing. It shows that
10 this is a viable industry. It's got financing. It's
11 improved its cost. This is all the sign of a good
12 industry, of a healthy industry.

13 COMMISSIONER WILLIAMSON: Okay.

14 MR. ELLIS: With all due respect, I'm sorry,
15 if I'm getting too upset.

16 COMMISSIONER WILLIAMSON: Oh, no. I'm just
17 wanting to hear your arguments and just want to make
18 sure I got them all.

19 Okay. So this data would assume to indicate
20 that they were successful in this, but I guess the
21 question is did you get the response on the profit
22 side that went along with the reduction in cost might
23 be their argument about whether or not there was
24 injury. Mr. Cannon?

25 MR. CANNON: Yeah. I would suggest that

1 there's some other things that we've talked about in
2 our brief that account for part of the decline in
3 their performance on the profit side and that those
4 items have nothing to do with imports. They've
5 elected, at least one domestic producer elected to
6 operate its business in such a way that it affected
7 the price utilization, production operations and so
8 forth, and it had nothing to do with imports. And
9 there's no evidence that -- and that really brings us
10 back to when we look at the performance, you still
11 always look for the connection, which is why the trend
12 is somewhat unusual, the trend, i.e. being imports
13 went down and profits went down. It seems
14 counterintuitive. In fact, if, as the Petitioners
15 argue, it was correct, that the filing of the petition
16 suddenly made everything better, then why is 2009
17 worse for them? None of it particularly holds
18 together.

19 COMMISSIONER WILLIAMSON: Okay. Thank you
20 for those answers. Do Respondents feel that the
21 apparent consumption data in the Commission staff
22 report accurately reflects domestic demand or is there
23 anything we might be missing there?

24 MR. CANNON: I think my panel all feel that
25 demand went down over the period. We all experienced

1 it. I think you heard Charley's testimony about his
2 decline in sales. So they all sell on a micro level.
3 On a macro level, I understand there were some issues
4 about the quantity, from volume, going to square yards
5 and so forth. I think the volume data track pretty
6 well with the value data. So either way you want to
7 look at it, I feel the data show -- they reflect what
8 happened in the market.

9 COMMISSIONER WILLIAMSON: Thank you. Just
10 to go over it again, I think it was raised earlier,
11 the question about the pricing data and the accuracy
12 of that and what the Commission should make of that.
13 Do you have any views on that?

14 MR. CANNON: Dr. Kaplan said that there were
15 pricing products, but they were too narrow and we
16 needed to cover more, so we expanded it, so they were
17 broader. And as you know, the initial proposal comes
18 from the Petitioner and they tried to pick products
19 where they could find favorable trends. And so we
20 have six and in our view four out of the six, the
21 domestic prices increased in the period of showing no
22 apparent connection to the level of import prices.
23 And we think that if you were to pick six different
24 products or 10 products or 15, you would continue to
25 get that because it's not all about price. In this

1 market, the product is not entirely price sensitive.
2 This is not a commodity, it's not a chemical, it's not
3 gold, it's not grain, and it sells in this package of
4 various different articles. And so it's not
5 surprising that the price data don't show any clear
6 trend.

7 COMMISSIONER WILLIAMSON: Okay, thank you.
8 My time has expired.

9 COMMISSIONER LANE: Commissioner Pinkert?

10 COMMISSIONER PINKERT: Thank you, Madam
11 Chairman. I have a few questions about the
12 vulnerability issue in the context of a threat
13 determination. Now, I know that there's been a lot of
14 testimony on this panel, as well as the other panel,
15 concerning whether this industry is doing well,
16 whether it's in a weakened state, whether it's weak.
17 But what I want to ask you about is, without
18 mentioning any numbers, what should we be looking to
19 as a comparator with the financial performance of the
20 domestic industry? We had some testimony on the other
21 panel about how the profits that were being achieved
22 weren't sufficient to have an ongoing business on the
23 part of the domestic industry. So I am curious as to
24 not just the lawyers on the panel, but the company
25 people, is this domestic industry doing well enough to

1 continue in the next year or two?

2 MR. DUFFEY: If I could, Commissioner,
3 address it from my perspective, which is as a retailer
4 -- as a wholesaler to very small retailers. I think
5 that a couple of things have happened. One is that we
6 probably saw the impact of the recession earlier than
7 almost anybody else at this table because we serve
8 16,000 very small retailers, mom and pop shops. And
9 back to your question a few minutes ago, you talked
10 about the craft industry may be maintaining its level
11 and that at Hobby Lobby and a few of the other people
12 maintained their sales to craft and to scrap booking.
13 And I think that that does not indicate that the craft
14 industry did not have a downward trend. It just
15 indicated that the remaining retailers happened to be
16 boxes because the small mom and pop stores in main
17 street America had put a for rent sign on the front of
18 the building and were not in business through this
19 recession.

20 So I think I will answer your question by
21 saying, the market, is we trend our market on what I
22 call a trailing 12 months, so I can at any given time
23 tell you what the trail -- not the year is, but the
24 trailing 12 months. And our sales bottomed out in
25 August of last year and September started a recovery

1 and we have seen a steady recovery for every month
2 consecutive since September of last year. So we are
3 tracking it 10 consecutive months where the year of
4 the previous 12 months is better than the 12 months 30
5 days ago, which is better than the 12 months 30 days
6 before that. So we believe that we are recovering.
7 And I would say that time frame would be indicative of
8 where we saw a downward trend in, believe it or not,
9 September of 2007. We saw an upward trend in
10 September of 2009. So the downward trend was before
11 they called a recession and our upward trend was
12 before they called out of the recession. So I am the
13 predictor of the economy, okay.

14 MR. PARK: Commissioner Pinkert, this is
15 David Park. Without going into -- a lot of the data
16 is proprietary, so just speaking in generalities, when
17 you look at the data in the staff report and, first of
18 all, during the preliminary determination, the
19 Commission looked at this and found out the industry
20 was not vulnerable and we don't see any significant
21 changes between the preliminary determination and now
22 to suggest that anything has changed. And although
23 you did hear statements today that they've done
24 everything and they're on the verge, the data don't
25 show that when you look at the profitability numbers.

1 This is not the numbers of an industry that is
2 imminently going to collapse. It's just not borne out
3 by the data, which we will be happy to address in
4 greater detail in the post-hearing. But when you look
5 at the profitability numbers, that's not what we see.
6 And we would suggest again that the Commission should
7 make a similar finding in the preliminary
8 determination in that regard.

9 COMMISSIONER PINKERT: I'm not making a
10 categorical judgment about this, but we could of
11 course had been wrong in the preliminary
12 determination. So what I'm trying to understand is
13 what should we be looking to as a benchmark for the
14 performance of the domestic industry? And this is a
15 forward-looking analysis for purposes of the threat
16 determination. So I'm trying to determine whether
17 this industry is likely to continue to exist in its
18 current form given the level of profitability and
19 other financial performance data that we see on the
20 record in this case. Mr. Cannon?

21 MR. CANNON: I'll take a stab. It strikes
22 me that you typically look at a mix of factors. Of
23 course in my ideal world, Congress would have said if
24 the profit is less than 10 percent, they're vulnerable
25 or something like would make everyone's life easier.

1 But that's not what we do. We look at various
2 factors. And the factors it seemed to look at, I
3 think, in vulnerability, while they're not
4 articulated -- perhaps the court hasn't forced you to
5 do that -- are profit level, one, and you know where
6 that falls in this case; capacity utilization because
7 the extent to which they're operating their capacity
8 tells you something about when the economy comes back,
9 are they going to be able to sustain this, is it going
10 to pick up again, are they close enough to break even,
11 that type of thing, and then demand or expected demand
12 -- as Joe explained, he thinks we're going to have an
13 up tick -- and then overall investment, right. We
14 have at stake something that the industry has an
15 amount of investment here, that is they're going to
16 walk away from it, that is in truth vulnerable. And
17 so I think you look at those factors whenever you make
18 this assessment. However, I confess, in the
19 preliminary decision and in -- in fact, it's not
20 uncommon historically either, you tend to say the
21 industry is vulnerable without saying exactly what
22 you're looking at. But those are the things I think
23 would be good.

24 COMMISSIONER PINKERT: Thank you. Any other
25 comments on that specific issue because I have another

1 issue about -- another question about threat? Assume
2 just for the sake of argument that we decumulate for
3 purposes of threat, as the economy recovers, is there
4 any reason to think that the exports from the Chinese
5 producers will not surge back into the U.S. market?
6 And I'm specifically thinking about a comment that was
7 made earlier in this panel about how the Chinese came
8 off of quote in late 2008, but that was, as I think
9 everybody recognizes, at a time when the economy was
10 really hitting rock bottom. So I need to get a
11 dynamic understanding of what's likely to happen with
12 China in the imminent future.

13 MR. CANNON: Well, actually to quote Dr.
14 Kaplan, I thought 2008 was a boon time. But having
15 said that, our witnesses testified that the Chinese
16 producers that serve this market are not sort of a
17 monolith. They're not a huge company such as Berwick
18 making all this product, but instead they go to many
19 different smaller producers who have experience with
20 the products that they make and they seek them out and
21 bring their product to the market. And so it isn't
22 just any trade or broker and even with a cell phone
23 that can bring this particular type of product into
24 the U.S. market. So number one, the channels of
25 distribution are sort of here and this is I think in

1 the room are five of the top 10 importers in your
2 staff report. So that's one.

3 Two, when you look at what happened, as I
4 thought it was very well laid out, when the quota did
5 come off, notwithstanding that it was a recession,
6 imports went down even more than demand. If you think
7 what happened in 2009, yes, demand declined from 2008
8 to 2009, and particularly Chinese imports went down.
9 They not only went down faster than demand, they fell
10 faster than imports from Taiwan. Imports from China
11 fell on a value basis 60 percent. So it's a
12 tremendous fall. And so what expectation on that you
13 have that they're going to suddenly come back? And I
14 think you have to have at least a factual basis other
15 than the fact that it's made in China. I don't think
16 that can be enough.

17 MS. JACOBS: If I could just add to that.
18 You're assuming that the quota had an impact in the
19 first place and what we've established in fact and
20 what the preliminary determination established was
21 that the quota was never relevant because there was
22 barely any ribbon being shipped then anyway. So if
23 the quota didn't have any impact, there's no reason
24 why the elimination of a recession will have an impact
25 either. That isn't what held -- that isn't really

1 what held it back. It was clearly other factors that
2 were keeping China from being as large.

3 COMMISSIONER PINKERT: Well, let's leave
4 aside the quota then. If in the final staff report,
5 we see evidence that until 2009, Chinese exports were
6 increasing into the U.S. market, then is there reason
7 to think that as the economy improves, they're going
8 to come back in?

9 MR. CANNON: I have two witnesses, both with
10 factories, who know something about the Chinese market
11 and I think it's relevant to that question to have
12 them talk a little bit about the demand in China and
13 whether or not that will absorb production in China
14 versus what's happening in the United States. So
15 maybe Vinci or Charley or take turns.

16 MR. WONG: Well, some of the local
17 wholesaling in China and the China subject company, as
18 far as I know, they have over 10 wholesale outlet all
19 over China and the domestic business had been booming,
20 way surpassed their export market. And as far as I
21 know, export to the United States is less than, from
22 what I got, less than 25 percent of the total output.
23 And their domestic market is actually taking over a
24 lot of their production and that's all I know. And
25 they are not the only one. And, in fact, their

1 competitor is also having 10, 15 outlet, but they are
2 all manufacturing a different quality of ribbon. Some
3 are lower quality because of the demand is really
4 looking for a low-quality, low-priced product. And
5 some are a little bit different. But I see that the
6 niche of just satisfying the local market towards the
7 manufacturing market in China is tremendous.

8 MR. VAUGHN: As I said in my testimony
9 earlier, we manufacture ribbon and bows, much of which
10 is sold into the China market. It's applied
11 principally to packaging of products, which are then
12 shipped back to the U.S. in a completed form. And we
13 make a higher quality ribbon than the competitors that
14 Vinci was talking about. We also sell some to the
15 domestic market for use in like apparel applications,
16 a higher quality ribbon than the typical product,
17 which is made in China, will fulfill.

18 And our demand in China has more than made
19 up for our lost of shipments of NWR into the United
20 States. So, we're -- if we're typical, it doesn't
21 seem like as much of a threat. But I think the bigger
22 barrier to competition was what I said earlier, not
23 addressing this point specifically, but the high
24 barriers to dealing in the United States for a typical
25 Chinese companies. They're not insurmountable, but it

1 takes -- it's like an American company going to China
2 and setting up a ribbon operation, okay. We've done
3 it, but there's not a lot of other U.S. producers who
4 have done it. Berwick hasn't done it. They've had
5 every opportunity. They buy extensively in China, but
6 they've not got a partner in China or in Taiwan and
7 the reason is, it's a complicated thing to set up a
8 partnership with someone there that you can trust and
9 that you're willing to make a long-term commitment to
10 them. And certainly, it's very difficult if you're
11 speaking Mandarin Chinese and not many people in the
12 United States speak it. So it's much harder for them
13 than it is for us to go there.

14 COMMISSIONER PINKERT: Thank you. I'm past
15 my time, but I appreciate the information.

16 COMMISSIONER LANE: MR. Vaughn, I will start
17 with you. Could you provide us data on your Chinese
18 operations? For instance, could you complete the
19 foreign producer's questionnaire?

20 MR. VAUGHN: Yes, Madam Chairman. I don't
21 know that I can do that on a timely basis. We didn't
22 complete it. Our chief of finance went out on
23 pregnancy leave and she's the best person to compile
24 that data . She's recently back. I don't know how far
25 along she has gotten on it. But, I will certainly

1 inquire and we'll advise in the post-conference brief.

2 COMMISSIONER LANE: Well, I am sure that
3 someone in your Chinese operations can get it filled
4 out on a timely basis.

5 MR. VAUGHN: When would you expect it to be
6 returned?

7 COMMISSIONER LANE: Well, let me see. The
8 closing of the record is August 6th.

9 MR. VAUGHN: I'm not certain I can make that
10 deadline. I don't know where they stand with it.
11 But, I will certainly do my best to make sure it
12 happens.

13 (Pause.)

14 COMMISSIONER LANE: Mr. Cannon, I'm sure
15 you'll make sure he gets it back; correct?

16 MR. CANNON: Yes, ma'am.

17 COMMISSIONER LANE: Okay, thank you. This
18 morning Mr. Sorensen said that subject NWR producers
19 sell dark and light colored ribbons for the same
20 price. Is that true?

21 MR. VAUGHN: We typically do not
22 differentiate and in our cost analysis, it's a
23 marginal difference. So our customers want to pay the
24 same thing whether it's pink or blue.

25 COMMISSIONER LANE: Is that true with the

1 rest of you?

2 MS. FREEBERN: Melissa Freebern, Hobby
3 Lobby. I would say that most vendors cost average
4 their costs and we sell all colors at the same price
5 that retailers buy.

6 COMMISSIONER LANE: Okay, thank you.
7 Anybody have any different answer?

8 (No response.)

9 COMMISSIONER LANE: Okay, thank you. Ms.
10 Liao, you said that Berwick has been switching import
11 sources from Taiwan to India and Malaysia. Are U.S.
12 importers and retailers also switching to new sources
13 in India and Malaysia?

14 MS. CHIA-CHI: I'm sorry, I don't know that.
15 I will look into that.

16 COMMISSIONER LANE: Okay. What about the
17 rest of you, are you sourcing from India and Malaysia?

18 MR. MITCHELL: Right now, I am not aware of
19 Michaels sourcing narrow woven ribbons from those
20 countries.

21 COMMISSIONER LANE: Okay. Anybody else?

22 (No response.)

23 COMMISSIONER LANE: Okay, thank you.

24 MS. BUCKLIN: None from Costco.

25 COMMISSIONER LANE: I'm sorry, did you

1 answer?

2 MS. BUCKLIN: Sorry. This is Shelly from
3 Costco. I was just saying we source none from those
4 countries.

5 COMMISSIONER LANE: Okay, thank you. The
6 Petitioners estimate in their brief that approximately
7 70 percent of non-woven ribbon sales volume is
8 comprised of craft and scrap book supplies. Would you
9 all agree with that estimate?

10 MR. ICSMAN: Excuse me, could you please
11 clarify 70 percent of their business is craft and
12 scrap book? Or are they saying 70 percent --

13 COMMISSIONER LANE: That's 70 percent of the
14 narrow-woven ribbon sales volume.

15 MR. ICSMAN: Jo-Ann stores wouldn't have any
16 idea what the overall volume is. I mean, we know what
17 we sell, but we wouldn't be able to speak to another -
18 -

19 COMMISSIONER LANE: Okay, thank you.

20 MR. ICSMAN: And even the wide range of
21 potential uses for the ribbons that you see on the
22 boards from Michaels, it's very difficult to
23 understand whether -- what the consumers are using
24 those ribbons for. That would be impossible to
25 determine accurately.

1 COMMISSIONER LANE: Okay. So it could be
2 something other than crafting or scrap booking?

3 MS. DEMBSKI-BRANDL: At Target, we believe
4 that the majority of our ribbons, which are
5 significant in the non-subject category, are used for
6 gift wrapping and decorating Christmas trees.

7 COMMISSIONER LANE: Okay, thank you. Now we
8 heard this morning that some U.S. producers of NWR
9 have multiple locations for various parts of the
10 manufacturing process throughout North America. Do
11 Taiwanese NWR producers follow this model or do they
12 have all of their manufacturing processes in one
13 location?

14 MS. CHIA-CHI: This is Liao Chia-Chi. We
15 have just one location to produce NWR.

16 COMMISSIONER LANE: Okay, thank you. Now I
17 want to go back to something that I think Mr. Cannon
18 or someone said that you do not find that this is a
19 commodity product. Would you explain why you think
20 that narrow woven ribbons are not otherwise fungible
21 with domestic narrow woven ribbons besides for fashion
22 reasons?

23 MR. CANNON: Since it was directed at me and
24 not the witnesses, may I just write that answer?

25 COMMISSIONER LANE: Yes, that would be fine.

1 I'm just sort of curious and maybe from the industry,
2 if I am a customer and I go in and I want to buy
3 ribbon and I go in and I decide that I want a green
4 ribbon and the first green ribbon I look at cost too
5 much and then I look down until I find a green ribbon
6 that I like, that I'm willing to pay for, does that
7 not make that sort of a commodity product, that I'm
8 sort of willing to buy anything, as long as it's the
9 right price, and I'm willing to accept --

10 MR. MITCHELL: David Mitchell from --

11 COMMISSIONER LANE: -- a different color --
12 I mean, a different shade of green?

13 MR. MITCHELL: David Mitchell from Michaels.
14 We believe that when consumers shop for ribbon, they
15 definitely go through a decision tree and we believe
16 that the first thing is that they come into the store
17 with a specific purpose intended, an end-use specific
18 intention. So that could be gift wrapping, that could
19 be crafting, it could be home decor. So that dictates
20 generally certain sizes, certain fabrications, certain
21 materials. So they come in with that. From there,
22 they would look at color and the range of color, which
23 would vary based on the different techniques. They
24 would look at design details. They would look at
25 embellishments. They would look at specific

1 construction techniques in terms of metallic yarns, et
2 cetera, et cetera, et cetera. And we believe that
3 that's when they would finally look at the price. So
4 there are many, many factors that we believe are very
5 influential before she starts to look at price
6 because, as we've talked about, ribbon tends to be in
7 many of our projects a relatively low value to the
8 overall project.

9 COMMISSIONER LANE: Okay, thank you. Mr.
10 Lodge?

11 MR. LODGE: When customers come to us
12 looking for a particular ribbon, they might come and
13 request a one-and-a-half inch grosgrain. And even
14 within a basic ribbon like that, there are so many
15 different possibilities with construction. You can
16 have 528 ends -- those are the yarns that go in the
17 length of the ribbon -- in that single ribbon, of 75
18 denier, 48 filament yarn. Or if you wanted to -- and
19 it would be round, bright, and that would be a
20 shinier, softer looking product. They might say, that
21 doesn't look right. I want to tweak it a little bit.
22 I need something a little firmer and I don't want it
23 to be so shiny. So then you'll look at it and say,
24 okay, well, we can move to a semi dull round or we
25 could even do a textured yarn and we might want to

1 switch that to instead of 528 ends of 75 denier, let's
2 switch it to 264 ends of 150 denier, which gives it a
3 little more firmness. Even within the basic ribbons,
4 it's very difficult to compare apples to apples
5 because there are so many different possibilities even
6 for that one single 1.5 inch wide grosgrain.

7 COMMISSIONER LANE: Okay, thank you. Mr.
8 Vaughn, did you want to comment on the one location
9 question I asked about Taiwan?

10 MR. VAUGHN: No. (Off microphone).

11 COMMISSIONER LANE: Okay, thank you.
12 Commissioner Pearson?

13 COMMISSIONER PEARSON: Madam Chairman, could
14 I make a special request?

15 COMMISSIONER LANE: Yes, you may.

16 COMMISSIONER PEARSON: I would ask to swap
17 my time with Commissioner Aranoff, so that if she asks
18 all my questions, I don't have to. But I would just
19 trade time with her, if that's all right.

20 COMMISSIONER LANE: Yes, that's fine.

21 COMMISSIONER PEARSON: Okay, thank you.

22 COMMISSIONER LANE: Commissioner Aranoff?

23 COMMISSIONER ARANOFF: Thank you, very much,
24 Madam Chairman. And Commissioner Pearson, I
25 appreciate your indulgence. I just have a few more

1 questions.

2 COMMISSIONER LANE: You can have my next
3 round, too.

4 (Laughter.)

5 COMMISSIONER ARANOFF: Hopefully there won't
6 be a fourth round. This is a follow-on, on the
7 conversation that some of you were having with
8 Commissioner Pearson -- not Commissioner Pearson,
9 Commissioner Pinkert, and he had asked about why we
10 might or might not expect Chinese producers to jump
11 back into the market if the Commission would reach a
12 negative determination and the economy were to
13 recover. Are any of you aware of Chinese ribbon
14 manufacturers, who are selling directly to customers
15 in the U.S., not going through U.S.-based importers or
16 U.S.-based retailers? And the same question for
17 producers in Taiwan, has anyone seen that in the
18 marketplace? And I ask the same question to the
19 domestic industry for post-hearing because I think it
20 might change how we look at things.

21 MR. VAUGHN: I just returned from two weeks
22 from China, which I have done three times this year,
23 and I visit a lot of companies while I'm there,
24 including the markets, and I have not seen any
25 evidence of anyone doing that. I also have gone to

1 other countries and seen more industries there and
2 they're picking up the slack in relation to the
3 question about Malaysia and India. We're not buying
4 from them, but I certainly know other countries that
5 are non-subject that are, in fact, seeing big bonuses
6 from the petition being filed.

7 COMMISSIONER ARANOFF: Let me ask the Taiwan
8 producer, who is represented here, do you ever go and
9 directly solicit customers in the U.S. or have you
10 always been approached by an importer or retailer from
11 the U.S. side first?

12 MS. CHIA-CHI: We are always approached by
13 the importers or retailers.

14 COMMISSIONER ARANOFF: Okay. If there is
15 anything else that anyone wants to add post-hearing,
16 that would be useful. In the pre-hearing brief, the
17 Petitioner claims that despite the lack of responses
18 from many subject producers, the data that the
19 Commission has already indicate that there is ample
20 evidence of underutilized capacity in both China and
21 Taiwan that the Commission should consider for
22 purposes of a threat determination. Would you
23 disagree with that assessment as a matter of fact?

24 MR. CANNON: I would disagree at least as a
25 matter of weight to be put to the unused capacity, in

1 a particularly seasonal market, and by far, I realize
2 we've had some discussion with you about this, but by
3 far, if you look at monthly imports, which you have in
4 the staff report, the imports anyway are highly
5 seasonal. In the months in which there are no -- in
6 February, March, April, May, import levels are very,
7 very low, and the rest of the year they start coming
8 right up for the holidays. Now what that means in
9 terms of capacity is that you need to have capacity to
10 hit the season, right. And so there needs to be a
11 certain amount of excess capacity, so that they can
12 sell to all of the retailers back there because
13 WalMart wants to buy and Costco wants to buy and
14 Target wants to buy -- not that WalMart is here, but
15 all of them want to buy. And so in the other parts of
16 the year, you're going to have idle capacity. And so
17 I think unlike what you see in some cases, in this
18 case anyway, a certain amount of unused capacity,
19 particularly for seasonal suppliers, should be
20 expected.

21 COMMISSIONER ARANOFF: Okay. Does anyone
22 else want to address that? There's a hand in the
23 third row. I can't see --

24 MS. BUCKLIN: This is Shelly from Costco and
25 we do, when we place our orders for our Christmas

1 goods, which are seasonal, we do have a capacity
2 sensitivity with our supplier and that we have to give
3 them orders very early or they cannot supply us
4 because of their capacity.

5 COMMISSIONER ARANOFF: Okay. I appreciate
6 those responses. I have no further questions. I want
7 to thank all of you, very much, for your answers and
8 thank VICE CHAIRMAN PEARSON again for swapping time
9 with me.

10 COMMISSIONER LANE: Vice Chairman Pearson?

11 VICE CHAIRMAN PEARSON: Ms. Liao, does King
12 Young Enterprise Company have plans to expand its
13 sales to the United States?

14 MS. CHIA-CHI: We do not have plans to
15 expand at the moment.

16 VICE CHAIRMAN PEARSON: What factors might
17 lead to an increase in sales by King Young to the
18 United States?

19 MS. CHIA-CHI: What factors?

20 VICE CHAIRMAN PEARSON: Yes. What things
21 would have to happen in the marketplace in order for
22 King Young to sell more product to the United States?

23 MS. CHIA-CHI: Well, King Young, when we
24 plan our production, we only do that upon orders.
25 Just when we receive orders, we will like to have

1 planned the production process accordingly.

2 VICE CHAIRMAN PEARSON: Okay. So you have
3 no real control over the volume of orders that comes
4 to you?

5 MS. CHIA-CHI: No.

6 VICE CHAIRMAN PEARSON: Have you sometimes
7 gone to solicit orders from previous customers?

8 MS. CHIA-CHI: Yes.

9 VICE CHAIRMAN PEARSON: Does King Young sell
10 a product to countries other than the United States?

11 MS. CHIA-CHI: Yes. We sell to Europe and
12 some countries in Asia.

13 VICE CHAIRMAN PEARSON: Okay. What is the
14 trend in those sales? Are you seeing increases in
15 sales to Europe or is the recession slowing those
16 sales, also?

17 MS. CHIA-CHI: Yes, the recession is slowing
18 the sales in other countries, too.

19 VICE CHAIRMAN PEARSON: Okay, thank you.
20 Shifting gears, the preliminary staff report has
21 seasonally adjusted pricing data and we talked a
22 little bit about that with the domestic industry. Do
23 you agree with that methodology? Is it important to
24 your analysis of the case? Let's save --

25 MR. CANNON: I'll save those for --

1 VICE CHAIRMAN PEARSON: Well, no, I was
2 going to save you, Mr. Cannon, and suggest that
3 perhaps Ms. Jacobs would want to answer. You have to
4 learn not to sit in the front row next time.

5 MS. JACOBS: I was actually saying the same
6 thing that Mr. Cannon was saying, which is that we
7 would provide a response to that in our post-hearing,
8 in consultation with our economist.

9 VICE CHAIRMAN PEARSON: Okay, fine. Well,
10 if no one else -- if no one wishes to say anything
11 here, that's fine. And Ms. Jacobs, perhaps another
12 one for you, in the Sidley pre-hearing brief, there
13 was an argument that the decline in subject imports
14 was attributable not only to the decline in general
15 economic conditions, but also to reduction in
16 downstream apparel manufacturing in the United States.
17 I was interested in that because it seems to me that
18 most apparel manufacturing in the United States had
19 declined sometime well before this period of
20 investigation. Is there something on the record that
21 would substantiate this claim?

22 MS. JACOBS: Actually, that statement comes
23 from the staff report, the pre-hearing staff report,
24 which talked about that as one of the industrial uses
25 that has declined. So I would put it -- we would have

1 quoted from that. I'm sorry if the footnote didn't
2 appear that clearly, but we will confirm that in our
3 post-hearing brief.

4 VICE CHAIRMAN PEARSON: Okay, not a problem.
5 Your comments may have been much clearer than my
6 understanding of them, but I can ask that question of
7 staff at my leisure. So, thank you. Madam Chairman,
8 I think I have no further questions. And so let me
9 thank this panel for your long and worthy service and
10 I'll pass.

11 COMMISSIONER LANE: Commissioner Williamson?

12 COMMISSIONER WILLIAMSON: Thank you, Madam
13 Chairman. Just one quick question that I also asked
14 this morning, are any of you aware of any major ribbon
15 purchasers that exist on U.S.-produced ribbon -- that
16 insist on purchasing U.S.-produced ribbon?

17 MS. BUCKLIN: This is Shelly from Costco. I
18 know of none.

19 COMMISSIONER WILLIAMSON: Okay, thank you.
20 It's the same answer I got this morning.

21 MR. MITCHELL: Michaels does not insist on
22 U.S. purchaser.

23 COMMISSIONER WILLIAMSON: Okay.

24 MS. FREEBERN: Same for Hobby Lobby.

25 COMMISSIONER WILLIAMSON: Okay.

1 MR. PAULEY: Same for Jo-Ann Stores.

2 COMMISSIONER WILLIAMSON: Okay, thank you.

3 I have no further questions. I want to thank you for
4 your testimony.

5 COMMISSIONER LANE: Commissioner Pinkert?

6 COMMISSIONER PINKERT: I thank the panel, as
7 well, and I look forward to the post-hearing
8 submission.

9 COMMISSIONER LANE: I have no further
10 questions and I, too, thank this panel for all of your
11 testimony and all of the post-hearing briefs and
12 answers that you're going to provide to us. Does the
13 staff have any questions?

14 MS. BRYAN: Yes, I do. This is Nancy Bryan,
15 Office of Economics. This is just for your post-
16 hearing briefs. I would encourage all of the
17 Respondents to comment, if you wish, on the
18 elasticities presented in the staff report, in
19 particular in light of some of the arguments you heard
20 this morning from Petitioners' panel on the demand
21 elasticity. Also, I would be interested, again in
22 your post-hearing briefs, if you have any projections
23 for demand in the United States going forward and
24 globally. Thank you. That's it.

25 MR. DEYMAN: I'm George Deyman, Office of

1 Investigations. It was mentioned earlier that two
2 domestic producers have exited the industry. If
3 anyone has any press releases or statements from those
4 firms as to why they exited the industry, it would be
5 very helpful. And the staff has no further questions.

6 COMMISSIONER LANE: It is now time for
7 rebuttal and closing. Okay, now it's time for
8 rebuttal and closing statements. The Petitioners have
9 no time left for questions or rebuttal, but have five
10 minutes -- I'm sorry, have five minutes left of
11 rebuttal. And the Respondents have 15 minutes left
12 from direct and five minutes for rebuttal, for a total
13 of 20, which you can do at the same time. So, the
14 Petitioners will do the closing statement now. And
15 we'll take a couple of minutes break for everybody to
16 switch places.

17 (Whereupon, a brief recess was taken.)

18 MR. DORRIS: Thank you, Madam Chairman.
19 There is obviously considerable homework for us to do
20 for the post-hearing brief, so I don't think even my
21 best oratory skills are going to convince you to make
22 an affirmative determination just in the five minutes
23 that we have. But, we would like to touch on a few
24 points.

25 And even though we pointed out that this is

1 a nontraditional case, in the sense that all the
2 trends are not going the way you would expect or would
3 want, if you were going forward with a commodity
4 product and saying that all the trends were in your
5 favor. At the same time, we do feel that there are
6 many factors in our favor that do justify finding an
7 affirmative determination in this case. And in
8 particular, even some of the standard factors are in
9 our favor and that is that obviously the volume of
10 imports are significant. They have been over the
11 entire POI. They are significant, both in absolute
12 terms and in relation to production and consumption.
13 And the subject imports are increasing from 2007 to
14 2008. They declined in 2009. As we have pointed out,
15 this was from the filing of the petition. I know
16 we've heard a lot of testimony about that at the end
17 of the day and those are the couple of points I wanted
18 to make.

19 One is we didn't dream this up. This came
20 from responses in the questionnaire. Not our
21 responses. This was not something that we made up.
22 This is something that has been said by the
23 Respondents, themselves. And it's important to know
24 that not everything is seasonal, which I think we've
25 learned today. I mean, there's a large portion of the

1 market, that's the industrial sector, that actually is
2 not a seasonal issue. It's not something that has to
3 do with the retailers, where you have long-term
4 contracts. It's a situation where spot sales are made
5 and decisions are made and quantity is brought in.
6 And from the filing of the petition, a lot of that
7 quantity definitely declined, as you see that decline
8 in the volume numbers.

9 And also the fact that, you know, even for
10 some of the retailers, as it was brought out from some
11 of the testimony, all of their products are not
12 seasonal, certainly not all Christmas. And if it is
13 seasonal to some extent, although a lot of it is not
14 seasonal, as they mentioned, but the part that is
15 seasonal, some of that seasonal product occurred after
16 the filing of the petition. It could have been
17 ordered in advance, even with their time frames that
18 they used.

19 So if you think in terms of quantity, you
20 have to look at the issue and say how much was
21 attributable -- there's already a rebuttal presumption
22 that it was caused by the filing of the petition. And
23 remember, it's not just -- you know, they point to the
24 provisional measures and say, hey, that happened in
25 December and things happened in February. First, the

1 filling of the petition just causes a stir in the
2 market. But, you also have critical circumstances
3 that could apply and then have those provisional
4 measures apply three months back. You also have the
5 situation where they don't know whether there's going
6 to be extensions of the prelim or things like that.
7 So they have to be making decisions about how much
8 time that's going to be in the water coming into the
9 U.S. and they've got to be careful about what they
10 ship and might get caught up by the provisional
11 measures. So don't let them make you think that you
12 have to look at a date that's a lot later. The date
13 actually starts really at the beginning of the filing
14 of the petition and those effects for the volume. So
15 the volume, I think, shows that it's significant and
16 you can see that that factor is met.

17 With respect to price, I think it's clear
18 that there's substantial evidence of underselling on
19 the record for both Taiwan and China. As Dr. Kaplan
20 explained, the margin of underselling have been
21 increasing over the period of investigation. So there
22 is a trend that you can see for both Taiwan and China.

23 There was an interesting point brought out
24 in the testimony again today about the retailers and
25 this whole issue of having fashion and focusing on

1 what they design. And it's important that they design
2 the material. The retailers, the purchasers, our
3 customers are going to be designing the material.
4 They can come to us and have us make it. Instead,
5 they're going to the Taiwanese and Chinese. Why do
6 they do that? Because there's dumping and there's
7 subsidies and that's why the prices are unfairly low.
8 So it's not dissolved because we can't make it.
9 They're the ones who have designed it. It's already
10 been designed. It's just a matter of who is going to
11 make it for them. And the answer is it could be us or
12 it could be the subsidized product, where the price is
13 low. And as we pointed out already, in our post-
14 hearing brief, we're going to give some documented
15 examples of situations where the retailers have made
16 those decisions going forward.

17 In terms of impact, all the conditions, at
18 least now, are down, as in the slide that Dr. Kaplan
19 had. In terms of investments, you know, there's two
20 kinds. One you can invest to make your plants better
21 or you can make investments to have new plants and new
22 capacity. Well, obviously, those investments aren't
23 being made in terms of expanding capacity or getting
24 capacity because you don't have the capacity
25 utilization now to justify having any further future

1 investments to have a bigger plant or better plant or
2 better equipment. So I think in terms of the impact,
3 we've shown that the profitability is down, that all
4 the factors are down, that you have material injury in
5 this case. But I think clearly, if you don't find
6 material injury, then there is certainly evidence of
7 threat of material injury.

8 And in terms of vulnerability, I think
9 you're going to see that the with condition of the
10 industry, where it is now, I mean you take it at the
11 state of which it is, you can see the injury. And I
12 want to turn over to Dr. Kaplan to talk more about
13 threat of material injury.

14 MR. KAPLAN: In the remaining 15 seconds.

15 MR. DORRIS: Sorry. There's no clock.

16 MR. KAPLAN: You can find vulnerability now.
17 The staff report has changed. Profits are lower than
18 they were in the prelim and a firm has exited.

19 Second, on the ability of the Respondents to
20 supply the market, they said they can take orders and
21 they said they can respond. There is excess capacity
22 in China in the existing facilities and there are many
23 facilities that did not report.

24 With respect to seasonality and capacity,
25 this case does not involve lettuce. This case

1 involves ribbons. The product can be stored without
2 spoiling. We have already discussed how the orders
3 come in very early in the year. You just did the
4 Web's case, where you saw how production took place
5 early --

6 COMMISSIONER LANE: Dr. Kaplan?

7 MR. KAPLAN: -- with shipments towards the
8 end. Thank you, very much, for the extra 15 seconds.

9 COMMISSIONER LANE: Thank you. We'll hear
10 from the Respondents and I think Ms. Jacobs is going
11 to do the closing.

12 MS. JACOBS: Thank you, Madam Chairman.

13 This is really a very unique investigation. First, we
14 have a Petitioner who is a major importer and
15 facilitator of both subject and non-subject imported
16 ribbon that's coping with the loss of revenues from
17 import-related sales, because its customers now
18 recognize that it just doesn't make sense anymore to
19 buy imported product through middlemen.

20 Second, instead of rising imports, we see
21 declining imports. Even before the petition was filed
22 in July 2009, as you have heard today, the imports
23 from Taiwan and China were declining. And at the same
24 time, the Petitioner has, therefore, experienced an
25 increase in market share. The Petitioner tries to

1 explain this away by insisting that the decline in
2 subject imports constitutes a petition effect and,
3 therefore, should be disregarded. But in addition to
4 what you heard today about the way the orders are done
5 well before this petition was filed, if you look at
6 the monthly data the way we have it set up here, you
7 can actually see -- if I can move away from the mic
8 without creating a problem -- look at it month-by-
9 month and you see that even before the petition was
10 filed, the trade from China and as well from Taiwan
11 was already going down. And if you look at it, it's
12 very intense when you see it by month. On July 9,
13 2009, this petition was filed. Goods are already on
14 the water or not on the water for the big holiday
15 season, down a million dollars in July alone from
16 China. August, down over \$700,000. And in September,
17 still down \$1.2 million. This is the prime selling
18 season. The orders were done by April. There is
19 nothing that the petition did to impact this. It's
20 just not possible.

21 You see the same trend with the Taiwan
22 numbers. In July and August, there are already going
23 down. Now, in September, they make up for it. The
24 petition had nothing to do with what was going on
25 here. The business was already set. There is no

1 petition effect. There is absolutely no reason to
2 disregard the 2009 data. In some ways, I have to
3 wonder whether you can call this, if anything, maybe a
4 reason some of the trade went down was a petitioner
5 effect since they knew they were filing a petition and
6 they could have organized their own imports
7 accordingly. For the importers, at this point, that's
8 not a basis.

9 Third, how often do you see a case in which
10 during the period of investigation, the petitioner was
11 able to both make investments and maintain its
12 profits?

13 Fourth, in this case, you have both subject
14 and non-subject imports from the same country.

15 Turning to the statutory criteria, the
16 Commission, as you know, must find material injury or
17 threat, which I will discuss shortly. And in its
18 preliminary determination, the Commission expressly
19 found that this U.S. industry is not vulnerable, but
20 it held open the possibility that there might be
21 evidence that could come forward during a final
22 investigation that might indicate a different
23 conclusion. No such evidence has been forthcoming.
24 This industry has been able to increase prices on most
25 products and for most sales during the period of

1 investigation. And as you've heard, its cost of goods
2 sold has declined over the period of investigation.
3 That simply is not what happens when you see an
4 injured industry.

5 Even if there were material injury, there is
6 no evidence linking the state of the U.S. industry to
7 subject imports. The adverse price effects that the
8 Petitioner cites simply don't exist. Indeed, the
9 pricing data collected by the Commission show very
10 little correlation at all between the prices of
11 subject imports and those for the U.S. product. In
12 addition, the pricing data show price differences so
13 large that it actually suggests that these are non-
14 competing products. For the U.S. importers, that's
15 hardly surprising since there are so many variations
16 in the products in ribbon, both physically and in
17 packaging, that they don't necessarily compete with
18 each other.

19 Let me go back to one other point on the
20 condition of the industry. I would like to actually
21 point the Commission to one of the charts presented by
22 the Petitioner, by Dr. Kaplan. On page nine, where it
23 talks about investments decrease and profit -- and
24 mitigate the profit decline, it's a really striking
25 chart to see how much investment has been made and how

1 little the profits have been impacted. This is just
2 not what you normally see in an injury determination.
3 It's just not possible to find injury in those
4 circumstances.

5 In addition, whatever financial difficulties
6 the industry may be experiencing, it's clearly wholly
7 unrelated to the subject imports because there are
8 other issues that are going on. Demand clearly
9 declined. That impacted both the imported products
10 and domestic goods. While the Petitioner would like
11 the Commission to disregard this established effect,
12 along with the worse recession we've had since the
13 great depression, the Petitioner wants you to look in
14 terms of hypotheticals, but for's. We can't deal with
15 that. We have to deal with the evidence that's on the
16 record. We can't look and say this is what's
17 happening in a category as broad as children's crafts
18 and scrap booking and say that if that category is
19 growing, that necessarily every single component
20 within that category also must be growing. In fact,
21 what I think you'll see, particularly when you see
22 some of the data that can be provided to you in a
23 post-hearing brief on a confidential basis, is that
24 ribbon sales clearly were not growing. And to the
25 extent that it's so, the Petitioner did better than

1 the imports under those circumstances.

2 In addition and very importantly, what you
3 heard overwhelmingly today is that this is a fashion
4 business. Design and creativity, as well as issues
5 like timely delivery, quality, minimum order
6 requirements, and relationships all factor into
7 whether a sale gets made. And as more and more
8 retailers see the value of creating their own designs
9 and creating them in the house and creating their own
10 brand and distinguishing themselves in the market, the
11 U.S. producers are increasingly not meeting that
12 requirement.

13 We also need to talk about the substantial
14 role of the Petitioner as both an importer and as a
15 domestic producer. The Petitioner said to you in his
16 closing that the U.S. retailers are skipping the
17 middleman in order to go to get dumped prices. No.
18 What the U.S. importers and retailers are doing is
19 skipping the middleman to get the same price without
20 the addition of the markup, when they don't get enough
21 value for that markup. It's not about getting a
22 dumped price. It's about getting value for the
23 services and about getting exclusivity.

24 It's important to note that it's the
25 Petitioner that started the imports here, that they've

1 been in this market for a long time. You heard the
2 Taiwanese producer talk about having worked with
3 Berwick for as long as -- since the 1990s. So it's
4 disingenuous for Berwick to now complain about the
5 competition it, itself, induced.

6 Going to imports by -- or direct imports, as
7 opposed to middleman imports, is not about meeting
8 price competition. And that's why the Petitioner,
9 itself, has gone to imports. They've been in the
10 import business for more than a decade for a reason,
11 because they needed it for product variety. They
12 don't talk about -- they don't tell the customers
13 they're going to go import when they are offering
14 merchandise. They present a catalog. If you've
15 looked at that catalog, you will see lots of pages
16 that were -- some of the articles have an American
17 flag next to it. But about the third of the articles
18 do not. Having imports is integral to having a full
19 selection and a full range of different designs to
20 offer to their customers. It's not about getting a
21 lower -- just about getting a lower price. By
22 offering the imported ribbons, the U.S. industry is
23 able to offer the variety that it would not otherwise
24 be able to offer to its customers based on its own
25 production.

1 Let me just go last to the issue of threat.
2 There is no threat of material injury to the U.S.
3 ribbon industry. As I noted earlier, during the
4 preliminary investigation, the Petitioner was fretting
5 that the end of the quotas on China on December 31,
6 2008 would mark the beginning of a surge. They've
7 dropped that argument, it didn't happen and it's not
8 going to happen. It's simply there is not that level
9 of interest or trade that's going to be suddenly
10 enlarging when it hasn't been there all this time,
11 recognizing once again that we didn't have a petition
12 effect to bring down 2009 trade. We did have a
13 recession, no doubt, but that is not necessarily
14 indication that this trade that was not here during
15 2008 or 2007 will suddenly become so in 2010.

16 Also with respect to threat overall, we get
17 back to the fact that the imports are declining.
18 There's no price suppression, no price depression.
19 There hasn't been an impact that has been
20 demonstrated. For the Taiwanese, the capacity
21 utilization is relatively high. They're serving their
22 own and other markets and we also presented evidence,
23 too, about the need to have capacity overall that will
24 allow a factory to supply the different periods of
25 time when seasonality requires greater amount of

1 product to be produced, which means necessarily there
2 are going to be times when there's less being produced
3 and more capacity under-utilization.

4 We also heard evidence today that some
5 factories specialize in certain types of ribbons and
6 they aren't going to be switching over and shifting in
7 order to expand their trade.

8 The bottom line is that the Petitioner has
9 come up with no positive evidence to demonstrate
10 threat. Instead, there is only conjecture and
11 supposition. And the statute expressly states that
12 much more is -- that more is required to support an
13 affirmative threat determination. And on that basis,
14 we believe that you should conclude that there is no
15 material injury and even if there were, there is no
16 causation and there is no basis for threat. Thank
17 you.

18 COMMISSIONER LANE: Thank you. I want to
19 thank the parties again for their testimony and their
20 responses to the questions today. The post-hearing
21 briefs, statements responsive to questions, and
22 requests of the Commission and corrections to the
23 transcript must be filed by July 22, 2010. Closing of
24 the record and final release of data to parties will
25 be August 6, 2010, and final comments are due August

1 9, 2010. If there is nothing else to come before this
2 hearing, then this hearing is adjourned.

3 (Whereupon, at 5:28 p.m., the hearing in the
4 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Narrow Woven Ribbons with Woven
Selvedge From China and Taiwan

INVESTIGATION NO.: 701-TA-467 and 731-TA-1164-1165

HEARING DATE: July 15, 2010

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: July 15, 2010

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Tammy Brodsky/Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Gabriel Gheorghiu
Signature of Court Reporter