

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:

NARROW WOVEN RIBBONS WITH WOVEN SELVEDGE
FROM CHINA AND TAIWAN

) Investigation Nos.:

) 701-TA-467 AND

) 731-TA-1164-1165 (REVIEW)

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THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos. :
NARROW WOVEN RIBBONS WITH WOVEN) 701-TA-467 AND
SELVEDGE FROM CHINA AND TAIWAN) 731-TA-1164-1165
(REVIEW)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, July 12, 2016

The meeting commenced pursuant to notice at
9:40 a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Irving A.
Williamson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Irving A. Williamson (presiding)

5 Commissioner Dean A. Pinkert

6 Commissioner David S. Johanson

7 Commissioner F. Scott Kieff

8 Commissioner Rhonda K. Schmidtlein

9

10

11 Staff:

12 Bill Bishop, Supervisory Hearings and Information

13 Officer

14 Sharon Bellamy, Program Support Specialist

15 Sonia Parveen, Student Intern

16 Nadiya Samon, Student Intern

17

18 Laura Rodriguez, International Trade Analyst

19 Craig Thomsen, Economist

20 Mary Klir, Accountant/Auditor

21 Nataline Viray-Fung, Attorney

22 Douglas Corkran, Supervisory Investigator

23

24

25

1 APPEARANCES:

2 Opening Remarks:

3 In Support of Continuation of Orders (Gregory C. Dorris,
4 Pepper Hamilton LLP)

5 In Opposition to Continuation of Orders (Spencer S.
6 Griffith, Akin Gump Strauss Hauer & Feld LLP)

7 In Support of the Continuation of the Antidumping and
8 Countervailing Duty Orders:

9 Pepper Hamilton LLP

10 Washington, DC

11 on behalf of

12 Berwick Offray LLC

13 Chris Munyan, President and Chief Executive Officer,
14 Berwick Offray LLC

15 Julie Pajic, Director of Sales, Berwick Offray LLC

16 Rick Lee, Hagerstown Plant Manager, Berwick Offray LLC

17 Lynne Fox, President, Workers United

18 Julie Lorenzini, Director of Sales, Berwick Offray LLC

19 Marla O'Dell, Vice President of Sales, Berwick Offray

20 LLC

21 Chris Sorensen, Executive Vice President of
22 Operations, Berwick Offray LLC

23 Seth T. Kaplan, Senior Economic Advisor, Capital
24 Trade, Inc.

25 Andrew Szamosszegi, Principal, Capital Trade, Inc.

1 Gregory C. Dorris - Of Counsel
2 In Opposition to the Continuation of Antidumping and
3 Countervailing Duty Orders:
4 Akin Gump Strauss Hauer & Feld LLP
5 Washington, DC
6 on behalf of
7 Taiwan Silk & Filament Weaving Industrial Association
8 Rongshu Industry Corporation
9 King Young Enterprise Co., Ltd.
10 Fujian Rongshu Industry Co., Ltd.
11 Xiamen Yi-He Textile Co. Ltd.
12 (collectively "Respondents")
13 Kelly Lo, Sales Manager, Fujian Rongshu Industry Co.,
14 Ltd. and Xiamen Yi-He Textile Co. Ltd.
15 Susan Lo, Interpreter for Kelly Lo
16 Diana Yang, Sales Manager, Rongshu Industry
17 Corporation
18 Melissa Freeborn, Merchandise Manager, Hobby Lobby
19 Stores, Inc.
20 Joe Duffey, Owner, May Arts, LLC
21 Spencer S. Griffith and Dallas A. Woodrum - Of Counsel
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24
25

1 Rebuttal/Closing Remarks:

2 In Support of Continuation of Orders (Gregory C. Dorris,

3 Pepper Hamilton LLP)

4 In Opposition to Continuation of Orders (Spencer S.

5 Griffith, Akin Gump Strauss Hauer & Feld LLP)

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24

25

I N D E X

1		
2		Page
3	Opening Remarks:	
4	In Support of Continuation of Orders (Gregory C. Dorris,	
5	Pepper Hamilton LLP)	10
6		
7	In Opposition to Continuation of Orders (Spencer S.	
8	Griffith, Akin Gump Strauss Hauer & Feld LLP)	14
9		
10	Chris Munyan, President and Chief Executive Officer,	
11	Berwick Offray LLC	17
12		
13	Julie Pajic, Director of Sales, Berwick	
14	Offray LLC	21
15		
16	Julie Lorenzini, Director of Sales, Berwick	
17	Offray LLC	25
18		
19	Marla O'Dell, Vice President of Sales, Berwick	
20	Offray LLC	27
21		
22	Chris Sorensen, Executive Vice President of Operations,	
23	Berwick Offray LLC	30
24		
25		

I N D E X

1		
2		Page
3	Rick Lee, Hagerstown Plant Manager, Berwick	
4	Offray LLC	35
5		
6	Lynne Fox, President, Workers United	39
7		
8	Gregory C. Dorris - Of Counsel	42
9		
10	Seth T. Kaplan, Senior Economic Advisor, Capital	
11	Trade, Inc.	45
12		
13	Kelly Lo, Sales Manager, Fujian Rongshu Industry Co., Ltd.	
14	and Xiamen Yi-He Textile Co. Ltd.	129
15		
16	Melissa Freeborn, Merchandise Manager, Hobby Lobby	
17	Stores, Inc.	135
18		
19	Joe Duffey, Owner, May Arts, LLC	139
20		
21		
22		
23		
24		
25		

1	Rebuttal/Closing Remarks:	
2	Seth Kaplan - Senior Economic Advisor, Capital	
3	Trade, Inc.	204
4		
5	In Support of Continuation of Orders (Gregory C. Dorris,	
6	Pepper Hamilton LLP)	206
7		
8	In Opposition to Continuation of Orders (Spencer S.	
9	Griffith, Akin Gump Strauss Hauer & Feld LLP)	210
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

P R O C E E D I N G S

9:40 a.m.

MR. BISHOP: Will the room please come to order?

CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation No. 701-TA-467 and 731-TA-1164-1165. This is a review involving Narrow Woven Ribbons with Woven Selvedge from China and Taiwan. The purpose of these investigations is to determine whether revocation of the countervailing duty order on Narrow Woven Ribbon with Woven Selvedge from China and revocation of the antidumping duty orders on Narrow Woven Ribbons with Woven Selvedge from China and Taiwan would be likely to lead to continuation or recurrence of material injury within a reasonable, foreseeable period of time.

Schedules setting forth the presentation of this hearing, notices of investigation and transcript order forms are available on the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table. All witnesses must be sworn in by the Secretary before preparing testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

Speakers are reminded not to refer in their

1 remarks or answers to questions of business proprietary
2 information. Please speak clearly into the microphone and
3 state your name for the record for the benefit of the court
4 reporter. If you will be submitting documents that contain
5 information which you wish classified as business
6 confidential, your request should comply with commission
7 rule 201.6. Mr. Secretary, are there any preliminary
8 matters?

9 MR. BISHOP: Yes Mr. Chairman, with your leave we
10 will add Susan Lo, Interpreter for Ms. Kelly Lo to page 2 of
11 the witness list. I would also note that all witnesses for
12 today's hearing have been sworn in. There are no other
13 preliminary matters.

14 CHAIRMAN WILLIAMSON: Very well. Now let's begin
15 with opening remarks.

16 MR. BISHOP: Opening remarks on behalf of those
17 in support of continuation of the orders will be given by
18 Gregory C. Dorris, Pepper Hamilton.

19 CHAIRMAN WILLIAMSON: Welcome Mr. Dorris. You
20 may begin when you're ready.

21 OPENING REMARKS OF GREGORY C. DORRIS

22 MR. DORRIS: Thank you Chairman Williamson,
23 Commissioners and Staff. Good morning. I am Greg Dorris
24 with the Law Firm of Pepper Hamilton Counsel to Petitioner
25 Berwick Offering and its wholly owned subsidiary Lion Ribbon

1 Company. Those here on behalf of Berwick Offering today
2 have one goal and that is to convince each of you that the
3 antidumping and countervailing duty orders on subject narrow
4 woven ribbons should remain in place.

5 This morning the Commission will hear from and
6 see some of the very people whose livelihoods are at stake
7 and who depend on this Commission to reach the correct and
8 reasoned affirmative determination to continue the narrow
9 woven ribbon orders on both China and Taiwan. The Domestic
10 Industry initially benefitted substantially from the orders,
11 the orders in the dumping and countervailing duty margins
12 have had a restraining affect on the volume and price of the
13 subject imports.

14 As a result the financial performance of the
15 Domestic Industry improved substantially after the orders.
16 Berwick Offering in particular, upon receiving this
17 beneficial effect made new investments in equipment to
18 improve its competitiveness. More recently however the
19 Domestic Industry has become vulnerable to injury,
20 especially with the orders to be revoked.

21 The recent bankruptcy of Lawrence Schiff Silk
22 Mills and Berwick Offray's own declining financial
23 performance evidence this vulnerability. The workers in
24 Berwick Offray's Leesville, South Carolina and Hagerstown
25 Maryland Manufacturing facilities, many of whom you will

1 learn traveled to be here today, they are also vulnerable.
2 Continuation of all the orders is absolutely essential to
3 the industry's ability to survive and grow.

4 While some of the conditions of competition now
5 facing the Domestic Industry are the same as in 2010,
6 other's have changed and all cause the Domestic Industry to
7 be extremely susceptible to injury from unfairly traded
8 imports. These conditions that you will hear testimony
9 about today include that the substitutability between the
10 Domestic Product and subject imports has increased since the
11 original investigation, competition in the U.S. Market
12 continue to be based primarily on price, there has been a
13 dramatic increase in the importance of the internet both as
14 a conduit for sales and as a mechanism for price discovery.

15 The Subject producers have expanded their U.S.
16 sales and marketing operations. For example Yama Ribbons
17 and Bows opened new sales offices in the United States
18 during the period of review. The buying power of the major
19 retailers has expanded enabling them to command lower prices
20 from Domestic Producers. Finally and most significant
21 perhaps, despite a growing U.S. Economy demand for the
22 Subject narrow ribbons has been stagnant to declining. This
23 is due in large part to decline in the crafting market and
24 other factors specifically impacting the U.S. ribbon market.

25 Petitioner believes that in assessing these

1 conditions and making its determination, the Commission
2 should accumulate the subject imports from China and Taiwan.
3 The testimony will confirm the prehearing staff report and
4 responses to the questionnaires all of which show that the
5 Subject imports and domestically produced narrow woven
6 ribbon are highly substitutable and compete nationwide in
7 all distribution channels on the basis of price.

8 Each of you should be persuaded that revocation
9 of the orders would likely lead to continuation and
10 recurrence of material injury in the foreseeable future.
11 Even though the response rate to the foreign producers'
12 questionnaire for both subject countries in this review is
13 very poor. The prehearing staff report show that the
14 Chinese and Taiwanese producers have substantial excess and
15 divertible capacity and can also rapidly increase exports to
16 the United States if the discipline of the orders is
17 removed.

18 The United States is the preferred market for
19 these ribbons. It is by far the largest market. Because
20 narrow woven ribbon prices in the U.S. Market are higher
21 than prices in China, Taiwan and other third countries
22 markets' the Subject producers have a strong financial
23 incentive to increase their exports to the United States.
24 In the absence of orders therefore, large volumes of
25 cumulated subject imports would enter the U.S. Market at low

1 prices.

2 In this price sensitive U.S. ribbon market the
3 cumulative Subject imports would depress prices and reduce
4 the volume in the Domestic Industry shipments and production
5 leading to their lower profits, head-count reductions and
6 other adverse effects. The Commission therefore should make
7 affirmative determinations and continue all three orders in
8 order to avoid the loss of historic and proud U.S. Industry.
9 Thank you.

10 MR. BISHOP: Opening remarks on behalf of those
11 in opposition to continuation of the orders will be given by
12 Spencer S. Griffith, Akin Gump, Strauss Hauer and Feld.

13 CHAIRMAN WILLIAMSON: Welcome Mr. Griffith. You
14 may begin when you're ready.

15 OPENING REMARKS OF SPENCER S. GRIFFITH

16 MR. GRIFFITH: Thank you Mr. Chairman and Members
17 of the Commission. Good morning. My name is Spencer
18 Griffith of the Law Firm Akin Gump, Strauss Hauer & Feld.
19 First let me express our appreciation to the Commission and
20 to your Staff for all the attention and work that has been
21 devoted to this case and will be devoted to this case going
22 forward. We greatly appreciate all of the attention this
23 case is receiving. The Commission's vote in the original
24 case was 4-2 threat China and 3-3 threat Taiwan.

25 You couldn't get much closer a vote than that.

1 After that close vote the orders in these cases were imposed
2 but as you will hear today imposition of the orders have
3 little effect on the industry. Subject imports still came
4 in, indeed in significant volumes; third country imports
5 entered the United States at increasing volumes and a number
6 of other factors discussed in our confidential brief. Just
7 an aside, much of the data in this case is confidential
8 given the number of parties participating and therefore much
9 of the issues that will be addressed today are discussed in
10 more detail in our confidential submission.

11 For the same reasons that not much happened when
12 the orders were imposed, there is little expectation that
13 anything material would change once these same orders are
14 revoked. You will hear testimony today that nothing
15 material changed when these orders were imposed and so
16 similarly nothing will change if these orders are revoked.
17 You will also hear testimony today that there are a lot of
18 good reasons for this.

19 Imports, both subject and non-subject always have
20 been and always will be an important part of the U.S.
21 Market. U.S. Producers simply cannot satisfy U.S. Demand.
22 Berwick itself is important historically. In addition, the
23 record shows that non-price factors are key in this
24 industry. This is not a simple commodity sold on price as
25 petitioners would have you believe. You'll hear testimony

1 that Taiwanese and Chinese suppliers have shown the ability
2 and willingness to work with U.S. Importers to design the
3 ribbon the importers want, not merely the ribbons that the
4 sellers have on the shelf.

5 Also, other factors such as quality, range of
6 products, lead times and other factors are also critically
7 important to purchasing decisions. In addition, Non-Subject
8 imports are playing a key role in this market. Taiwanese
9 and Chinese suppliers with 0 or very low margins are
10 continuing to ship product to the U.S. Market and serve
11 their U.S. Customers. Third-country suppliers are
12 extremely active.

13 The public version of the Staff Report notes that
14 from 2010-2015 U.S. Sales of Non-Subject imports increased
15 70 percent in that five-year period. The volume of imports
16 will not increase if these orders are revoked. You'll hear
17 testimony and the record shows that Taiwanese and Chinese
18 Suppliers have strong other markets. And there is also a
19 substantial presence of imports already in this market.

20 The market in effect has already adjusted to the
21 imposition of these orders and nothing will change on volume
22 when they are moved. In addition, the prices will not be
23 adversely affected if these orders are revoked. As I
24 mentioned, non-price factors are key in this industry.
25 Relative third-country pricing, relative to domestic

1 production and Subject imports which we discussed in our
2 brief are also important to this issue as are other factors
3 that we discussed in our confidential brief.

4 Finally, this industry, this domestic industry is
5 not vulnerable if these orders are revoked. Demand is
6 steady and is not expected to decline as your own staff
7 report shows. The recent bankruptcy of Schiff cannot be
8 attributed to subject imports. Schiff went bankrupt just a
9 couple months ago a full five years after these orders were
10 imposed. All imports over the last five years have been
11 fairly traded. It is not reasonable to attribute any ill
12 effects from fairly-traded imports to the bankruptcy of a
13 U.S. Producers five years later.

14 Simply put, the conditions of competition and
15 analysis of likely volume and price effects and analysis of
16 the fact that this industry is not vulnerable all compel the
17 conclusion that these orders should be revoked. Thank you
18 that concludes my remarks.

19 MR. BISHOP: Would the panel in support of
20 continuation of antidumping and countervailing duty orders
21 please come forward and be seated.

22 CHAIRMAN WILLIAMSON: Want to welcome this panel
23 and Mr. Munyan you may begin when you are ready.

24 STATEMENT OF CHRIS MUNYAN

25 MR. MUNYAN: Good morning Chairman Williamson,

1 Commissioners and Staff. My name is Chris Munyan and I'm
2 the President and CEO of Berwick Offray, LLC. I've worked
3 for Berwick Offray, its affiliates or its Parent Company CSS
4 Industries since 1993. My life and sole are in this
5 company. This morning, I and my team speak on behalf of our
6 company and our 400+ current employees who produce and
7 support narrow woven ribbon on a matter that is critical to
8 our company and to our industry.

9 Berwick Offray is the last remaining, significant
10 U.S. Ribbon Manufacturer. It's an industry with a 150-year
11 tradition in the United States. I do not say it lightly
12 given the recent bankruptcy of one of one of our former
13 competitors, Lawrence Schiff Silk Mills as a company and
14 industry the threat we face from revocation is real and
15 could very well destroy us and the livelihood of our
16 hardworking, dedicated employees.

17 Berwick Offray is recognized as an important part
18 of an American Family Traditions. We're literally woven
19 into the fabric of this country. We made the red, white and
20 blue ribbons looped and tied across the U.S. after 9/11.
21 The Autism Society's puzzle logo was first developed by our
22 company from one of our original ribbon designs. The
23 beautiful floral wedding bouquets used by your grandmother,
24 mother or daughter likely contained our U.S. produced
25 ribbon.

1 Our ribbons have adorned the metals of past
2 Olympic champions. Remember the Gold Medal miracle on ice,
3 1980 Olympic Hockey Team? Our ribbons held the metals worn
4 around their necks during the medal ceremony. When you look
5 at your grandmother's scrapbook or make a scrapbook for your
6 children, there's a good chance that our ribbons adorn those
7 memories.

8 Today, Berwick Offray including subsidiaries has
9 over 400 employees in five different U.S. Locations
10 supporting its narrow woven ribbon business. This ribbon is
11 woven at our plant in Leesville, South Carolina then dyed,
12 printed, converted and distributed from our Hagerstown,
13 Maryland plant. Our home office for administrative
14 operations is in Berwick, Pennsylvania and we've initial
15 sales and marketing offices at Budd Lake, NJ.

16 Additionally we have distribution warehouses in
17 Florence, Alabama and Bloomsburg, Pennsylvania. I want to
18 thank you and your Staff again for the hard work in the
19 original investigations which resulted in the orders issued
20 here today. Those orders were truly a lifeline to Berwick
21 Offray at a pivotal point in its history. Low-priced dumped
22 and subsidized imports wreaked havoc with Domestic Industry
23 pricing and profitability and threatened further harm to
24 U.S. Manufacturers as our retail and commercial customers
25 replied with subject Chinese and Taiwanese prices, sometimes

1 believe the cost of materials.

2 But the order changed that. They had an
3 immediate and positive effect on our operations allowing us
4 to retain many of our key customers and return our
5 profitability to sustainable levels. We're able to invest
6 in new plant equipment, expand our domestic offerings,
7 replace imported ribbon with Domestic Production and improve
8 our already efficient production and distribution processes.

9 Today, however all these gains and improvements
10 are at risk by revocation. Conditions in the U.S. Market,
11 particularly driven by the usage decline in scrapbooking,
12 gift packaging and floral market segments have made the
13 industry vulnerable as shown by the bankruptcy of Schiff.
14 The exit of Trimtex and the low levels of profitability
15 experienced by our narrow woven operations.

16 Despite these travails, the U.S. Market remains
17 the largest and most attractive market in the world. Should
18 the orders be revoked, Subject Chinese and Taiwanese
19 producers will quickly reenter the U.S. Market or expand
20 their current presence with large volumes of low priced
21 ribbons at unfairly dumped and subsidized prices. This is a
22 real existential threat.

23 We stand before you as the sole remaining
24 significant U.S. Producer of narrow woven ribbon. On behalf
25 of our employees, the weavers in Leesville, South Carolina;

1 the dyers, printers and warehouse staff in Hagerstown,
2 Maryland; the warehouse staff in Florence, Alabama; the
3 marketing and designers in Budd Lake, New Jersey and the
4 back office support staff in Berwick, Pennsylvania I
5 respectfully ask you, based on the record before you, to
6 continue the existing trade remedies so that our proud
7 company and unique industry can survive for many more years.
8 Thank you.

9 STATEMENT OF JULIE PAJIC

10 MS. PAJIC: Thank you, Chris. Good morning.
11 Thank you for your time today. My name is Julie Pajic and
12 I'm currently the Director of Sales for Berwick Offray. For
13 three years I was the executive Vice President of Marketing
14 and five years prior to that the Senior Vice President of
15 Sales and Marketing. All told, I have worked for 20 years
16 for Berwick Offray. I have a very deep understanding of
17 ribbons and the U.S. Ribbon Market, in particular the narrow
18 woven ribbon with selvedge we are talking about today.

19 During my testimony here 5 years ago, I conveyed
20 that we can and have made all styles and types of narrow
21 woven ribbon in our U.S. Manufacturing facilities. I would
22 like to briefly describe some of the various ribbon styles
23 and I've passed out a ring of swatches for your reference.

24 There are four high-volume type narrow-woven
25 ribbons: Single-face satin, which is the swatch B in your

1 possession which has a smooth and shiny side, on the other
2 side it's a dull taffeta. Swatch C is a double-face satin
3 which has a smooth side on both sides. Swatch D is a grow
4 grain and it's a heavier hand with a ribbed-texture feel and
5 swatch E is a sheer, which has a transparent appearance and
6 it's very light in feel.

7 These four groups saw the largest volume when
8 they are sold in solid color. "Fancies", as we termed them,
9 are ribbons that have a design. Designs can be woven into
10 the ribbon or applied to the surface. Woven designs are
11 referred to as yarn-dyed which means the yarn is dyed prior
12 to weaving and then the design is woven into the ribbon.
13 Plaids and stripes are the most recognized yarn-dyed woven
14 ribbons and that's your swatch H and I. As you can see on
15 the other side, the design comes right through.

16 The other type of yarn-dyed ribbon is a jacquard
17 and that's swatch R in the very back of your ring. The
18 other type of fancy that I will refer to is one that is
19 added to the solid ribbon after the dyeing and finishing
20 process. Most applied designs are added via one of many
21 printing processes. These include transfer printing, puff
22 printing and screen printing. By utilizing an applied
23 design, the cost is lower and the lead time is shorter since
24 the ribbon is woven and dyed in bulk instead of yarn by
25 yarn.

1 Applied designs can be as simple as a single
2 colored dot which is swatch L or it can be as complex as a
3 5-color digital picture which is swatch O. Since we last
4 testified but not including Schiff, we have broadened our
5 capabilities in order to satisfy the imagination of our
6 designers, retail buyers and ultimately the consumer. We
7 have gone from having one digital printer to four
8 quadrupling our capacity.

9 We have also purchased four new color printing
10 presses capable of photo-quality screen printing and that
11 would be your swatch P. Finally, we added a rotary screen
12 printer. These new additions enhance our design
13 capabilities. Please see the boards for just a small
14 example of design and capabilities. To support the design
15 process, we employ a creative director that travels the
16 world with her team developing color, motif and substrate
17 trends.

18 We also employ a business unit manager of design
19 that oversees the coordination between the designers, the
20 product managers and our manufacturing facilities, assuring
21 the team is focused on the total product category vision.
22 In total, we employ 6 in-house ribbon designers and
23 additional freelance designers with a strong breadth of
24 capability ranging from weaving to creating art to finally
25 bringing the design to life through various printing

1 processes.

2 We believe our designers combined with our
3 capabilities are some of the most innovative in the market
4 and envied by our competitors, especially the producers in
5 China and Taiwan. We see our designs mimicked and copied
6 constantly. In addition to creating our own designs, we
7 collaborate and partner with U.S. Purchasers to customize
8 ribbon. We are asked to match color or manufacturer design
9 co-created by our purchasers. We have never been presented
10 with a narrow woven ribbon design we could not make. It is
11 only because of unfairly traded ribbons that purchasers
12 prefer to partner with Chinese and Taiwanese Producers.

13 Because of these facts it's hard to believe that
14 imports from China and Taiwan are needed to allow our
15 purchasers to round out the product lines. With respect to
16 customers for narrow woven ribbon products, all types and
17 styles are now sold through three broad sales channels:
18 retailers, industrial end users and wholesaler distributors.

19 A news sales channel for Berwick Offray is direct
20 to U.S. Consumer. Direct to consumer internet sales are
21 somewhat new to the ribbon industry and their presence is
22 ever-growing. We sell our ribbons direct to consumers
23 through our website as do some of our retailers, wholesalers
24 and distributors.

25 Julie Lorenzini present here today is our retail

1 director of sales and she will discuss her current base and
2 Marla O'Dell the Vice President of Sales and Marketing will
3 talk about the industry end-user and wholesaler distributor.
4 She has managed since 2007, Julie.

5 STATEMENT OF JULIE LORENZINI

6 MS. LORENZINI: Good morning. I am Julie
7 Lorenzini. My primary area of expertise is in sales to
8 retailers, which is the most significant category of
9 customers we ship to in the United States.

10 When I say "retailers," I am talking about both
11 the big box stores and the specialty craft stores. In terms
12 of how we sell, with our retail customers it has become
13 mostly customized where we work and consult with them to
14 provide designs with types and styles of ribbons that fit
15 exactly what they want.

16 I can tell you from my experience that low-priced
17 imports from both China and Taiwan are there competing with
18 us with every retail customer across the United States.

19 I have seen over the years that the largest U.S.
20 retailers have increased their direct importing of narrow
21 woven ribbons. I know that we are not providing as much
22 assistance as we have in the past to help them get access to
23 the Chinese and Taiwanese ribbons.

24 It is interesting because over the same time we
25 have decreased the amount of ribbons we import from China

1 and Taiwan, and make more of what we need to sell here in
2 the United States.

3 What I have also seen over the past years is an
4 increasing concentration of the retail ribbon market into
5 only a few large buyers. I deal with them practically every
6 day, and I can tell you that they are so big and they are
7 buying so sophisticated now that they have almost all the
8 power when we negotiate prices.

9 The little power we have comes from the existence
10 of the orders and our ability to remind them that they need
11 to be cautious if they use Chinese and Taiwanese produced
12 ribbons. But they do use their buying power to lower narrow
13 woven ribbon prices, which increases our vulnerability.
14 This lowering is only exacerbated by the fact that there are
15 so many Chinese and Taiwanese producers and exporters
16 willing and able to supply them the same ribbon products.

17 We are also seeing some of these foreign
18 producers creating a U.S. presence to be able to work and
19 sell even more ribbons easier and faster to our retail
20 customers, but especially the largest ones.

21 Perhaps the most dramatic change over the past
22 few years is the considerable competition and our own growth
23 through Internet sales. Suppliers in both China and Taiwan
24 have websites offering narrow woven ribbons at very low
25 prices. We do not know how the product is entering the

1 United States, but we hear from our customers when they find
2 ribbons available on the Internet at low prices, because
3 they use this to lower our prices.

4 We also sell direct through the Internet, as
5 Julie Pajic just described. With the power of the retailers
6 and the changing competition from low-priced Chinese and
7 Taiwanese imports, I know that if the orders are allowed to
8 go away we will not be able to compete successfully for
9 sales to the large, sophisticated retailers when the Chinese
10 and Taiwanese dumped and subsidized products flow freely and
11 in large volumes back to the U.S. market.

12 Marla?

13 STATEMENT OF MARLA O'DELL

14 MS. O'DELL: Thank you. Good morning. I am Marla
15 O'Dell. I have considerable experience selling to what we
16 call Industrial end-users and wholesalers and distributors.

17 Industrial end-users are those companies that use
18 our ribbon to enhance products they sell. Examples would be
19 candy manufacturers and shops, florists, high-end apparel,
20 and others that package fruit and luxury goods.

21 In our industrial division, the product is
22 frequently sold in a straight competitive bid process where
23 only price matters. We receive an email or call with specs
24 and delivery requirements, and an invitation to bid in 24 to
25 48 hours. We make a bid, as do others, and the winning bid

1 is ultimately and often based only on price.

2 We also sell our narrow woven ribbons to
3 wholesalers and distributors who in turn sell our products
4 to independent retailers or industrial end-users I just
5 described, and even directly to U.S. consumers, as Julie
6 Pajic described.

7 A wholesaler generally stocks products for sale
8 from its warehouse, while a distributor typically purchases
9 and sells to order. Regardless of the customer segment, we
10 are competing with subject imports from both China and
11 Taiwan for each and every one of them, and that competition
12 will significantly intensify where there are no orders in
13 place.

14 As the Vice President of Sales and Marketing at
15 Berwick Offray L.L.C., it is my job to know the pricing and
16 what drives pricing in the U.S. market. I can tell you from
17 my experience that narrow woven ribbons are becoming even
18 more commoditized.

19 As Julie Pajic described to you, Berwick Offray
20 more than anyone understands the great variety and types and
21 styles of narrow woven ribbons. But today, all producers,
22 both domestic and subject, can make the same ribbons.
23 Purchasers view a ribbon of a particular type and style,
24 such as grosgrain or double-faced satin, made by one
25 producer to be the same or almost the same as one made by

1 another producer. Whether those ribbons are made by a U.S.,
2 Chinese, or Taiwanese producer, the purchaser will often buy
3 solely on price.

4 Purchasers no longer put much value on different
5 services in the final decision as long as ribbons match each
6 other.

7 Of course we know that ribbons are not like steel
8 pipe, or cement, or a specialty chemical that is made to
9 exact specifications, but like commodities price is the main
10 deciding factor for my customers when the quality and mix of
11 types and styles are comparable.

12 Even in those situations where we believe we have
13 better service, quality, or marketing support, we only lose
14 a program in the end based on price. I have never
15 experienced losing a sale because we could not make the
16 ribbon; it has always been price.

17 I have personally seen many of the types and
18 styles of narrow woven ribbons imported from China and
19 Taiwan. I can confirm that the imported narrow woven ribbon
20 and those made in the United States are comparable in
21 quality, with the same types and styles being offered--and
22 not just offered, but sold, as our ribbons and those of the
23 Chinese and Taiwanese producers are easily interchangeable
24 and substitutable for one another.

25 To be clear, the Chinese and Taiwanese ribbons

1 are offered and sold to all our various customer segments
2 across the United States. We compete against both China and
3 Taiwan imports basically in every state, and certainly
4 wherever we have customers.

5 Amplifying the current environment, minimum order
6 quantities from China and Taiwan have decreased, and
7 Internet price comparison shopping has increased, making
8 Chinese and Taiwanese imports more accessible.

9 Now some of the Chinese and Taiwanese producers
10 even stock inventory in the United States, allowing them to
11 ship quickly and more often.

12 In summary, we compete in the retail customers
13 segment Julie Lorenzini just described, and the industrial
14 end-user and wholesaler-distributor customer segments I
15 described, and now more than ever the direct-to-consumer
16 segment Julie Pajic told you about. We've competed with
17 both China and Taiwan imports on a daily basis for the last
18 five years and will continue to do so, just much less
19 successfully if the Orders are revoked, as Chris will now
20 explain.

21 STATEMENT OF CHRISTIAN SORENSEN

22 MR. SORENSEN: Good morning. My name is Christian
23 Sorensen, Executive Vice President of Operations for Berwick
24 Offray L.L.C. I have been in operational and financial
25 roles with Berwick Offray, its affiliates or its parent

1 company, CSS Industries, since 1996.

2 Currently I am responsible for all operational
3 areas of Berwick Offray. After the very recent bankruptcy
4 and closure of Schiff Ribbon, Berwick Offray is the sole
5 significant producer of narrow woven ribbon remaining in the
6 United States.

7 While we are very sorry to see Schiff close, we
8 are even more concerned that what happened to them could
9 happen to us if there's a revocation of the Orders against
10 unfairly traded Chinese and Taiwanese NWR.

11 As I speak, Berwick Offray is vulnerable to
12 subject imports. Without the Orders in place, the
13 conditions we face in the marketplace pose a considerable
14 threat to our domestic operations. Our current financial
15 condition, in addition to the Schiff bankruptcy and
16 Trimtex's exit, speaks to the vulnerability of our industry.

17 While Berwick Offray experienced a significant
18 improvement in financial performance from thee Orders, it
19 has been eroding since 2014 and has now fallen to levels
20 which are not sustainable long term.

21 Our operating margin on NWR, which rose to double
22 digits following the Orders, has fallen to levels
23 significantly below our cost of capital. Other financial
24 statistics, gross margins, net margins, and return on
25 assets, have also fallen to levels that cannot support the

1 investments to sustain the long-term viability of the
2 industry, much less support the types of investments that
3 would be required to grow the industry.

4 The distress is not only reflected in the low
5 margins, actual dollar profits in all of these indicia fell
6 as well. My view of the industry is not speculation. None
7 of the foreign producers sitting across from us today, nor
8 any of their counterparts in China or Taiwan, even bothered
9 to bid for the assets of Schiff in the recent bankruptcy
10 proceeding.

11 In this proceeding, the assets of a 100-year-old
12 company and the producer of the iconic Tiffany Ribbon, could
13 be had for pennies on the dollar. Berwick Offray did obtain
14 these assets because we believe the domestic industry does
15 have a future with the orders in place.

16 My concern with the revocation of the Orders
17 extends beyond the current vulnerability of the domestic NWR
18 industry. The Commission should be under no illusion that
19 revocation of the Orders will not lead to a substantial
20 increase of unfairly traded imports from both China and
21 Taiwan.

22 I have traveled extensively in both China and
23 Taiwan and have visited and investigated subject companies
24 and have researched many others. Sanding, located in Yiwu
25 China, has roughly 8,000 looms capable of producing NWR.

1 This one company has over 10 times the number of looms of
2 the entire domestic industry.

3 Similarly, the Commission Staff Report shows
4 enough excess capacity in Taiwan to overwhelm the U.S.
5 market.

6 I can also tell you from my travels that large
7 China and Taiwan production facilities covered by the Orders
8 have the ability to rapidly increase their production and
9 exports of NWR. They are ready, willing, and able to ramp
10 up their production of unfairly priced NWR if the Orders are
11 revoked. Yama, in particular, but other Chinese and
12 Taiwanese producers, have expanded their sales and marketing
13 operations in the United States over the last five years.
14 The Orders are the only barrier they face to rapidly
15 expanding their market share by offering unfairly traded
16 prices.

17 My travels and long experience in the NWR
18 industry has led me to another conclusion: That the United
19 States is by far the preferred market for global NWR
20 producers, particularly those in China and Taiwan.

21 The United States is the largest and the most
22 lucrative of the world markets. Even when they sell at low
23 dumped and subsidized prices, the China and Taiwan producers
24 do better in the United States than they do elsewhere. They
25 want to export to the United States and target it for their

1 NWR sales.

2 Other markets around the world are relatively
3 small and are already saturated with NWR imports. We have
4 come across China and Taiwan producers in every geographic
5 region, in every channel of distribution, and across every
6 product category.

7 As you have heard from the head of marketing, the
8 head of retail sales, and the head of industrial sales,
9 there is no safe haven for the domestic producers should the
10 Orders be revoked.

11 In the room with us today are 67 of my co-workers
12 from our South Carolina and Maryland ribbon production
13 facilities. Please stand.

14 (Workers stand.)

15 MR. SORENSEN: Thank you for coming. This group
16 represents almost a quarter of our U.S. ribbon production
17 workforce, and well over a thousand years of experience in
18 the narrow woven textile industry. We thought it important
19 to provide the workers an opportunity to be here today. As
20 you can see from the turnout, all of whom are volunteers,
21 how important this proceeding is to each of them.

22 You may be seated. Thank you.

23 I would like to conclude by saying that Berwick
24 Offray is committed to the U.S. market, our U.S. employees,
25 and our U.S. customers. We have used the Order to invest in

1 our domestic operations and our domestic workers. We have
2 invested in new equipment allowing us to domestically
3 produce NWR we once had to import.

4 We have relocated operations to increase
5 efficiency and to lower our costs. We recently confirmed
6 our commitment to the U.S. market by being the sole bidder
7 for the Schiff assets in an attempt to keep that business in
8 the United States.

9 On behalf of Berwick Offray, thank you for your
10 time this morning and for this opportunity to present our
11 case.

12 STATEMENT OF RICK LEE

13 MR. LEE: Good morning. My name is Rick Lee. I
14 am the Plant Manager of the Hagerstown, Maryland, facility.
15 I have been with Berwick Offray for 32 years and have over
16 40 years of experience in the textile industry.

17 As the saying goes, a picture is worth a thousand
18 words. So to that end, I would like to show you a short
19 video that will illustrate the production processes in the
20 two manufacturing facilities.

21 We will start with our Leesville, South Carolina,
22 facility where we have two primary end-products: greige
23 undyed fabric, which is your Ring A, and which will later be
24 dyed solid colors, and yarn-dyed ribbons.

25 The process begins with yarn of various sizes and

1 fiber types being purchased and warehoused in South
2 Carolina. The yarn is then--the yarn that will be
3 package-dyed, the twisting and winding operation prepares it
4 for the yarn-dyed packaging dying.

5 Package-dyeing is a process that uses large
6 pressure vessels that are designed to hold hundreds of
7 pounds of yarn per batch. In this operation, the yarn is
8 loaded into the machine, and the dye is pumped through the
9 yarn packages to permanently dye and heat-set the yarn prior
10 to weaving.

11 Winding after the dying puts the yarn on a tube
12 that can be used in a warping and weaving process that is to
13 follow. Creeling is the term for placing hundreds of tubes
14 of raw yarn on a large stand that will allow the yarn to be
15 wound onto aluminum spool called a warp beam. The warp is
16 the length of the woven ribbons.

17 Relay and reeding are preparation steps for
18 warping. The yarn dye warping is the process of winding
19 previously dyed yarn onto large spools that will later be
20 loaded into the looms. These yarn dye warps will ultimately
21 become stripes and plaids and other woven patterns.

22 Greige goods warping is also the act of winding
23 yarn onto the large spool. This undyed yarn will be used to
24 weave greige goods which will later be dyed into solid
25 colors.

1 Warp loading is the loading of the warp beam into
2 the loom prior to weaving. As you can see, these beams
3 require additional equipment because they are quite heavy,
4 containing thousands of yards of raw yarn.

5 `Draw-in and tie-in are both activities related
6 to the setup of a new warp beam and a woven pattern. Much
7 of this work is done by hand, one strand of yarn at a time.
8 Portions of the process have been improved with automated
9 tying equipment.

10 Weaving is the activity that combines warp yarns
11 and fill yarns to create a woven fabric. In this case, you
12 are seeing weaving greige goods.

13 A Jacquard Loom is a specialized loom that will
14 weave an intricate pattern into the fabric as it is running.
15 This would be your sample R. Doffing is the term for
16 removing the full tubes of yarn of woven greige goods from
17 the loom take-up. They are tagged, recorded, and packed for
18 shipment to our facility in Hagerstown, Maryland.

19 In the Hagerstown Plant, we dye solid-colored
20 ribbons and we print ribbons with a number of types of
21 printing. We also do finished spooling, packing, and
22 shipping to our customers. We begin with a receipt of the
23 woven NWR that we just saw produced in the weave plant. It
24 is stored and then released as specific orders.

25 Next is our dye house. With our continuous dye

1 ranges, the rolls of undyed ribbon are fed through the steps
2 required to produce high-quality, permanently dyed ribbon.
3 Passing through the various tanks in the dye range, the
4 material is washed prior to the application of dye.

5 After the dye has been applied to the ribbon, it
6 passes through an oven where the dyes react with one another
7 creating the color that we need. Each color has a specific
8 formula.

9 After the oven, the ribbon is washed again to
10 ensure wash-fastness when used in a textile application.
11 The dye mixes are formulated carefully with each color that
12 we dye. We have a number of dye ranges that are used for
13 dye lots of all sizes.

14 In our printing operation we have a number of
15 types of processes. Shown here is screen printing where a
16 design or logo is printed onto ribbon through a silk screen
17 specifically designed for that pattern. As you can see, we
18 are printing multiple ribbons at the same time.

19 It is then cured in an oven and rolled up prior
20 to the next manufacturing step. In addition to screen
21 printing, we have transfer, hot-stamp, and digital printing.
22 The put-up department takes the dyed or printed ribbon and
23 winds it onto a spool or core, depending on the end user's
24 requirements.

25 Here we are seeing both small retail type spools

1 being wound, as well as large rolls of ribbon that are
2 generally used by manufacturers or distributors.

3 The finished spools are then moved into the
4 packing area where they are flanged, labeled, and packed
5 before sending the boxes to the distribution warehouse. In
6 the warehouse, goods are staged prior to shipment, the open
7 stock areas where orders are picked, packed, and shipped to
8 our individual customers.

9 Thank you.

10 STATEMENT OF LYNNE FOX

11 MS. FOX: Good morning, Mr. Chairman,
12 Commissioners and participants in this important hearing.
13 My name is Lynne Fox, and I'm president of Workers United,
14 an affiliate of the two million member Service Employees
15 International Union. Workers United is a labor union
16 representing 80,000 members working in the apparel and
17 textile, laundry and food service industries in the U.S. and
18 Canada. Approximately 25,000 of our members work in apparel
19 and textile manufacturing, distribution and retail sectors.

20 Workers United is the proud inheritor of the
21 traditions of the International Ladies Garment Workers
22 Union, and the Amalgamated Clothing and Textile Workers
23 Union, both founded in the early years of the 20th century.
24 For over 100 years, we have defended the interests of
25 garment and textile workers, at our peak representing over

1 450,000 workers.

2 Since the era of free trade began with the
3 passage of the North American Free Trade Agreement, the
4 apparel and textile industries in the U.S. have rapidly
5 declined. Thousands of factories closed, leaving millions
6 of workers unemployment. Employment in the apparel and
7 textile industry has sharply declined, from almost 940,000
8 in 1990 to around 140,000 today, and many of the jobs that
9 remain are endangered by market distortions like subsidies
10 that cause excess capacity and dumping.

11 U.S. trade law are critical to ensuring that
12 these existing jobs are not lost due to unfair trade. The
13 workers in our union are not wealthy, but they earn a living
14 wage and they have healthcare and retirement benefits. But
15 when factories close and our workers lose their jobs, all
16 too often they experience a wrenching decline in their
17 standard of living.

18 Some experience long periods of unemployment.
19 Many exhaust their unemployment insurance benefits.
20 Families go into debt, homes are foreclosed on, health care
21 is deferred and workers' children are not to attend college
22 or must leave college. For those lucky enough to find new
23 employment, it's usually at a job with a lower wage and no
24 benefits.

25 The sad reality of today's economy is that when

1 our workers lose their jobs, it's often a catastrophic
2 event. We're here today representing the interests of 81
3 workers, 43 women, 38 men who work at the Berwick Offray in
4 Hagerstown, Maryland. They work dying and finishing
5 narrow-woven ribbon that's used in floral arrangements, gift
6 packaging and other special projects.

7 Berwick Offray is the last company producing
8 these items in the U.S. We believe the jobs of these
9 workers, who have an average length of service of more than
10 17 years, are threatened by unfair competition from
11 companies in China and Taiwan, and I am proud that these
12 workers are here today in support of the petition to
13 continue anti-dumping and countervailing duty remedies.

14 This company has been in Hagerstown for over 90
15 years, and the workers have been represented by a union
16 almost from the beginning. The fact that so many workers
17 have more that 30 years with the company is a testament to
18 the cooperative spirit that characterizes labor relations at
19 Berwick Offray.

20 One employee recently retired had been with the
21 company 65 years. She began work on D-Day in 1944. The
22 company and the union have worked together to keep the plant
23 competitive. Over the years, new equipment has been brought
24 into the plant. The work process has been modernized, and
25 the workers have always cooperated to make the plant as

1 efficient as possible.

2 Together, these workers earned \$2.5 million 2015
3 plus benefits. These workers are the backbone of America's
4 remaining manufacturing industry, enjoying decent union jobs
5 that enable them to support their families, pay taxes, and
6 be the mainstay of their community. Do we really want to
7 see the last American ribbon factory shut down, as so many
8 have before, putting these hard-working men and women out of
9 work? What jobs will they be able to find to replace these
10 good jobs, and what will that do to the tax base of the
11 community?

12 Workers United is proud of the contribution our
13 members have made to our economy, and we have a history of
14 working with employers to increase productivity and do what
15 it takes to keep companies like Berwick Offray in business,
16 in the face of competition from companies in low wage
17 countries that are often engaging in unfair trade practices.

18 We appeal to you Commissioners to help us
19 preserve what is left of the ribbon industry in America, and
20 to use this opportunity to show that our trade rules will be
21 enforce rigorously to defend American workers. Thank you.

22 STATEMENT OF GREGORY DORRIS

23 MR. DORRIS: Greg Dorris again from Pepper
24 Hamilton. There is an open legal issue, and that is whether
25 the Commission should cumulate. The governing law provides

1 you with discretion whether to cumulate or not. Petitioner
2 contends that the criteria for cumulation of the subject
3 imports from China and Taiwan are satisfied, and that the
4 Commission should exercise its discretion to cumulate.

5 The responses to the questionnaire, the staff
6 report and the witness testimony all show overwhelmingly
7 that there is and there likely would be competition from
8 both Chinese and Taiwanese imports following revocation of
9 the orders. The Commission in finding threat in their
10 original investigation exercises discretion to cumulate.

11 In making that decision to cumulate, the
12 majority of the Commission found that the domestically
13 produced narrow woven ribbons and subject imports were only
14 moderately substitutable. But due to the changing
15 conditions in competition, the Commission staff now finds
16 high substitutability among the domestic like product and
17 the imports from both China and Taiwan. There simply is no
18 doubt of the fungibility of the ribbons from these sources.

19 You also heard testimony today that the subject
20 ribbons are sold or offered for sale across the United
21 States, such that there is no question that the subject
22 imports and the domestic ribbons are in the same
23 geographical markets. The testimony further shows that both
24 the Chinese and Taiwanese ribbons move through the same
25 channels of distribution and have done so throughout the

1 last five years in relatively similar volumes, as they will
2 in the future when the order is revoked.

3 The testimony today also reinforced the
4 responses to the questionnaires and the staff report showing
5 that the volume of the subject imports from China and Taiwan
6 likely would increase significantly were the orders revoked.
7 Underselling of the domestic like product also likely would
8 increase significantly should the orders be revoked.

9 The very high volumes of unfairly traded imports
10 from China and Taiwan most likely would have a very clear
11 and discernible adverse impact independently and
12 cumulatively on the domestic industry. For all these
13 reasons as they did in the original investigation, but even
14 with more justification in these reviews, the Commission
15 should exercise its discretion and cumulate imports from
16 China and Taiwan in making its determination.

17 The dissent exercised its discretion in the
18 original investigation, and decided not to cumulate based on
19 the findings of Chinese and Taiwanese imports had
20 differential trends in volume, differential trends in prices
21 and differential trends in capacity utilization and
22 inventories. While we respect and understand this decision
23 and those findings in the original investigations, we note
24 that the facts in these reviews are different.

25 Here, the volume of subject import shipments

1 from both China and Taiwan in tandem decreased dramatically
2 following those orders, but generally increased over the
3 review period. Prices from both countries also moved in
4 tandem, increasing volume of orders over the review period
5 but declining in 2015.

6 Capacity utilization may have remained different
7 during the period of review, but which country had
8 significantly more flip-flopped, and both countries have
9 large capacities to divert a lot of product to the United
10 States. Given these changes, we believe that all
11 Commissioners would be justified in finding cumulation in
12 these reviews.

13 Now that this one key contested legal point has
14 been addressed, it is time to let Dr. Seth Kaplan conclude
15 our presentation from an economic perspective.

16 STATEMENT MR. SETH KAPLAN

17 MR. KAPLAN: Good morning Chairman and
18 Commissioners. I am Seth Kaplan, senior economic advisor to
19 Capital Trade. I'm here to discuss the economic conditions
20 of the industry. So begin we'll with an overview and then
21 look to the effects of the order, the conditions of
22 competition, the vulnerability of the industry and the
23 harmful effects of revocation.

24 An introduction and a conclusion. The orders
25 improved the condition of the domestic industry. The

1 conditions of competition make the industry highly
2 susceptible to injury, and many have worsened since the
3 original investigation. The domestic industry is highly
4 vulnerable, and subject import volumes will increase and
5 prices will fall, causing a continuation or recurrence of
6 injury should the orders be revoked.

7 Let me now turn to the effects of the order, and
8 here are the major effects that you are asked to look at.
9 First, subject import volumes decreased as a result of the
10 order; subject import prices increased as a result of the
11 order; the volume and production of U.S. shipments increased
12 as a result of the order; the price of U.S. producers
13 shipments improvement significantly; and U.S. producers
14 experienced significant improvement in profitability,
15 efficiency and return.

16 Some of the Commission had questions of whether
17 the imports were injuring or threatened injury. It's very
18 hard ex ante to predict the future. We have seen the future
19 with the orders. We can look back upon that future and see
20 that the orders were very successful.

21 Let me turn to the following slides. First,
22 subject import volumes decreased following the orders. This
23 is my Slide 7 in front of you and this is plain from the
24 slide. Next, subject import prices increased following the
25 orders. I don't understand Mr. Griffin's opening statement,

1 that they had no effect. These are the effects. These are
2 from the staff report. These are the effects that the
3 witnesses have testified to. These are seen in the
4 condition of the domestic industry.

5 As the next slide shows, domestic producer
6 volume increased following the orders, from 2009 to 2010 and
7 continued. Domestic prices, the collapse was stopped.
8 There was some increase after the collapse caused by the
9 unfair imports.

10 The next slide shows that the orders allowed for
11 higher profits for U.S. producers. This is plain from the
12 exhibit. I wish you to note what's happened in 2014 and
13 '15, when I discuss vulnerability. But the average is
14 significantly improved, exactly what you'd hope that an
15 order would do.

16 You made the right decision in the preliminary
17 investigation, the effects -- I mean the original
18 investigation, and the effects are apparent in the effects
19 on import volume and prices and the effects on U.S. prices,
20 volumes and profitability, and the next slide shows the
21 effects on return on assets improving as well.

22 Now I want to return to the conditions of
23 competition that describe this market, and these conditions
24 make the industry highly susceptible to injury should the
25 orders be revoked. Conditions have worsened since the

1 original investigation, to make the effects of the imports
2 larger and swifter than they were in the original
3 investigation.

4 What are these conditions? First, subject
5 imports and domestic product are highly substitutable.
6 Second, competition is based primarily on price. Third,
7 subject imports compete head to head in all segments, as has
8 been testified to. Major retailers have enhanced their
9 buying power over the Period of Investigation, as for
10 example Hancock, which was once a large craft store, has
11 recently gone bankrupt, increasing the share of each of the
12 remaining retailers.

13 For Commissioner Kieff, oligopsony. Maybe a bad
14 memory from your undergraduate days, but that's the economic
15 term for the power that has increased among the buyers.
16 Finally, demand has been stagnant and has likely declined
17 since the original investigation.

18 Let me go through the evidence of each of these
19 quickly, and the next slide shows that the imports in
20 domestic product are highly substitutable. The staff report
21 shows this by the number of purchasers and importers, saying
22 that the products are always or frequently interchangeable,
23 and the staff found a high degree of substitutability.

24 I would note that this is an increase from the
25 moderate substitutability they found in the original

1 investigation. The next slide shows in fact that
2 substitutability has increased over the POR. How do we know
3 this?

4 First, the responses to the questionnaires.
5 Second, by the testimony given by the witnesses, that they
6 have now increased the types of machinery that allows them
7 to bring back products that were formerly imported to make
8 domestically.

9 The U.S. companies imported products to fill out
10 their product line. The order allowed them to purchase
11 equipment to bring them back home, exactly, exactly what
12 you'd want from an order and what you'd expect if it was
13 successful.

14 Further, the remaining domestic producer has
15 purchased the assets to keep the shift production in the
16 United States, exactly what you'd want these orders to do
17 and exactly what you'd hope they do and what they were
18 intended to do. This has been a successful order.

19 Let me turn about competition based primarily on
20 price. I have two quotes from the final determination in
21 the original investigation. Those things have not changed.
22 Domestic producers' sales hinge on obtaining the lowest
23 price of narrow woven ribbons. I'm sorry, the purchasers do
24 that and that drives the market.

25 The second quote that shows that price is the

1 main factor in purchaser decisions. That was your
2 conclusion, and it is even more true today. Price
3 competition has grown more intense since the original
4 investigation, as subject producers have expanded their
5 sales and marketing operations in the United States.

6 Yama, a Chinese producer subject to the subsidy
7 order, has moved offices to New Jersey and Arkansas. Why
8 Arkansas? Answer, Walmart. Internet sales are of growing
9 importance, making price discovery faster and easier. The
10 cost of finding prices out have declined over the Period of
11 Investigation, and this has made the industry more
12 susceptible as a condition of competition.

13 And as I've discussed, retailers have become
14 increasingly concentrated. Some have left the industry like
15 Hancock and others have grown. The domestic industry and
16 the subject imports compete head to head. You've heard
17 testimony that they compete at all channels, that they sell
18 to the same customers, that they sell the same products, and
19 that they are present in all geographic markets and all
20 during the year.

21 Finally, and the last condition of competition,
22 is that demand is stagnant and has likely declined since the
23 original investigation. We'd be happy to answer detailed
24 questions of what end markets have declined and why during
25 the question and answer period. But even your own data

1 shows that there has been a modest decline.

2 Let me turn to vulnerability. The key -- first
3 key feature of vulnerability is the bankruptcy of Lawrence
4 Schiff Mills, a large producer in the original
5 investigation, and that is clear evidence of vulnerability.
6 The vulnerability is by all causes, as the statute
7 discusses, and it makes them vulnerable to imported subject
8 imports.

9 The remaining domestic industry demonstrates low
10 and deteriorating profitability and labor, which is often
11 not considered in vulnerability, should be considered in
12 this highly labor-intensive industry. You saw a lot of
13 capital equipment and a lot of automation, but you've also
14 been to a steel mill. That is a highly capital-intensive
15 industry. This has a lot of labor, and many of them are
16 here today and they are vulnerable.

17 Due to the changes in the conditions of
18 competition, the domestic industry is increasingly
19 susceptible, and if you look at the vulnerability of the
20 industry and the susceptibility of the industry, only one
21 conclusion could be reached.

22 Let me turn quickly. The bankruptcy of Lawrence
23 Schiff Mills. This slide was put together before the final
24 disposition of the assets that occurred last week, and now
25 Berwick Offray owns the equipment and certain intellectual

1 property, and certain things like customer lists that were
2 purchased.

3 These were purchased for pennies on the dollar.
4 None of the foreign mills showed up to bid, none, zero,
5 zilch. This industry, its intellectual property of the
6 company that made the iconic Tiffany ribbon, would have
7 disappeared but for the remaining domestic industry stepping
8 up to take those sales and leave them in the United States,
9 or try to leave them in the United States.

10 The remaining U.S. producers' financial
11 condition demonstrates vulnerability. You heard testimony
12 to that. It's on the record. I'm not going to go in great
13 detail. I'll go to the next slide, that labor is highly
14 vulnerable. The bankruptcy at Schiff cost more jobs, but
15 this is a minimum estimate. The remaining production
16 workers, many of which you see in the room, have good jobs
17 and are unionized jobs, and the alternatives in that
18 community, given their skill set, is not great.

19 But their skill set is very specific and very
20 sophisticated for making these products, which requires
21 significant skill, significant time of learning to get
22 better, to make it efficient. Worsening conditions of
23 competition enhance the vulnerability of the industry. The
24 Commission considers subject and import products to be
25 highly substitutable.

1 Price competition has increased since the
2 original investigation. The staff who found them moderately
3 substitutable in the original investigation now finds them
4 highly substitutable, which is another way of saying that
5 they are more price-sensitive. The overlap in competition
6 has expanded since the original investigations, as we now
7 domestically produce all products, all major products and
8 have purchased new equipment to make these products at home,
9 and have the capacity to make all the products that are
10 needed for those specific applications.

11 U.S. major retailers are increasingly
12 concentrated and demand has been stagnant. Finally, let me
13 return to the harmful effects of revocation, and the
14 Commission often looks at opportunity and motive of the
15 foreign producers in these sunset reviews. Let me say that
16 subject producers have large amounts of excess and
17 divertable capacity, and much of that is not reflected in
18 the staff report, although the staff reports reflects
19 overwhelming excess and divertable capacity.

20 The United States is the preferred market, due
21 to its large size and prices. The volume of subject imports
22 would increase significantly if the orders were revoked. We
23 have little question about that given the excess capacity,
24 the vulnerability of this market and their pricing history.

25 The price of subject imports would be extremely

1 low if the orders were revoked, since all price discipline
2 would be removed from the marketplace. Finally, revocation
3 would have a significant impact on U.S. producers'
4 shipments, volumes, unit values, profitability, return on
5 assets, investments and employment should the orders be
6 removed.

7 Let me go over this. Thank you. First, subject
8 producers are export-oriented. You could look at the share
9 that's sold domestically and how much is exported. You
10 concluded that before; nothing has changed. They have large
11 amounts of excess capacity and low rates of capacity
12 utilization.

13 I ask you to look at the staff report. Look at
14 what country has the largest volumes of the reported foreign
15 producers, noting once again that much of the foreign
16 capacity is not in the staff report. Subject producers can
17 respond to changes in demand in the U.S. market, with large
18 changes in their quantities. Let me go over that, the
19 export orientation in the original investigation, the
20 Commission found subject producers in China and Taiwan are
21 export-oriented, and the United States represents an
22 important market for both countries.

23 Nothing has changed. In fact, it's gotten worse
24 given the price sensitivity and the vulnerability. In the
25 current reviews, you could see the share of home market

1 shipments represented by the two countries. Export
2 orientation still exists.

3 The next slide shows Taiwan's and China's,
4 subject Taiwan's and China's capacity utilization and excess
5 capacity. As I said, I think these numbers are
6 underestimated given the reporting. But nonetheless, they
7 are in themselves should be persuasive to the Commission,
8 that the opportunity exists for injury.

9 They can respond to changes in demand with large
10 changes in volume. What would change demand? Well, if the
11 orders would revoke, that would change demand for subject
12 imports. Domestic producers could now purchase product
13 without fear of orders, of duties, of reviews at the
14 Commerce Department, and what would happen if there is a
15 demand change? Large changers in the quantity of shipments
16 from both countries. This is the staff's conclusion, which
17 I concur with.

18 Is this a preferred market for subject
19 producers? The next slide shows yes, they've been here, and
20 it makes me wonder if nothing is going to change and nothing
21 matters why a purchaser is here today to talk about it, if
22 everything is copasetic. There's only one purchaser here
23 today. The other purchasers that were here at the original
24 investigation are not with the Respondents panel.

25 Prices. U.S. prices are significantly higher

1 than prices prevailing in other world markets. Evidence is
2 found in the persistent underselling, U.S. shipment AUVs,
3 AUVs from certain HS codes containing the subject product,
4 and a comparison of U.S. producer shipments in the United
5 States and Canada.

6 Subject imports persistently and significantly
7 undersold U.S. producers during the POR, 240 of 246
8 quarterly comparisons. What is that, 97 percent, 98
9 percent? Average underselling margins, 43 percent.

10 The next slide shows that subject import AUVs
11 are in relationship to U.S. producers. U.S. producers are
12 in blue, China in red, Taiwan subject in green. The next
13 slide shows that U.S. import AUVs from subject sources are
14 higher than in other markets. The U.S. market, the European
15 market and the rest of the world market.

16 Opportunity and motive. Another bit of evidence
17 comes from the domestic sales prices and the export prices
18 of the U.S. producer. Once again, this shows the U.S.
19 market would be preferred. Opportunity and motive and a
20 vulnerable industry that's highly susceptible to imports.
21 So what would happen? The predicates speak for themselves.
22 The conclusion follows, as night follows day.

23 Subject producers have large amounts of excess
24 capacity. The U.S. is the preferred market. Revocation
25 would lead to increases in volume and lower prices, and if

1 the orders would revoke, it would negatively affect
2 production and shipment volumes, the value and unit value of
3 shipments, domestic profitability, the return on assets,
4 investment and the people in the company in Hagerstown, in
5 South Carolina, in Pennsylvania, the designers, the dyers,
6 the weavers, people here today.

7 My conclusion: The orders improved the
8 condition of the domestic industry. Unassailable.
9 Contained in your record. The conditions of competition
10 have worsened since the original investigation. Those
11 conditions are conditions that the staff has noted, and
12 information brought to you today by the witnesses before
13 you.

14 That the domestic industry is highly vulnerable
15 is plain. One of the largest producers just declared
16 bankruptcy. That enough is vulnerability. But, but if you
17 look at the financial condition of the domestic industry in
18 your staff report and the testimony today, and the
19 vulnerability of the workers, there is an overwhelming
20 evidence of the vulnerability of domestic industry by all
21 causes.

22 Finally, what would the effect be of revocation?
23 The subject imports will return to the market at high
24 volumes and at low prices if the orders are revoked. I'd be
25 happy to answer any questions. That concludes our

1 presentation.

2 CHAIRMAN WILLIAMSON: Thank you. I want to
3 thank all witnesses for coming today. And this morning, I'm
4 going to begin questioning. And I would like to say that --
5 I've been with the Commission well over nine years now and
6 the tour to the Hagerstown Factory was still one of the most
7 fascinating tours that I've taken in that period of time.
8 And so I want to thank Berwick for having provided us that
9 opportunity to see the factory.

10 And I think I'll begin with Ms. Fox because you
11 talked about the workers and that was one thing, we got a
12 chance to see a lot of workers in that factory, you know,
13 busy doing their jobs. And I was wondering how, shall we
14 say, the skills are, or how have the workers' skills --
15 there have been changes clearly in the last five years and
16 people have referred to this -- so how have the workers
17 adjusted to the changes and stayed competitive?

18 MS. FOX: Well, it occurs on every level -- I
19 mean, efficiencies have to be improved, skills have to be
20 honed -- there's more custom orders clients need, little
21 tweaks here and there, so the designs have to be modified.
22 And so it occurs really all over the floor, from every
23 aspect of the process. Life isn't stagnant, so when
24 competition is all around you, you have to modify your
25 behavior to be able to have a seat at the table.

1 CHAIRMAN WILLIAMSON: OK, thank you. Does
2 anyone else want to add to that?

3 MR. SORENSON: We have a -- my name is Chris
4 Sorenson, Berwick Offray. We have a constant process of
5 training and retraining. We have new equipment that we're
6 bringing in, so all the workers need to be trained on new
7 equipment as we bring it in. We have efficiency
8 measurements that we're monitoring on an hourly basis,
9 daily, weekly, monthly.

10 As we see exceptions, we go back to the floor
11 and continue to hone the staff to ensure that we have
12 efficiencies that I would put up against any workforce
13 anywhere in the world.

14 CHAIRMAN WILLIAMSON: OK. Thank you. This
15 raises a question -- not everybody makes those adjustments
16 and not every industry does that, so I wanted to find out
17 about it. Why did -- I guess Schiff -- why did they go
18 bankrupt? And the reason I ask is, Mr. Griffith said, well,
19 you know, they went bankrupt five years after the order, so
20 that means that had nothing to do with it. And I was
21 wondering, what is your response to that?

22 MR. MUNYAN: Chris Munyan, Berwick Offray.
23 Schiff had to deal with the same conditions of the market
24 that we deal with. And they were just -- they were a large
25 company, hundred-year-old company, but the issues of price

1 being number one is very tough for a company of their scale.

2 The demand has been weaker -- the demand over
3 the past couple of years we've seen weaker, which I can
4 address later or I could address now, relating to their --
5 they're the trim and package market. There's different
6 segments of the market within ribbon.

7 Schiff was primarily focused on trim and package
8 ribbon, selling to the wholesale distributors and industrial
9 users, and the demand in that category has gone down, really
10 replaced by -- if you think about years ago, if you went to
11 a department store, you saw carrels of gift wrap there.
12 There's very few of those out there any longer, because
13 people use gift bags. Gift bags use less ribbon.

14 CHAIRMAN WILLIAMSON: And more tissue paper,
15 because we went through tissue bags earlier this year.

16 MR. MUNYAN: So that changes as of it occurring,
17 really, the past couple of years, and they've just been
18 compounded on top of tough price competition. And then
19 having lower demand and Schiff's volume -- we did not
20 acquire the financial statement data, but we do know that
21 their volume has been going down steadily for the past
22 three, four years.

23 And they did, I think, after the order, feel
24 good, but they had a tough time dealing with just the
25 competitive nature of this market in the segment that they

1 participated in, which was trim and package.

2 CHAIRMAN WILLIAMSON: OK. I guess, as
3 suggested, what is the more attractive area of the market
4 then?

5 MR. MUNYAN: For us, all the areas are
6 attractive, so Berwick Offray focuses on the floral market
7 and we believe that's still a tough market, but it's still
8 an important market. It's the largest market for floral
9 usage in the world. The trim and package market, for both
10 Christmas, as well as all-occasion trim and package, though
11 weaker, it's still a strong market. It's still a core part
12 we do.

13 CHAIRMAN WILLIAMSON: Which one?

14 MR. MUNYAN: I'm sorry?

15 CHAIRMAN WILLIAMSON: The last one you
16 mentioned?

17 MR. MUNYAN: The trim and package.

18 CHAIRMAN WILLIAMSON: And is it weaker?

19 MR. MUNYAN: Well, it's still weaker relative to
20 the issue of more gift bags, more gift card holders being
21 used, if you think about it, package sizing going down. So
22 those markets have declined in usage, but they're still
23 strong, large markets that we want to compete in.

24 And then the third market for us would really be
25 the craft market. And the craft market is the largest craft

1 market in the world. So that market, though craft usage has
2 declined because of the reduction in paper crafting. Paper
3 crafting is scrapbooking. Scrapbooking is still used at
4 retail, but scrapbooking programs at major retail chains
5 were probably four times larger than what they are today,
6 four or five years ago.

7 And that base has declined as the trend in
8 scrapbooking has been replaced by everyone having pictures
9 on their phones and not printing out pictures as much as
10 they did in the past.

11 CHAIRMAN WILLIAMSON: I was about to ask the
12 question about -- because I remember from the hearing
13 before, there was a lot more talk about programs. And I
14 guess the idea was that you provided a major retailer with
15 this complete ribbon setup, and I take it that it changed or
16 is less important?

17 MR. MUNYAN: I mean I can still take that. I
18 believe that program selling is still very important to us.
19 So when we work with a retail chain, small or large, they
20 may have eight feet of space for ribbon. Within that eight
21 feet, may have 700 SKUs. With our design capabilities and
22 with our ability to make any type of ribbon, we can fulfill
23 that whole space. And we believe that's the important
24 thing, relative to broad capabilities that we have.

25 CHAIRMAN WILLIAMSON: So how is your position

1 compared to the imports, in terms of that segment of the
2 market?

3 MR. MUNYAN: The imports can do the same thing.
4 So the imports can make anything we can make. They can go
5 in and present the same type of planogram through direct or
6 through U.S. distributor and so it's very competitive.

7 CHAIRMAN WILLIAMSON: Mr. Kaplan?

8 MR. KAPLAN: I'd just like to add, though, that
9 Berwick Offray's long-term presence in the U.S. market,
10 selling across all these categories, gives them a strong
11 position in spotting the trends of future types of ribbons
12 and future types of uses in designing them. This is a
13 world-class design team at a world-class design retail
14 provider.

15 And because of the U.S. presence across these
16 markets, they are capable and have a long history of working
17 with retailers to create the designs. If you think of
18 design in the United States of fashion and you think of
19 Asia, what do you think? You think of U.S. world-class
20 designers designing for the New York runways and two weeks
21 later someone copying it for ready-made in Asia and
22 bringing it back here.

23 Well, this is no different. These are the
24 world-class designers that can design anything, that have
25 their finger on the pulse in the United States, working in

1 the United States, in New York, in the mid-West, and that's
2 why there was such consternation earlier, in earlier
3 meetings when they had heard that that they were behind in
4 design. And they were going, "Wait, wait a second."
5 That's like saying some knock-off place in China is -- you
6 know, they're the fashion leaders relative to New York.

7 So I just want to put that out there as a topic
8 about what this company does, how they deal with their
9 customers, that they've dealt with customers across all the
10 product ranges. None of the witnesses you will hear in the
11 afternoon, in the U.S. market, deals across designing,
12 designing across all these commercial categories and retail
13 categories.

14 MS. PAJIC: Dr. Kaplan, I'd also like to add --
15 we're doing a lot of our own designs as Dr. Kaplan
16 mentioned. But as he also mentioned, there are many, many
17 visionaries in our retail markets. We work very, very
18 closely with our buyers. If there's a design that we don't
19 have in our portfolio, we can design with them or they can
20 design themselves and we would just manufacture it.

21 So we have those capabilities as well. We're
22 very open to that co-collaboration. If there's something in
23 our portfolio that does not satisfy their needs, or if they
24 have a particular design that they've created for their
25 retail branding structure, we can also manufacture that for

1 them and co-collaborate with them and give them the best
2 ideas on how to bring that design to life. So I just wanted
3 to add that.

4 CHAIRMAN WILLIAMSON: So where does the synergy
5 take place? Is it -- are your designers in Philly? Are
6 they in Jersey? Or New York City? Or how does --

7 MS. PAJIC: Sorry -- Julie Pajic with Berwick
8 Offray -- failed to mention my name before. Our designers
9 are located by Lake New Jersey, and we also have designers
10 in Nashville, Tennessee, and they co-collaborate with one
11 another by traveling together around the world to various
12 trade shows, like Ambiente, and they're traveling in London
13 and France and just really looking at all the designs.

14 And then we distill that back to our product
15 line. Obviously we're designing on anything from a
16 quarter-inch to about, you know, four inches wide. So we
17 really need to bring it to life in a smaller venue. And
18 then we put together trend packets and portfolios for our
19 various purchasers and provide those design ideas to them
20 and we discuss it together, if there's something there that
21 they don't see that they need.

22 CHAIRMAN WILLIAMSON: Quick question. I
23 understand New Jersey. Why Nashville?

24 MS. PAJIC: We acquired a company in Nashville a
25 couple of years back, and there's some key designers that

1 are located there that we felt would be great to augment our
2 line. So we've incorporated their design brains into our
3 New Jersey office. They do travel up so we do it in one
4 location in New Jersey, but they're from, pretty much, all
5 over the country at this point.

6 CHAIRMAN WILLIAMSON: OK. Thank you for the
7 answers to those questions.

8 COMMISSIONER PINKERT: Thank you. And I thank
9 all of you for being here today to help us to understand
10 these issues and also the workers in the back to put a face
11 on some of the issues that we have in front of us in this
12 case.

13 I want to begin with you, Dr. Kaplan, and
14 obviously I can't talk about proprietary information on the
15 slides, but do your slides show that the beneficial effects
16 of the orders were short-lived?

17 MR. KAPLAN: They show that when the conditions
18 remained roughly equivalent at the beginning of the POR that
19 there were significant improvements across a wide variety of
20 domestic industry metrics. Those metrics began to decline
21 at the end of the period of review due largely to these
22 conditions of competition that I've discussed.

23 But the ways I believe you should think about it
24 is to put a line parallel and below where the current
25 performance has been during the whole POI and that's where

1 the industry would have been, but for the orders. So if
2 they were a ten, they would've been at three, and if they
3 were a three at the end, they might've been at negative
4 seven.

5 So the benefits of the order is related to what
6 it would've looked otherwise, and I think what it would've
7 looked otherwise potentially is what happened to Schiff.
8 There wouldn't be an industry left. So right now, they're
9 vulnerable, but they have benefited from the order
10 throughout the whole period. But the conditions have made
11 them vulnerable now at the end.

12 COMMISSIONER PINKERT: Can the other witnesses
13 give concrete examples of the continuing beneficial impact
14 of the orders?

15 MR. MUNYAN: Chris Munyan, Berwick Offray. I
16 mean I think of the continued benefit of the orders, one
17 concrete is hold huge excess capacity at bay. So, you know,
18 prior to the order in place, Chris Sorenson referenced Sen
19 Ding, which I think, back then, had 6,000 looms, compared to
20 8,000 looms today. We were directly feeling the competitive
21 pressures of just that one company prior to the order coming
22 in place, and pricing was going down. We were at risk of
23 losing business, it's a major retail chain, not to be named,
24 but we could name in the post-hearing brief.

25 But since the order went in place, their

1 capacity, as well as the excess capacity in Taiwan and
2 China, are constrained. In many cases, not in the U.S.
3 market at all. So that has helped us.

4 The other thing is that we've been able to run
5 our business. I think about pre-order. We were in panic
6 and it was more an issue of what we've got to close, what
7 can we constrain, what can we cut? And during -- while this
8 order's been in place, because of keeping excess capacity at
9 bay, creating discipline for our competition, so the
10 competitors who are in the order have to have a discipline.

11 I believe at pre-order they were not
12 disciplined, pricing was being dumped at extremely low
13 prices and when the order went in place, we felt immediate
14 relief. So that immediate relief was just like a sigh of --
15 we could work on running our business, improving
16 productivity, working on our designs, providing good
17 product to our customers, and that's really what changed.

18 And then the other thing is that, I'm in front
19 of retail customers often and retail customers and major
20 buyers know these orders are there. And it just, for them,
21 it keeps them from being able to buy products at dumped and
22 subsidized prices. They know these orders are there. And
23 so those things have just allowed us to execute running our
24 business, which was not the case before. We're not in
25 survival mode. We are surviving. And it feels good.

1 COMMISSIONER PINKERT: Thank you. Now, keying
2 off of that comment by Mr. Munyan about pricing. In the
3 normal course of things, would we expect the AUVs of
4 non-subject imports to be lower than the AUVs of imports
5 that are under trade remedies' orders?

6 MR. KAPLAN: It really depends on the product
7 mix of looking at AUVs and the reason the Commission is
8 wanting not to and has rejected it over and over again,
9 relative to looking at pricing products, is when there is a
10 significant product mix issue or potential product mix issue
11 in the data.

12 I think individuals here could speak to the
13 price ranges of these products and I'm going to cede in a
14 minute, but I think you'll see from the variation in prices
15 from the bottom to the top that they'll give examples of,
16 that product mix could be a real, real issue relative to
17 something like steel plate, where most of it comes in in one
18 grade of steel and it's generic, while here the capabilities
19 make head-to-head competition. It's head-to-head
20 competition on how many SKUs? 20,000 SKUs. So we have
21 20,000 SKUs people are able to make, but they're at varied
22 price points. So how those come in and mix could affect the
23 subject and non-subject mix.

24 The second thing I'd like to add is -- and I've
25 heard this said many times by executives and economists here

1 is that we're keeping an eye on non-subject imports and we
2 obviously reserve the right that if they become a problem,
3 they could become a target for anti-dumping duties should
4 that arise. So I'll kind of cede the floor here to Chris.

5 MR. MUNYAN: Relative to non-subject imports,
6 you know, where we would cede from countries such as India
7 or Japan or Mexico or it was years ago, from Brazil, we
8 believe that they're priced at a fair competitive -- we can
9 compete with those countries. So, you know, the quality is
10 going to be very similar.

11 From a pricing standpoint we see that they're
12 disciplined pricers. I mean, Japan has very gorgeous --
13 some of their products are made of natural fibers, so
14 there's really not much direct competition, but Latin
15 American and India, we don't see difficulty competing with
16 non-subject imports, and we do monitor it. As Dr. Kaplan
17 said, we would continue to monitor it, and if we identified
18 a concern, we would reserve the right to bring it further
19 action.

20 MS. PAJIC: I would just like to add to
21 Dr. Kaplan's comments. He's 100% correct. Our types of
22 products that we sell can range in the number of yards on a
23 roll, as well as in the width of the product and then the
24 embellishment design, so the pricing can vary, just
25 dependent on each and every type of SKU.

1 If you were to compare SKUs, typically the
2 design is the same and the quality is the same, which we
3 have found to be the case, those prices are very similar,
4 but the mix of the products that we're providing to the
5 marketplace will have a lot of different types of range in
6 product value, depending on yardage.

7 You could be anywhere from 50 cents for a roll
8 of ribbon up to \$2 or \$3 or \$4.00. I mean that's -- they're
9 all small dollars, but it's a varied range.

10 MR. KAPLAN: And that's just examples --
11 eight-time difference in prices of the same product by the
12 same measure, so -- and it's actually could be larger than
13 that. So product mix, relative to what you're normally
14 looking at, in a chemical or a metal commodity, is much
15 different. And without that data, it's hard to make certain
16 comparisons.

17 We've tried to, as indicative in certain cases,
18 but even within narrowly-defined products, given the total
19 number of SKUs, you see significant price variations.

20 COMMISSIONER PINKERT: Thank you. My last
21 question for this round is probably best answered in post
22 hearing, but it relates to the cumulation concerns that Mr.
23 Dorris raised. And what I'd like to know is whether there's
24 any evidence that you've been able to uncover that shows a
25 linkage between the Taiwanese industry and the Chinese

1 industry?

2 MR. DORRIS: We will address that in our post
3 hearing brief, although I will point out that today before
4 you in the second half, you will hear from a firm that owns
5 companies in both China and Taiwan, so there's a direct
6 linkage there between those two companies. But we will add
7 some more facts to this in the post hearing brief.

8 COMMISSIONER PINKERT: Thank you very much.

9 MR. DORRIS: Chris may have something to say.

10 MR. MUNYAN: What I've experienced for over
11 twenty-three years, it is very common to see ownership of a
12 company in Taiwan also have affiliated ownership of a
13 company in China, or the flip side of that is a company in
14 China having an affiliate entity or related entity in
15 Taiwan. So I look at the industries as totally linked.

16 MR. KAPLAN: Seth Kaplan, Cap Trade. As an
17 economic matter, if you have the same types of looms in two
18 different locations and you have an order on one and not on
19 the other, you would get a shift, it's not circumvention per
20 se, cause it wouldn't be, but you would get a shift from
21 producing at one location that's not under order through
22 another that's not under order.

23 So we think it's very important that you find
24 cumulation. We will provide further evidence to the
25 linkages across countries. We think that the factual

1 evidence that you based your original determination on is
2 changed, and if you followed similar methodologies that the
3 new facts would lead you to a new conclusion.

4 COMMISSIONER PINKERT: Thank you very much.

5 MR. KAPLAN: And additional facts would also
6 just provide, would also bolster that. Thank you.

7 COMMISSIONER PINKERT: I appreciate that.

8 CHAIRMAN WILLIAMSON: Thank you. Commissioner
9 Johanson?

10 COMMISSIONER JOHANSON: Thank you, Chairman
11 Williamson. And I would also like to thank all of you for
12 appearing here today, and in particular, the many workers
13 from the plants here visiting us at the hearing.

14 You all have characterized the current financial
15 performance of the domestic industry as abysmal, and this is
16 based on the data that does not yet include any losses
17 experienced by Schiff. And this can all be found at Page 60
18 of your pre-hearing brief. Why is the current condition
19 abysmal, notwithstanding having these orders in place?

20 MR. MUNYAN: I think that the recent change, I
21 think specifically in 2015, where we saw further weakened
22 financial performance -- and I can't speak for Schiff, I
23 mean we don't have access to their financial data, we bought
24 the hard assets and IP -- but it's really tied to two
25 issues.

1 One is the nature of the market, so the demand
2 is weakening. So because of the issue of slower
3 scrapbooking use of ribbon, which was quite strong five or
4 six years ago, and space has been getting reduced at retail
5 to the trim and package change. So other than the
6 industrial packaging market that I commented on, if you
7 think about just Christmas in general, the size of the
8 packages have gotten smaller.

9 The amount of gift cards being provided to
10 people has escalated substantially over the past several
11 years, and you don't need ribbon on a gift card. So the
12 usage -- we've seen a decline in usage, and then there is
13 the declining usage in the floral market. So floral
14 designers do not use ribbon as much in design, and then
15 sadly, funeral people would rather have donations than have
16 floral arrangements, and then also cremation is a growing
17 trend, which uses less floral arrangement.

18 So when you take those three factors and effect
19 those into demand, which we were seeing, and on top of that,
20 higher retail inventories in 2015, so because of what's
21 happening at retail, relative to store traffic, you've got
22 brick-and-mortar, we're seeing lower store traffic, online,
23 a shift to dollars online, they're cutting their inventory
24 levels.

25 So we saw that in '15, so major retail chains

1 reduced their order levels to us. Not lower space, just
2 they had too much inventory. So things, those demand
3 drivers on top of the fact that the number one decision
4 factor for buying ribbon is price, makes it tough. And so
5 lower volume creates factory absorption problems and which
6 creates lower gross margin for us.

7 MR. KAPLAN: A couple of points. First, abysmal
8 might be a term of common usage, but it's not an economic
9 term, and so I'd like to say that and repeat what Chris
10 Sorenson said, that they're no longer making their return,
11 their cost of capital as a company.

12 But I think if you combined that performance
13 with the implicit performance of a company that went
14 bankrupt and you've seen them many times and their data
15 added, I would say that the industry as a whole would have
16 been abysmal if you had the financial data through the
17 period of -- into the period of review. The bankruptcy has
18 now occurred in 2016 beyond it, but once again evidence of
19 vulnerability.

20 You see industries like this before you, usually
21 on the industrial side. You've done multiple reviews
22 involving tin-plate where there's declining demand, kind of
23 continuously as plastic and glass has replaced tin cans, and
24 you've dealt with these industries, recognizing those
25 conditions, and you know, keeping the orders in place.

1 Similarly, you've seen the paper industry, which
2 has been in decline due to the substitution toward
3 electronic media, both individuals not printing out as much,
4 as well as declines on magazines and things like that. And
5 you recognize that as a condition of competition that makes
6 the industry vulnerable and you've avoided affirmative end
7 reviews given their performance.

8 So I just wanted to place this in context of the
9 types of cases the Commission sees. This is not something
10 that's unique. It's not something that you haven't seen
11 before, and these conditions have not, you know, generated
12 revocations because of them. In fact, it's been the
13 opposite, given the vulnerability of the industries and the
14 susceptibility to subject imports. Thank you.

15 COMMISSIONER JOHANSEN: So you've had these
16 factors negatively affect the domestic industry. And you've
17 experienced your best year in 2012. Did these factors not
18 really come into play until after 2012? Because what I'm
19 trying to get at is, what caused the declines in the
20 domestic industry's performance between 2013 and 2015?
21 They'd be the later years of the period of review?

22 MR. MUNYAN: I think we can also expand on
23 information here, because some of it would be confidential,
24 in our post hearing brief. But I think that what really was
25 the compounding factor in 2015 was really the focused

1 reduction of inventory levels at major retail customers. So
2 I mean just conscious efforts, and so which we understand
3 their need to do that. But that was not expected by us.

4 So it's very hard to plan around that. But I
5 think these other factors have been -- that I talked about
6 earlier, trim and package, floral -- were in place at that
7 time, but we continue to believe that they're further
8 growing and getting compounded. I mean the amount of
9 people, that of ribbon being used in trim and package, we
10 will continue to see as declining, as gift bags are just
11 easier to use and gift cards are more convenient.

12 MR. KAPLAN: There's also other information on
13 the confidential record that the company witnesses do not
14 have access to, so we'd like to address that in the post
15 hearing brief, as well.

16 COMMISSIONER JOHANSON: All right. I look
17 forward to seeing that information. Did the April 2016
18 Chapter 11 bankruptcy filing of Lawrence Schiff Silk Mills
19 remove an ailing competitor from the U.S. market, thus
20 lessening the vulnerability of the remaining U.S. producers
21 of narrow woven ribbons?

22 MR. MUNYAN: For one, I mean, Schiff filed
23 bankruptcy, I guess, in April. So really, when they filed
24 bankruptcy and we acquired their assets in a 363 sale, so
25 it's a bankruptcy sale at the end, really lots of their

1 customers, because of the nature of competition have shifted
2 already. So you know, it's our hope to be able to try to
3 resecure customers, but at this point in time, what we're
4 acquiring, our inventory customer list, not really many
5 customers.

6 So a lot of the customers went to competitive
7 opportunities, primarily driven by price, and I really
8 believe that Schiff's ultimate demise was really driven by,
9 as I mentioned earlier the tough competitive market that we
10 exist in. And tied to their specific narrow focus in the
11 trim and package industry. And the amount of competitors
12 that exist in trim and package industry and the distributors
13 in the industrial accounts, is even more focused and tough,
14 because they are prices, doesn't matter, it's only price.
15 This is a product that could be given away with a package
16 wrapped in a small store. It's not even really sold for
17 resale. It's a supply item, so it's even more commoditized.

18 COMMISSIONER JOHANSON: Thank you, Mr. Munyan.
19 In your prehearing brief at page 56, you all state the
20 demand for woven ribbons appears to have stagnated or
21 declined, and I realized that you've named a number of
22 factors as to why that has happened. But hasn't there
23 overall been positive growth in the overall U.S. economy,
24 and hasn't that benefitted -- should that not have
25 benefitted you all to a greater effect?

1 MR. KAPLAN: I'm going to start with the
2 economic side of it, and the real question is is how much is
3 sales tied to the overall economic growth of the country,
4 relative to industry-specific factors? So in some
5 industries, these things tend to move pretty closely
6 together.

7 When people are buying more cars, they're buying
8 more steel. Now the price that it's at is a different issue
9 but, you know, in terms of quantity. In this case, and
10 similar to like I would say paper and tin plate, but
11 different and I'll draw a distinction in a second. The
12 factors that are specific to the industry override the
13 factors that are specific to the economy.

14 So while the economy does have a general effect,
15 people have more money. They have more money to spend.
16 When you have things like the shift to gift cards, then the
17 specific factors that drive demand in this industry could
18 make it diverge from the specific factors that drive demand
19 for the economy.

20 One distinction here between those other two
21 cases I mentioned is that my discussions with the executives
22 at Berwick Offray is they believe that some of these drivers
23 have the potential of turning around, whereas in paper, for
24 example, we've seen, you know, the shift to electronic
25 advertising affecting things. I don't think that's

1 switching back.

2 But something like crafting has had ebbs and
3 flows over time. I think the latest thing I looked at in
4 the newspaper, I don't know if any of you. I don't do it,
5 but was adult coloring books. I don't know how long that's
6 going to last for. So while there might be some cyclicity
7 here, I don't think it's necessarily like paper or like tin
8 plate as we've discussed.

9 MR. MUNYAN: Chris Munyan, Berkwick Offray. The
10 only thing I would add to Dr. Kaplan's comment is that also
11 our products are generally low retail price points. So when
12 the products that we're selling to industrial users which
13 are supplied, have this much higher price. They might be
14 \$30 a roll. But what you see at retail may only have an
15 average retail price of 2.99 or 3.99, and which I also
16 categorize a lot of these as impulse items.

17 So if there's less traffic broadly in U.S.
18 retailers. I think certain retailers are doing better than
19 others. But broad retail, less traffic in the store drives
20 less consumption of impulse items. So that I think that
21 when -- so our products at the lower level of retail are not
22 really destination items online.

23 Larger put up volumes were 25 yards or 50 yards.
24 You might buy a line. But those small retail usage items, I
25 think they're getting affected by the changing dynamics of

1 the U.S. consumer.

2 COMMISSIONER JOHANSON: All right, thank you for
3 your responses. My time has expired.

4 CHAIRMAN WILLIAMSON: Thank you. Commissioner
5 Kieff.

6 COMMISSIONER KIEFF: Thank you very much Mr.
7 Chairman, and thank you to the witnesses and economists and
8 lawyers and also of course to the many visitors for coming
9 to put a human dimension to the case. I just want to
10 specifically commend the video as a very helpful aid in the
11 process and thank you for narrating it and putting it
12 together.

13 Just because you've so heavily discussed the
14 Tiffany blue ribbon, I can't help but ask, to the extent it
15 is public, who provides the ribbon now?

16 MR. MUNYAN: This is Chris Munyan, Berwick
17 Offray. I mean I'd prefer to keep that off the record.

18 COMMISSIONER JOHANSON: No problem.

19 MR. MUNYAN: Thank you for asking though.

20 COMMISSIONER JOHANSON: That's fine. So in the
21 post-hearing, in the confidential submissions, it would help
22 to understand, for example, how a valuable asset like that,
23 the opportunity to provide a marquee product, how that
24 featured into -- how that should feature into our thinking
25 about this case if at all. If your ultimate point is it's

1 just a good way for us to appreciate the value of ribbons,
2 that's fine. That may be all. But if there's something
3 more to it, please explain it in whatever way is most
4 comfortable to you.

5 MR. MUNYAN: I can respond just very briefly to
6 that point.

7 COMMISSIONER JOHANSON: Sure.

8 MR. MUNYAN: --is that, you know, our goal when
9 we acquired the assets of Schiff, is to retain as much of
10 those sales as possible. So that is an active initiative at
11 this point in time.

12 MR. KAPLAN: And I appreciate the opportunity to
13 discuss the use and advantage of intellectual property
14 staying in the United States, and how that may well be of
15 interest to the Commission when determining whether a
16 domestic industry will be harmed by revocation.

17 COMMISSIONER KIEFF: And again, whatever way is
18 comfortable for you to flesh that out post-hearing, that's
19 more than sufficient. Let me shift gears if I could. Mr.
20 Munyan, in the Q and A Commissioner Pinkert and you were
21 sharing two questioning periods ago, you described the
22 situation for your company at the time of the initial
23 proceeding, and you -- I don't mean to put words in your
24 mouth, but I think you --

25 I took from your description that things were

1 tough. I think you used the phrase "survival mode," and I
2 recognize that at that time you were hoping to get from the
3 Commission an affirmative determination and you got an
4 affirmative determination.

5 But as has been mentioned already, the legal
6 nitty-gritty was a little bit more complicated. The
7 Commission decided this was a so-called threat case rather
8 than a so-called injury case.

9 I wonder if the Council can help me as a member
10 of the Commission who was not a member of that Commission,
11 best understand from your view today why that decision then
12 by that Commission was not an injury determination. I mean
13 it sounds to me like at least your view is that you're
14 injured, past tense, back then, and yet the Commission
15 decided you were not. They only decided you were
16 threatened with injury. Why was that?

17 MR. DORRIS: Well, I'm not going to second-guess
18 the Commission.

19 COMMISSIONER KIEFF: No sorry, and I'm not
20 asking you to second guess.

21 MR. DORRIS: I'd like to say they should have
22 made a different a decision on material injury. What I'm
23 going to say is that at the time, there was a difficulty
24 that we have now with data. We didn't have sufficient
25 information I don't think on the record for some of these

1 issues that were really close on material injury. But also
2 I think importantly, I mean they did say at the time that
3 the injury, the state of the industry was at such a point
4 that it would be imminently materially injured had they not
5 put the orders in place.

6 So you know, how close is that between material
7 injury versus it happens tomorrow? I don't know what that
8 difference is. But I'm sure Dr. Kaplan can explain in
9 economic terms, as he's so eager to do.

10 MR. KAPLAN: Just a quick point, not on that
11 particular point. But there was some, as I had mentioned
12 during my direct testimony, there was some issue of the
13 causational linkages that occurred between the imports and
14 the domestic industry. You know, it was in real time. It
15 was hard to see, and we've had what economists like to call
16 a natural experiment.

17 If in fact the decline in prices and the
18 increase in shipments of subject imports were halted by an
19 order, and that did have an effect, then you could say well
20 now we've seen the causal link by that experiment. What my
21 slides show, I'm not going to go repeat the exact ones, is
22 that the plummeting price of imports, of subject imports,
23 was stopped in its tracks. The volume decreased and
24 following that you saw a significant increase in domestic
25 prices. Domestic shipments went up and domestic

1 profitability went up.

2 If the Commission knew that was going to happen,
3 they probably would have not had those causation issue
4 concerns.

5 COMMISSIONER KIEFF: Yeah, and I get the kind of
6 natural experiment concept and the event study concept well.
7 What I'm really struggling with in this case, and I really
8 although you are here now, your colleagues are in the room,
9 your opponents, so I ask this really for each of your
10 benefit, I'm struggling trying to figure out whether this is
11 a hard case.

12 I think the score last time in baseball terms,
13 you know, everybody likes just to know the score. The score
14 as recited was, you know, 4-2, 3-3. That's a close game,
15 and yet if we look at this as a natural experiment that's
16 run with an event study, I mean gosh, I'm having a hard time
17 figuring out how this is not either a really easy
18 affirmative or a really easy negative and nothing in
19 between.

20 The reason I say that, and I'm trying to be --
21 trying to invite you each post-hearing to explain why under
22 the law the difficulties you each in Panel No. 1 have laid
23 out, which unless they're somehow just not true, I mean I
24 guess it's always possible you're all wrong, but you know my
25 sense is human beings aren't always all wrong. There's gosh

1 a lot of you and it sounds like you know your business.

2 So you're experiencing true difficulties and
3 you've laid them out. If the statute requires merely that
4 you have these real difficulties, and that you show, for
5 example, some material improvement after the order, well
6 then it seems to me you've shown those things, in which case
7 this is an easy affirmative.

8 So to then really understand the touch points
9 between the arguments of the two sides, I'm trying to ask
10 myself is it that easy of an affirmative, or is it look
11 through the opposite end of the telescope, really easy as a
12 negative because well, one firm failed.

13 Sounds like they weren't doing so well. One
14 firm survived. Congratulations. You've got an amazing
15 workforce. They came all the way to Washington. This is a
16 sign of how dedicated they are. Sounds like you get really
17 good product out of them. Sounds like you have great
18 customer relations. That's why you're the firm that
19 survived and the other firm is the firm that failed, and
20 that's because of you greatness, not because of the order.

21 Unfortunately then that means you're great, but
22 the order didn't have as much of an impact. Another way of
23 asking this, and again these are rhetorical questions that
24 I'm asking now, so that you can explain in the post-hearing
25 the answers, and I will read them, another way of asking

1 this, and I think really even the Commissioners who were
2 here at the time would probably feel this way.

3 It's okay for each of you to explain to us why
4 you think the four or the two or the three or the three got
5 it wrong, depending on which side you are. In other words,
6 in a very concrete way what was wrong last time, what should
7 we do differently now. In your case, what was wrong with
8 the two and the negative three? Just in concrete terms,
9 what did they get wrong?

10 For the second panel, what was wrong with the
11 four and the affirmative three? What did they get wrong?
12 No one's going to take umbrage from this. It would be
13 helpful to in very concrete terms either explain what was
14 gotten wrong or what has changed, and as concretely as
15 possible. Whether this is a shift in thinking about a legal
16 concept or a shift in thinking about a factual concept.
17 Just that directness could help. Thank you very much.

18 CHAIRMAN WILLIAMSON: You can emphasize the
19 change if you don't want to talk about the wrong. Next,
20 Commissioner Schmidtlein.

21 COMMISSIONER SCHMIDTLEIN: Uh-huh, all right.
22 Thank you. Good morning. I'd also like to thank all of the
23 witnesses for being here, including your colleagues from the
24 Hagerstown plant. We do appreciate it when members of the
25 public and those who are interested in the case take their

1 time to come to our hearings. So I thank you all for doing
2 that.

3 I want to jump right in with the issue that I'm
4 having trouble understanding, and I'm not sure which witness
5 would be the best one to answer this. Maybe Dr. Kaplan,
6 maybe Mr. Munyan or maybe one of the other ones.

7 This is that we have a staff reports that finds
8 that the subject imports and domestic product are highly
9 substitutable, and we've heard, I've heard several of the
10 witnesses this morning talk about the fact that the products
11 are highly substitutable and even commodity-like in some
12 regards.

13 And so given that, that your argument is this is
14 a price sensitive product, price is the key factor that
15 purchasers use to decide from whom to purchase, and that we
16 have underselling margins over the period of review that are
17 on average not that dissimilar from what we had in the
18 Period of Investigation.

19 So my question is why isn't or why aren't
20 subject imports gaining more market share, given that price
21 is the key factor and we already have underselling margins
22 at more than 40 percent on average?

23 MR. KAPLAN: Let me take a first cut at that,
24 and -- let me take a first cut at that. I think Julie Pajic
25 mentioned and Chris Munyan that there are what 20,000 skews?

1 MR. MUNYAN: Between the components.

2 MR. KAPLAN: So when you define individual
3 products as you did to try to garner some price comparisons,
4 there's still big product mix issues. So one of the things
5 I would look at are what happened to underselling in the
6 original investigation and now. Underselling and price
7 declines were expanding during the original investigation.
8 Certainly prices were falling significantly.

9 What the orders did was put a floor underneath
10 how far they could continue to drop prices, and what you saw
11 was a significant loss of share of the subject imports. So
12 I think --

13 COMMISSIONER SCHMIDTLEIN: Well let me -- can I
14 stop you there and just go back? You said that there's
15 still, you know, given the number of skews, there's a still
16 a number of products within these pricing products. That's
17 what you are talking about?

18 MR. KAPLAN: Yes.

19 COMMISSIONER SCHMIDTLEIN: Can you give me an
20 example, because when I'm looking at the descriptions of the
21 pricing products, they seem pretty narrow, right? You've
22 got Product 1 single-faced satin of solid color without
23 woven or applied embellishments, with no wire, with a woven
24 sledge, with a width of three --

25 I mean like so is it that there's white ribbon

1 that accounts for -- I mean it's just, is it the color that
2 is accounting for this? I mean that's a pretty narrow
3 product, isn't it? It says "solid color." You're not
4 talking about any kind of design on it. There's no
5 embellishment of it.

6 MS. PAJIC: No. The only difference there would
7 be color.

8 COMMISSIONER SCHMIDTLEIN: Would be color?

9 MS. PAJIC: In that case, yes. If the specific
10 product is single-faced satin with a woven salvage, not
11 woven or not, no wire, the width of the product is also a
12 differential and the color of the product is a differential.

13 COMMISSIONER SCHMIDTLEIN: So are there
14 different ^^^^

15 MS. PAJIC: I mean put up as differential but --

16 COMMISSIONER SCHMIDTLEIN: So are certain colors
17 more expensive than other colors? I mean I have to say like
18 just I have two younger daughters, and we are up to eyeballs
19 in ribbon at our house so I am --

20 MS. PAJIC: Thank you.

21 COMMISSIONER SCHMIDTLEIN: Maybe I'm just buying
22 the same color every time I go. But I haven't noticed that
23 they're appreciably different, depending on the solid color
24 you buy. Is that the case though?

25 MR. LEE: Rick Lee, Berwick Offray. No, color

1 isn't a major factor in the manufacturing in terms of
2 difficulty to produce.

3 COMMISSIONER SCHMIDTLEIN: But is it priced
4 differently? Are different colors priced differently?

5 MR. LEE: No.

6 COMMISSIONER SCHMIDTLEIN: It's not. So you
7 know, I know that you don't have access to the confidential
8 pricing tables. Dr. Kaplan, you do. When you look at
9 Product 1, I mean there was a big variation between U.S.,
10 China and Taiwan. So how do we account for that? How
11 should I consider that?

12 MR. KAPLAN: Well first, I'd like to answer
13 obviously, since most of it's confidential, in the
14 post-hearing brief and I'll go into some detail. But for
15 example, you could look at the top graph and look at the
16 green line, and you might --

17 COMMISSIONER SCHMIDTLEIN: What page are you on?

18 MR. KAPLAN: I'm on page, I'm sorry 5-15, and I
19 would ask you to look at what are five years of data that
20 you would hope to have from a country that has excess
21 capacity of what, 8,000 looms when the whole country United
22 States has 500, and look at the variation on the pricing
23 there. So I'd like to discuss the pricing and who responded
24 and what's happening with the pricing as we -- in the
25 post-conference brief.

1 COMMISSIONER SCHMIDTLEIN: Okay. I think I
2 would have the same question when you look at Product 3,
3 same very narrow product there. I mean is double-faced
4 satin a solid color? The same thing, without woven or
5 embellishments. You know, Product 2 is a non-solid color,
6 so in that -- in that instance would there be differences in
7 terms of the types of products that would fall under that
8 product category that would demand or command different
9 prices, you know, where you have single-faced satin of
10 non-solid color?

11 So is that a striped product or -- I'm just
12 trying to understand, I mean because your argument is this
13 is a price-sensitive product, all right. This is and I
14 note, the staff report said this is highly substitutable.
15 People are buying on price. Then when you look at the
16 pricing product information, there is a huge discrepancy in
17 price.

18 To me, it looks like very narrow products. So I
19 just can't understand, like why aren't they gaining more
20 share if the premise of this is correct, that this is all a
21 commodity-like product, you know?

22 MR. KAPLAN: I'll also answer this in the
23 confidential, in the post-hearing.

24 COMMISSIONER SCHMIDTLEIN: Okay.

25 MR. KAPLAN: I would add that the price

1 sensitivity with this data was a conclusion not only the
2 staff but the Commissioners drew in the original
3 investigation as well. The staff report, I mean the
4 determination several times cites price as the key
5 determining factor in purchases.

6 There were internal documents and correspondence
7 between customers and domestic producers expressly to that
8 point that was handed in the post-hearing brief.

9 COMMISSIONER SCHMIDTLEIN: No I --

10 MR. KAPLAN: Which generated, you know, the
11 affirmative determination.

12 COMMISSIONER SCHMIDTLEIN: I'm not really
13 arguing with that. What I'm trying to get at is if that's
14 the case, you know, you said in your presentation, in terms
15 of what would happen if we revoke the order, there would be
16 opportunity and motive. I guess my question is don't they
17 have that right now? I mean they're underselling at high
18 margins and they've got excess capacity.

19 The U.S. is the most attractive market in the
20 world. You've made that point. This is a price sensitive
21 product. Why aren't they just surging more into this
22 market?

23 MR. KAPLAN: Well first because of the orders.

24 COMMISSIONER SCHMIDTLEIN: But --

25 MR. KAPLAN: And second, and you see their

1 shipments fall. I would ask you now to look at relative
2 prices, because that's kind of -- and the witnesses could
3 speak to it. When they have a plan to sell, and they're
4 putting together a package of products and ribbons to sell,
5 that's what they're asked to do. They're asked to drop
6 prices to meet the similar package that's being supplied by
7 the import.

8 Sometimes it's on a ribbon for ribbon basis, but
9 many times that's on a group of ribbon basis; is that
10 correct?

11 MS. PAJIC: I was -- yes, I was just -- I think
12 one of the main reasons, and of course my team can speak as
13 well, is that when we do sell, for example, a major
14 retailer, we are selling them a program. The solids are in
15 there as well as the designs that we've embellished and
16 created, co-created with them.

17 A lot of times if we co-create the design with
18 them, they don't always go out and shop the item again.
19 They push us for the price instead. So unfortunately we
20 help co-create and we provide the products to them and we
21 come up with a price and then they say nope, need it lower
22 than that, and they've already worked with us in a
23 relationship basis and with the design, and they have you
24 where they want you and they decide it's not going to be
25 that price, and you already are so far down the road in that

1 arena.

2 And Julie, if you'd like to add anything to
3 that, please feel free. I will add one more thing. Item
4 for item, it is -- if you're buying one ribbon and you're
5 comparing one ribbon, it is, you know, 100 percent
6 comparable. But when you're buying a program it is really
7 hard with the mix that's in there, to say item for item it's
8 price-comparable, based on the information that's in that
9 document, which I don't have access too. But that's my
10 understanding.

11 COMMISSIONER SCHMIDTLEIN: Okay. Anything else,
12 Ms. Lorenzini? Did you want to add something?

13 MS. PAJIC: Do you have anything to add?

14 MS. LORENZINI: No.

15 MR. MUNYAN: This is Chris Munyan, Berwick
16 Offray. One thing I can add that we can address in the
17 post-hearing brief, which is a component of price, is that,
18 you know, one of the benefits of the order that it did
19 provide is where we're able to, as soon as the order went in
20 place, arrange in some cases multi-year deals with some
21 major customers, which we were not able to do before.

22 But now what's happened is that, you know,
23 there's gross price which is a per item price. But then
24 there's programs that we provide, such as rebates and
25 allowances and markdowns to help us secure these multi-year

1 programs that really takes our price down. So in some ways,
2 the item to item level pricing may seem like it's maybe not
3 as high as maybe other people are quoting.

4 But the aggregate program that we are providing,
5 which is confidential, that we can put in the post-hearing
6 brief, helps us secure the business but at the same time
7 makes it very tough for us, because it's an aggregate rebate
8 or allowance or markdown that's in some cases very large,
9 that gets spread over all the volume of items.

10 COMMISSIONER SCHMIDTLEIN: Okay. All right
11 thank you. My time is up.

12 CHAIRMAN WILLIAMSON: Okay, thank you.
13 Continuing along that line, does this phenomena, I guess
14 it's almost like it's the package price that you've been
15 able to carve out, as opposed to the individual skew, or at
16 least that's the impact to people, is that fair to say?

17 MR. MUNYAN: I mean I think when I look at --
18 when I look at price competition, I mean I stop to think
19 about the various market segments we're in. So for example
20 if I think about the wholesale packaging industry, where
21 we're providing a ribbon for say a power retail chain,
22 that's going to -- it's not really a package. It's one
23 skew, and that will just be direct price competition.

24 And then we have to decide whether we can
25 effectively compete. But I think the order in place enables

1 us to compete, because we're now not competing against more
2 producers and more excess capacity. On retail programs, it
3 in some cases is more the overall package. So more of a
4 package pricing. But again that's -- more specifics would
5 have to be handled in the post-hearing brief, because it
6 would be more proprietary how we approach that.

7 CHAIRMAN WILLIAMSON: Okay. In terms of the
8 competition from the subject products, is that more -- is
9 the nature of the competition the same across, you know,
10 retail, industrial use and a wholesale distributor?

11 MR. MUNYAN: The subject competitors from Taiwan
12 or China are equally competitive and aggressive in every
13 category of ribbon that we have in the U.S. that we compete
14 in, which is all decorative ribbon. So whether it's floral
15 or industrial packaging, there's distributors or direct
16 purchasing going on in each of those categories.

17 CHAIRMAN WILLIAMSON: Okay.

18 Just a second. Okay. Although the exact data
19 was confidential, the preliminary report indicated -- at
20 Table 1-1 indicates that imports are narrow ribbon from
21 sources other than China and Taiwan have now occupied a
22 primary position in the U.S. market over the past decade.

23 So why are the Chinese and Taiwanese the
24 principle suppliers of the product, and why haven't other
25 sources, imports versus developed in light of the

1 substantial higher levels of U.S. consumption to U.S.
2 capacity? In other words, why aren't we seeing more
3 non-subject imports relative to the subject imports?

4 MR. KAPLAN: Commissioner, are you referring to
5 non-subject imports from Taiwan or non-subject imports from
6 third country?

7 CHAIRMAN WILLIAMSON: Tell me about both.

8 MR. KAPLAN: Okay.

9 CHAIRMAN WILLIAMSON: I guess particularly the
10 third country, but if there's a distinction there.

11 MR. KAPLAN: Well, I believe the imports from
12 the original investigation are on page 1-5. I would have to
13 think that these are confidential. They're bracketed. But
14 you could -- you could look at the non-subject import Taiwan
15 volumes that were reported in the original investigation and
16 now, and you could see their trends and look at their
17 numbers in 2014 and '15, to look at what's happened to
18 non-subject imports from Taiwan in the market, as well as
19 the quantities from all other sources, which I could
20 characterize as increasing during the Period of
21 Investigation.

22 We'll talk about the perceptions of competition
23 with a company, because this information is confidential and
24 provided in the post-hearing brief, and I'll do the analysis
25 of the confidential data, because I don't know if I could

1 speak to you now about it.

2 CHAIRMAN WILLIAMSON: In other words, is there
3 something we should know about the role of non-subject
4 outside of Taiwan?

5 MR. KAPLAN: I would say that at this point
6 we're closely examining them, and should we believe that
7 they are dumped and injurious, we'd consider taking action.
8 But in my discussions with client and testimony by Mr.
9 Munyan a little while ago, they seem to believe that they
10 have in past behaved in a responsible manner with regard to
11 price.

12 CHAIRMAN WILLIAMSON: Go ahead.

13 MR. MUNYAN: Chris Munyan, Berwick Offray. One
14 thing I would add is that the non-subject imports from
15 countries such as India or Vietnam, at this stage we believe
16 that their quality is not really up to par. So they're not
17 substitutable. As in my opinion, Taiwan and China, why
18 they've been so strong in this industry is historically it
19 goes back to really providing this product in the district.

20 I mean the reason there are so many looms in
21 Taiwan and China is tied to teddy bears and Haribos and all
22 of these other things that now woven ribbon can be applied
23 to, and the quality has substantially improved and is really
24 almost identical to what we produce compared to non-subject
25 countries.

1 CHAIRMAN WILLIAMSON: Okay, thank you. Good. I
2 think you said that the manufacturers are selling ribbon on
3 the Internet, just as the importers are; is that correct?
4 And I was going to ask you maybe post-hearing to tell me
5 what share of sales are, do Internet sales account for?

6 MS. PAJIC: So for us, we do sell on the
7 Internet. We have a website that sells direct to consumers
8 and it's about one percent of our total sales.

9 CHAIRMAN WILLIAMSON: Okay. So it's --

10 MR. KAPLAN: The Internet sales take place at
11 multiple levels. So that there could be a sale from the
12 producer and then there could be sales from the distributor
13 that sells over the Internet, and then there could be sales
14 from a retailer, you know, like a Walmart or a Target or a
15 specialty craft store, that also sell over the Internet.

16 So the direct to consumer sales from the
17 Internet occur at all different levels. So similarly, if a
18 Chinese company is selling through a distributor on Ali
19 Baba, they're once removed from the factory themselves, the
20 same way that Berwick Offray would be removed if they sold
21 through a distributor and their product was sold on the
22 Internet.

23 So the Internet's become another channel, but
24 it's also has different levels, depending on the level of
25 trade that the producer, distributor or retailer is at.

1 CHAIRMAN WILLIAMSON: Okay, thank you. The
2 Respondents are arguing that, you know, as they have in many
3 cases is that, you know, the imports are filling roles that
4 are -- designing product that the domestic industry is not
5 producing. I was wondering if you could describe, either
6 now or post-hearing, instances where you would not or have
7 not been able to full a particular order for a customer.

8 MS. PAJIC: Would you like -- this is Julie, oh.

9 MR. MUNYAN: I mean be able to full relative to
10 capability? I'm sorry, Chris Munyan, Berwick Offray.
11 Relative to being fulfilled based on capabilities, whether
12 to capacity or know-how or machine capacity? We can produce
13 anything, and especially now when we've combined Schiff,
14 because Schiff had some unique weaving attributes, which was
15 quite interesting IP that we're acquiring.

16 When we add that to what we have now, we'll be
17 able to produce print, dye, weave, nylon, polyester as
18 competitively as anyone, and from a capability standpoint.

19 CHAIRMAN WILLIAMSON: But I guess you would say
20 at a fair price.

21 MR. KAPLAN: Yeah. I'd like to add. So there's
22 two parts to the way I view this question. One is the
23 capability and the other is the capacity. So as just
24 testified, Berwick Offray has the capability and now
25 increased capability with the machinery they purchased,

1 thanks to the original order that they were able to
2 purchase new printing machinery, and now the capabilities
3 that they have from Schiff.

4 On the capacity side, I want to note something
5 about the staff report and Chris Sorensen could follow up.
6 The staff report asked for domestic capacity as practical
7 capacity as they historically do, and that's based on the
8 normal number of shifts over time. That was based on, in
9 our case, a single shift.

10 We had extensive discussions with the plant
11 people and the executives on if, how much they could
12 actually produce, and the answer was 2-1/2 times as much as
13 shown in the staff report. Now the staff report is correct,
14 because they -- on practical capacity, based on historical
15 staffing levels.

16 But it is not difficult to shift to more shifts
17 at both facilities. There is no bottleneck on labor in
18 either Hagerstown or Florence. There are individuals
19 available that would want these jobs. There is no
20 bottlenecks in the machinery. They would be added in
21 multiple shifts, and there is no bottlenecks in the inputs.

22 So when you're looking at the capacity numbers
23 for the domestic industry, and looking at the capacity
24 utilization numbers, and hearing arguments about what could
25 be produced here, remember that they were answered correctly

1 and they do represent practical capacity. There were a lot
2 of discussions in the original investigation that went back
3 and forth on getting this correct.

4 But from a real world point of view, it could be
5 two and a half times as much, and I'm sure that Mr. Sorensen
6 and Mr. Lee could speak to the details of that in great, you
7 know, in great details, in great detail.

8 CHAIRMAN WILLIAMSON: Okay, thank you. I got
9 the point. Okay, thank you. Commissioner Pinkert.

10 COMMISSIONER PINKERT: Thank you. Do imports
11 play a necessary role in the U.S. market by allowing
12 purchasers to round out their product lines with ribbons
13 that they can't source domestically?

14 MS. PAJIC: I would say -- sorry, Julie Pajic.
15 I would say that no, we are able to produce anything that a
16 U.S. purchaser can dream of having on a ribbon. I will also
17 second that in some cases, U.S. purchasers have not
18 necessarily given us an opportunity to meet with them in the
19 last few years to demonstrate that capability. So we would
20 welcome that opportunity.

21 But no, there isn't anything that we need from
22 overseas or that a purchaser would need from overseas to
23 round out their product lines. We're able to do anything
24 and everything here.

25 MR. MUNYAN: Chris Munyan, Berwick Offray. If I

1 could add to that. You know, we do also import product,
2 okay. So we do import product from Taiwan, and the main
3 reason we import is only one reason, and it's if the product
4 we can purchase is lower than our variable cost of
5 manufacturing.

6 So after the order was put in place, we did
7 bring certain production back, primarily related to printed
8 ribbon. Now because of the acquisition of Schiff, which is
9 going to give us expanded capacity for dying certain types
10 of yarns, we're going to bring more production back.

11 But so the only time we buy product overseas is
12 when it is lower than -- we can buy it lower than the
13 variable cost for a manufacturer, which has to tell you
14 something about the strength and capabilities of the
15 competitive industry. But we can make the product.

16 COMMISSIONER PINKERT: Thank you. Just to
17 follow up on that first answer concerning whether or not
18 you've been able to meet with or given an opportunity to
19 meet with the purchasers. Can you explain the circumstances
20 there? Do you normally expect them to come to you? Do you
21 go to them? What is it that has not happened?

22 MS. PAJIC: I can begin that question and then
23 if there's further information, my colleague Julie Lorenzini
24 will answer. This is Julie Pajic. Normally in our selling
25 process, we are in constant contact with U.S. purchasers

1 that are interested in buying our product. We are often
2 invited in, as well as we've invited them to our facilities
3 to review programs and ribbons and designs together.

4 In the case of certain some U.S. purchasers,
5 there has been a negative response to our invitations to
6 invite them to come see us or give a presentation to them on
7 what may be new and trending the marketplace. So I will
8 further allow Julie Lorenzini to elaborate on that if you so
9 need to.

10 MS. LORENZINI: Julie Lorenzini, Berwick Offray.
11 As Julie Pajic said, you know, we meet with our customers on
12 a regular basis, both at their offices, at our offices in
13 multiple locations. We also do market tours with them. We
14 work very closely to develop product together. I guess that
15 was all I wanted to add. Thank you.

16 MR. KAPLAN: Commissioner, there's -- not only
17 do they continuously market and contact all potential
18 customers in the United States, they have hired marketing
19 and third parties to do the same, and there's one particular
20 circumstance where they would love to speak to someone, and
21 that company does not want to speak to them, and we'll go
22 into it in the post-conference brief.

23 It has nothing to do with, and it was ambiguous
24 about us reaching out. I mean this is what they do for a
25 living and they've done it forever. The people in the back

1 have been making these ribbons forever. Every 17 years
2 similarly, in terms of marketing the product, contacting
3 people on every single channel.

4 So this is a little bit cryptic, and I know you
5 followed up on it. But we'll go into some detail in the
6 post-hearing brief about a particular customer that we, you
7 know, we haven't been meeting with but we've been trying to
8 meet with and we want to meet with. This industry wants and
9 this company wants to meet with everybody and try to meet
10 their needs a price that they can afford to carry their
11 product. So it's not of their design.

12 COMMISSIONER PINKERT: And I would just ask, in
13 addition to the information that you've already said that
14 you'll supply post-hearing, if you can give an account of
15 why there's a refusal. If there is a refusal to meet, why
16 is there a refusal to meet.

17 MR. KAPLAN: We'll very happily put that in a
18 post-hearing brief.

19 COMMISSIONER PINKERT: Thank you. Now I realize
20 that this next question probably will also have to be
21 answered in post-hearing. But could you comment on the
22 statement by another U.S. producer regarding the effect of
23 the orders quoted at page D-3 of the staff report? I can't
24 go into any great detail about that given the proprietary
25 nature of it, but I think you know what I'm talking about.

1 MR. KAPLAN: We do, and as an appetizer to the
2 main course, I would ask that you look at the size of that
3 producer, and we will provide information on the type of
4 product that that producer is concentrated in now. I think
5 both of those will answer your question to your
6 satisfaction.

7 COMMISSIONER PINKERT: Thank you. Now my last
8 question really is more of a legal question. But you've
9 emphasized quite a bit the effects of the orders, and I know
10 that you're aware of the discussion and the legislative
11 history about an effects test, whether there is an effects
12 test, there isn't an effects test, and what I'd like you to
13 explain to me is how the effects that you have outlined play
14 into your case in a legal sense.

15 MR. DORRIS: I think we'll provide some more in
16 the post-hearing brief. But what I would say in terms of
17 the legal sense is that you are supposed to look at the
18 condition of the industry and the material injury at the
19 time versus now, and you're also supposed to look at
20 vulnerability as you know.

21 I think when you look at vulnerability, you're
22 assessing, you know, the condition of the industry at the
23 time, before and then after the orders were passed. So I
24 think in that sense you're, as a legal matter, you're
25 required to look at the condition of the industry and know

1 whether or not it's improved or not improved, and that's
2 what you're looking for, and whether if you took the orders
3 away, whether that -- the effects would be the same.

4 COMMISSIONER PINKERT: Dr. Kaplan, anything to
5 add to that about an effects test?

6 MR. KAPLAN: I think the question was a legal
7 question, and I'll work with Greg to have a joint
8 economic-legal response.

9 COMMISSIONER PINKERT: Thank you very much.

10 CHAIRMAN WILLIAMSON: Thank you. Commissioner
11 Johanson.

12 COMMISSIONER JOHANSON: Thank you Chairman
13 Williamson. As the pre-hearing report Table 5-9 indicates,
14 even under the discipline of the existing orders, subject
15 imports from China and Taiwan are noticeably lower in price
16 than comparable domestically produced narrow woven ribbon.
17 How should the Commission consider the significance of
18 likely price effects, when subject imports already undersell
19 the domestic like product to such a degree?

20 MR. KAPLAN: I would look at what the
21 restraining effects of the order are and how much lower the
22 prices would go but for the order, and what the domestic
23 industry would need to do to respond, to keep its business,
24 should those prices go lower.

25 I think the -- the drop in prices during the

1 original investigation by the subject imports, their
2 increase in market share and the loss of sales, lower prices
3 and lower profitability in the U.S. industry speaks to the
4 price competition between the subject product and the
5 domestic product, even when the subject product is well
6 below, and which it was during that whole downward trend.

7 Not that once the orders were in place, as
8 Commissioner Schmidtlein pointed out, the subject imports,
9 at least the way they're defined in the staff report,
10 remained below the domestic industry by about the same
11 margins. Should those margins attempt to increase absent an
12 order, the domestic industry would have to lower its prices
13 to keep that gap at a constant level, in which there would
14 be price depression.

15 So as there was price depression and suppression
16 in the original investigation, there would be should the
17 orders be removed. There would be a new bottom, and the
18 bottom would be at a price that would make it very
19 difficult for the domestic industry to keep profitable.
20 That is why Mr. Munyan spoke of the existential threat,
21 potential existential threat to not only the company but the
22 industry should the orders be removed.

23 This is the last game in town. It's in front of
24 you. There's five locations and this is it. It's 150 year
25 old industry and the remaining sort of significant survivor

1 is here, and they are telling you and the staff report tells
2 you that the price decline caused by the subject imports
3 were stopped by the order. That's why they want it to
4 continue, because if it continues to decline, there might
5 not be an industry. If non-subject imports start posing a
6 problem, then we will turn to them.

7 COMMISSIONER JOHANSON: But why is there such
8 underselling by subject imports even with the order in
9 place?

10 MR. KAPLAN: We will answer that in more detail
11 in the post-hearing. I think given the 20,000 skews in
12 history, I'd like to discuss it with all the experts here,
13 the expert in the commercial segment, the expert in the
14 retail segment, the expert in marketing, expert in
15 production costs and the financial team.

16 COMMISSIONER JOHANSON: All right, and I thank
17 you Mr. Kaplan. In your prehearing brief at pages three to
18 four, you all indicate that Internet sales have increased
19 price awareness in the market. How have Internet sales
20 changed since the original investigation, and to what extent
21 has such sales increased price competition among the various
22 suppliers?

23 MR. MUNYAN: Chris Munyan, Berwick Offray. If I
24 think back to five years ago, the prevalence of a finding,
25 Ribbon Preorder, Ribbon Online, it was really much smaller

1 than today. So if I go back five years ago, one of the
2 major retailers online, not to be named, we were not even
3 selling at that time, and most people in our industry were
4 not selling.

5 There was always a belief that ribbon had to be
6 touched and felt, which I think is not the case. A lot of
7 product is being sold online today. I think in the last
8 five years, you'd see there's on Ali Baba, on Amazon.

9 I mean there's more producers of product in
10 terms of if you search ribbon or put in double-faced satin
11 red, the amount of people that will pop up that you see as
12 direct factories from China and Taiwan, selling at extremely
13 low prices, has just -- it's like night and day from five
14 years ago. So it's multiples of orders of magnitude of how
15 different it is today.

16 COMMISSIONER JOHANSON: Do domestic sellers also
17 via the Internet?

18 MR. MUNYAN: We sell, as Julie Pajic described,
19 a relatively small amount on the Internet. So you know, we
20 do sell through some of our major U.S. retailer customers,
21 as well as we do sell to some major online retailers. But
22 it's not a huge focus for us, just because that market is so
23 -- that is the most competitive area where you'll see
24 pricing that is just illogical.

25 MR. KAPLAN: You know, I might add that the, as

1 I was discussing with Chairman Williamson, that there's
2 various levels of the Internet. So there's direct from the
3 producer, but there's also from distributors and then
4 there's also from retailers, and all of those have kind of
5 really increased on the ribbon side. It's my understanding
6 that the direct from the company, direct from distributors
7 and also the sales from the retailers have all increased.

8 We did research and I think we included it in
9 our brief, but add more on looking at ribbons that are sold
10 on Ali Baba, and it's just -- I mean it's just page after
11 page after page. Sometimes it's from a manufacturer,
12 sometimes it's from a distributor, sometimes it's from a
13 wholesaler. But it's remarkable how many hits you get now.
14 It's my understanding you did not get that five years ago.

15 COMMISSIONER JOHANSON: But given that that is
16 where the competition is right now, wouldn't it make more
17 sense to -- for the domestic industry to focus more heavily
18 on the Internet? I know that the prices are very hard to
19 match apparently, but looking forward and also at the
20 present, Internet sales are a major force in the economy.

21 MR. MUNYAN: Chris Munyan Berwick Offray. We to
22 this day, I mean, have multiple websites. So, you know, in
23 terms of we sell to independent small florists. We probably
24 have one of the largest websites, but it's not direct to
25 consumer. So it's selling a specific narrow channel. We

1 also have a website that's very effective that sells to
2 wholesale distributors and large purchasers of ribbon that
3 are in what I would call bulk put-ups, larger put-ups in
4 larger lengths.

5 So we have invested heavily in those areas, and
6 we think they're a good return. In terms of us focusing on
7 individual consumers, where we're drop-shipping one spool of
8 ribbon to a consumer, right now we don't think there's great
9 economics behind that.

10 MR. KAPLAN: I just might add that to look at
11 the importers and the retailers in the market that are
12 buying from the subject producers, is that Internet sales or
13 is that sales to retailers and sales to distributors? So
14 while the Internet does matter, from the company it also
15 matters from the retailers and it's there their sales then,
16 nor our sales, that comes through them.

17 So as I say, the Internet's at various levels of
18 trade. They participate in every level of trade from direct
19 to distributor to retailer, and those retailers and
20 distributors also sell on the Internet. So our presence is
21 direct on the Internet and indirect on the Internet.

22 COMMISSIONER JOHANSON: Right, and the indirect
23 part being retailers selling the product you produce on the
24 Internet?

25 MR. KAPLAN: Or distributors.

1 MR. MUNYAN: Or distributors.

2 COMMISSIONER JOHANSON: Right, okay.

3 MR. KAPLAN: And like for example, if you go to
4 Ali Baba and you look at like China's on the Internet, what
5 does that mean? Well, those sites are the same thing.
6 There's Chinese retailers, Chinese exporters and
7 distributors and wholesalers, and Chinese companies all
8 selling as well.

9 COMMISSIONER JOHANSON: Okay. So de facto you
10 all are on the Internet, even though you might not -- it
11 might be indirect through the retailers?

12 MR. MUNYAN: Chris Munyan. Indirectly, we're
13 substantially on the Internet.

14 COMMISSIONER JOHANSON: Okay. But directly,
15 let's say via retailers, you are there as well?

16 MR. MUNYAN: We are.

17 COMMISSIONER JOHANSON: Okay. Thanks for your
18 response. How did narrow woven ribbons increase from
19 moderately to highly substitutable since 2010, as you all
20 have described in your prehearing brief?

21 MR. KAPLAN: Well, you know, I'm taking this
22 from the discussion of substitution that was in the staff
23 report in the original investigation and the current
24 investigation.

25 The staff traditionally places a lot of evidence

1 on the questionnaire responses. So the questionnaire
2 responses moved in that direction. But from an underlying
3 why did the questionnaire responses move in that direction,
4 I think we tried to give you some evidence, things like the
5 Internet sales, things like direct sales forces in the
6 United States, making price discovery easier, price
7 comparisons easier.

8 I think that what you've seen in many industries
9 before you is a view of commoditization at the purchaser
10 level. I can't, you know, in so many cases from industrial
11 products and commercial products, people will walk in and
12 say the customers used to pay for this service. The
13 customers used to pay for this design. The customers used
14 to pay for our ability to be picked up on the phone in five
15 minutes.

16 Now they like all that stuff. They love all
17 that stuff. But they just aren't willing to pay for it like
18 they were before. So it becomes -- the non-price factors
19 that they speak of as becoming important have dissipated
20 over the Period of Investigation, due to these other things.
21 It's become more price sensitive rather than less. I think
22 that explains the difference, and explains why our
23 susceptibility increases and explains why we are more
24 vulnerable as well.

25 MR. MUNYAN: Chris Munyan, Berwick Offray. I can

1 also just expand. Over the past several years, our opinion
2 is that the quality of product coming from the subject
3 importers has improved. And there's been a focused effort
4 to make better quality product to more directly compete
5 against us. And so they've become more similar. That
6 wasn't the case always, years ago.

7 COMMISSIONER JOHANSON: Alright, thank you for
8 your responses. My time has expired.

9 CHAIRMAN WILLIAMSON: Thank you. Commissioner
10 Kieff.

11 COMMISSIONER KIEFF: Thank you very much. Just a
12 couple of follow-up questions.

13 We have spent a lot of time talking about the
14 industry that's in the U.S. at the moment and how there's
15 one left. We have talked a lot about the industry in China
16 and Taiwan. Is there any significant industry anywhere else
17 in the world in this product?

18 MR. SORENSEN: The short answer is, no, to your
19 point, significant. There are other producers in other
20 countries that we mentioned earlier, whether it be India,
21 Vietnam, Thailand, but what we've seen is the volumes are
22 very small.

23 COMMISSIONER KIEFF: What's their capacity? Is it
24 like limited to their current volume? Do they have excess
25 capacity but they're not running it?

1 MR. SORENSEN: I don't know the answer to that
2 question.

3 COMMISSIONER KIEFF: Okay. And I don't mean to
4 put any of you on the spot. None of us ever do. What we're
5 trying to do is of course ask these questions, and then you
6 can--you and your counterparts on the other panel can in the
7 post-hearing follow up. Let me tell you why I'm asking the
8 question so that, again, you and your counterparts can
9 follow up if this is relevant.

10 I am trying to figure out whether during the time
11 of the Order there was entry into the U.S. market by others
12 than the subject imports. And I can think of that entry as
13 taking two forms, roughly speaking.

14 The non-U.S. producers who are also not in China
15 or Taiwan, they might rationally notice, hey, world, we
16 could start shipping this stuff to the U.S. because we no
17 longer have to face the same competition from China and
18 Taiwan in the U.S. market that we did before the Order on
19 China and Taiwan. And I'm trying to figure out, could they
20 have done that? Did they do that? Why did they do that?
21 Why did they not do that? Should we take any inferences
22 from that?

23 And then the second question is: At the
24 bankruptcy sale, were there other bidders? Why is there no
25 private equity market in the U.S. over the prior two, three,

1 four, five years, not kind of bidding to enter the market by
2 just buying up some assets and then selling domestically?
3 Why are you the only ones?

4 I get that your competitor went bankrupt. I'm
5 just trying to figure out why are there no other players?
6 And why did no other players come in?

7 MR. KAPLAN: No, no other players have entered the
8 tin plate market or the paper market recently, too. So just
9 in regards to--

10 COMMISSIONER KIEFF: Yeah, I don't mean to suggest
11 this is definitive, but it's a question and--

12 MR. KAPLAN: I'm just trying to give you a sense
13 of the industry and a sense, you know, that certainly are we
14 unique or different than other industries that appeared
15 before here. So it's not like you've seen this before.
16 There is a record and a history of what the Commission does.

17 I would ask you to look at the Staff Report on
18 page I-5, and it has a "all other sources" quantity line.
19 And you could look at the POI and look at their presence
20 over the last three years, and that might help some with
21 answering your question.

22 We will try to obtain other information. Mr.
23 Munyan testified about the quality differences currently
24 between the non-subject sources outside of China and Taiwan,
25 although that could change. So that's a taste of the

1 answer, much of which is confidential that we'll answer
2 later.

3 MR. MUNYAN: Chris Munyan, Berwick Offray. I will
4 answer part of your question, too, that why other people
5 haven't come in is, one, it is a very machine-intensive
6 industry. But, two, there's as much art here as there is
7 science to making this product. And so once you have an
8 operation that can do that, it is very hard to just kind of
9 create one of these, just say I'm going to green field a
10 weaving facility.

11 That's why I think it's even more important that
12 we preserve the Order, to preserve this art that our people
13 can product.

14 MR. KAPLAN: I mean there's constant talk about
15 the hollowing out of the U.S. manufacturing and the skill
16 base to make certain products that have moved abroad. This
17 is exactly what Chris has just spoken to. I mean, these
18 are, I think the Union rep talked about, you know, or Mr.
19 Sorensen about, you know, this is the breed. This is what
20 you see in this room are the people in the United States
21 that can do this. And, you know, you just can't start it up
22 again. And certainly once it's gone, you know, you can't
23 start it up again.

24 MR. MUNYAN: I would also comment relative to--
25 Chris Munyan, Berwick Offray--private equity. Private

1 equity were the owners of Schiff. So this was not a family
2 business over the past four or five years. This was a
3 private equity owner business, and even as smart as they
4 were they could deal with the forces of competition that
5 existed here.

6 COMMISSIONER KIEFF: That makes sense. I have no
7 further questions. Thank you, very much.

8 CHAIRMAN WILLIAMSON: Thank you. Commissioner
9 Schmidtlein.

10 COMMISSIONER Schmidtlein: Alright, thank you.
11 Just following up on that last point, and maybe you would
12 want to answer this in the post-hearing, what happened to
13 Schiff's employees? Since Berwick Offray has bought the
14 assets, are you also re-employing the--I saw some reference
15 somewhere to several dozen, I thought, employees?

16 MR. MUNYAN: I can answer that. Chris Munyan,
17 Berwick Offray. So their facilities were in Quakertown,
18 Pennsylvania, and they're in Newville, Pennsylvania. We
19 would absolutely love, and we will try to hire people to
20 move from those locations. But what we have found for
21 workers even of technical ability, of dyers and weavers, it
22 is very difficult to get people to leave their small
23 communities, extremely difficult.

24 So it's our hope to, yes, offer jobs and
25 employment to people from Newville, and very likely

1 Quakertown, and if they're willing to move we will offer
2 them jobs in South Carolina, or offer them jobs in
3 Hagerstown, Maryland. We want experienced weavers and
4 dyers.

5 I think the percentage that will actually move,
6 sadly, but understanding that they have spouses who work,
7 and kids who are in schools, they will likely not move.

8 Now I think we have a decent chance of employing
9 some from Newville, where Newville is about a half hour to
10 Hagerstown.

11 COMMISSIONER SCHMIDTLEIN: So where will you
12 acquire the skilled employees to operate those machines? I
13 guess you're moving that equipment to your locations in
14 South Carolina and Hagerstown?

15 MR. MUNYAN: Correct. We will be moving weaving
16 looms to South Carolina, printing and dying equipment to
17 Hagerstown, Maryland, and we will hire and train U.S.
18 workers to do that under the supervision of experienced
19 workers, just like we do all the time. And these are good
20 jobs, and we're confident we can hire those people, and
21 we're confident we can train them.

22 MR. KAPLAN: That's typical of how U.S. industry
23 operates. You've heard answers to questions like this of
24 how will a steel mill add another shift? And they discuss
25 it by saying, well, we split the first shift in two so that

1 there's a mix of people with experience, and older workers
2 in both shifts. And then you bring them along.

3 There are specific types of jobs. I talked to
4 Mr. Lee, if someone wants a different type of job they bid
5 for it internally. They get trained for it. So there's
6 experience in terms of passing on the--how many thousands of
7 years now? Over a thousand years of experience in this
8 room--I'm sorry, a thousand years of experience in this
9 room, and that's how it's passed along, from worker, to
10 worker that has the skill and the knowledge base, and you
11 split up shifts, and you train people, and there's
12 education at the plant. There's grants. There's--

13 COMMISSIONER SCHMIDTLEIN: Right--

14 MR. KAPLAN: --you know, it's the U.S.
15 manufacturing way for a very long time across many
16 industries.

17 COMMISSIONER SCHMIDTLEIN: Alright. Just to shift
18 gears a little bit and follow up on a topic that
19 Commissioner Kieff was asking about, which is non-subject
20 imports.

21 And I know he was asking about the capacity and
22 so forth. Does Berwick Offray find itself in head-on-head
23 competition with non-subject imports on a regular basis?
24 And I know I have the numbers in terms of like what's coming
25 in, but how often are you seeing quotes, and offers that

1 you're competing against--

2 MR. MUNYAN: Chris Munyan, Berwick Offray--

3 COMMISSIONER SCHMIDTLEIN: --for a purchaser.

4 MR. MUNYAN: I think it varies by channel. So
5 when I say "channel," meaning if we look at the craft
6 markets, I think, you know, we have seen, you know, a little
7 bit more of an increase from Mexico. And I think that--you
8 know, but there are fair producers, and if we grab the
9 opportunity to compete against those producers.

10 COMMISSIONER SCHMIDTLEIN: So there are some
11 channels that you are not competing--

12 MR. MUNYAN: I'm sorry, non-subject Taiwan.

13 COMMISSIONER SCHMIDTLEIN: Go ahead.

14 MR. MUNYAN: Non-subject Taiwan.

15 COMMISSIONER SCHMIDTLEIN: Non-subject Taiwan?
16 Yeah, non-subject Taiwan, and other non-subject countries.
17 So--

18 MR. MUNYAN: I mean I think in terms of
19 non-subject producers, I mean, Chris, we've not seen a
20 substantial increase?

21 MR. SORENSEN: (Off-microphone).

22 COMMISSIONER SCHMIDTLEIN: Taiwan. Taiwanese.

23 MR. SORENSEN: Sorry. Chris Sorensen, Berwick
24 Offray.

25 COMMISSIONER SCHMIDTLEIN: Go ahead.

1 MR. SORENSEN: Dear Year and Shee-Hong are the two
2 non-subject producers that are from Taiwan--

3 COMMISSIONER SCHMIDTLEIN: Right.

4 MR. SORENSEN: --and we have not seen a surge or
5 change in their imports since the Order was put in place.
6 We buy from Dear Year. We believe we buy a substantial
7 portion.

8 COMMISSIONER SCHMIDTLEIN: And why do you do that,
9 to fill out your product line?

10 MR. SORENSEN: No.

11 COMMISSIONER SCHMIDTLEIN: No?

12 MR. SORENSEN: As was mentioned earlier, because
13 the cost of what it is that we can purchase from Dear Year
14 is less than our variable cost of manufacture.

15 MR. MUNYAN: We also buy--sorry, Chris Munyan,
16 Berwick Offray--we also buy non-subject imports. So
17 wired-edge ribbons, which are used for Christmas tree
18 decorations, and in floral wreath decorations, is also a
19 substantial product produced by Dear Year.

20 COMMISSIONER SCHMIDTLEIN: And by--are you talking
21 about out-of-scope?

22 MR. MUNYAN: Out of scope.

23 COMMISSIONER SCHMIDTLEIN: Okay. Right.

24 MR. MUNYAN: So we buy Dear Year quite a bit of
25 out-of-scope product--

1 COMMISSIONER SCHMIDTLEIN: Right. Okay.

2 MR. MUNYAN: --as well as some in-scope product.
3 And as Chris said, only buying products that are in-scope if
4 they are lower than our variable cost of manufacturing. And
5 we've been bringing consciously those products back.

6 COMMISSIONER SCHMIDTLEIN: And then what about
7 other third-country sources? You know, I know you've
8 mentioned Mexico. There's apparently production in
9 Thailand, and Vietnam. Are you competing with those
10 companies on a regular basis?

11 MR. MUNYAN: We're competing--Chris Munyan,
12 Berwick Offray--we're competing in some narrow channels. So
13 for example, you know, we don't really compete against India
14 much at all. In terms of Vietnam, we're not really seeing
15 much competition at all coming from Vietnam that we're
16 seeing on any kind of a direct basis.

17 COMMISSIONER SCHMIDTLEIN: And is that because
18 they're--why is that? The product line they're offering?
19 The channel they're in?

20 MR. MUNYAN: I think the quality is still poor. I
21 know the quality coming out of India for narrow woven
22 textiles is not as strong and good a quality as what we see
23 coming out of Taiwan and China. And I think that's one
24 reason. I've commented on Mexico, and we've seen Mexico
25 over the years, and they're good producers in Mexico, and

1 we've seen a little bit more of that coming out of Mexico.
2 But in some cases we've not had the opportunity to directly
3 quote on those product lines.

4 MR. KAPLAN: And given the way the HS codes are
5 set up, it's a little bit--both the staff, you know, and us
6 have had, you know, difficulty in completely identifying
7 everything through the HS codes. And completely having a
8 data set or a public data set that's available in a lot of
9 industries.

10 So I would add that of course no one--none of the
11 non-APO people have seen the confidential data, and they're
12 basing their opinions and statements on what they see in the
13 marketplace, because, you know, there's no guru publications
14 I'm aware of like on semiconductors and a lot of other
15 industries I'm aware of.

16 COMMISSIONER SCHMIDTLEIN: Right. Right.

17 MR. KAPLAN: So it's based on what they see in the
18 marketplace. But I think, as you saw in the confidential
19 presentation in the Staff Report, there are certain
20 questions we will answer for you that are based on the
21 confidential record. But overall, the case is based on the
22 Staff Report and it meets the criteria, I think, on the
23 effects of the Order, conditions of competition,
24 vulnerability, and effects.

25 COMMISSIONER SCHMIDTLEIN: Okay. Lastly, we have

1 heard you talk about the competition from China and Taiwan
2 in terms of pushing you to offer lower prices. And I would
3 invite you to put as much contemporaneous documentation of
4 that on the record in terms of emails, or, you know, other
5 sorts of written documents showing that that is occurring,
6 in the post-hearing.

7 MR. MUNYAN: Thank you. We will do so.

8 COMMISSIONER SCHMIDTLEIN: Alright, and I have no
9 further questions. Thank you very much.

10 CHAIRMAN WILLIAMSON: Thank you. Just one quick
11 question for the post-hearing. You might want to address
12 how successor plans are for I guess acquiring of Schiff's
13 customer base. I think you made some reference to it
14 earlier.

15 MR. KAPLAN: We will. And as you can imagine,
16 there's been a lot of internal talk in the company about
17 doing exactly that, and how they will try.

18 CHAIRMAN WILLIAMSON: Okay. Thank you. Let's see
19 if we still have some questions here. Do any other
20 Commissioners have questions?

21 (No response.)

22 CHAIRMAN WILLIAMSON: Does staff have any
23 questions for this panel?

24 MR. CORKRAN: Douglas Corkran, Office of
25 Investigations. Thank you, Mr. Chairman. Staff has no

1 additional questions.

2 CHAIRMAN WILLIAMSON: Do those in opposition to
3 continuation have any questions?

4 MR. GRIFFITH: No, we do not.

5 CHAIRMAN WILLIAMSON: Okay. Then it looks like it
6 is time for a lunch break, and we will reconvene at 1:35. I
7 just want to remind everybody that this room is not secure,
8 so please take any business confidential or business
9 proprietary information that you may have with you. And
10 we'll see you at 1:35. Thank you. Again, I want to thank
11 the panel for their testimony and appreciate the workers for
12 coming, too. Thank you.

13 (Whereupon, the hearing was recessed, to
14 reconvene at 1:35 p.m., this same day.)

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1 A F T E R N O O N S E S S I O N

2 MR. BISHOP: Will the room please come to order?

3 CHAIRMAN WILLIAMSON: Okay, good afternoon. I
4 apologize for being late. Mr. Griffith, you may start.

5 MR. GRIFFITH: Thank you Mr. Chairman, members
6 of the Commission. Those in opposition to continuation of
7 these orders are here now to address you and answer your
8 questions. I'm going to turn it over to the speakers. The
9 first speaker is Ms. Kelly Lo from one of the Taiwanese
10 producers, and then we'll have Melissa Freeborn from one of
11 the major U.S. retailers, Hobby Lobby, and then Joe Duffey,
12 who is a U.S. wholesaler and importer of the subject
13 merchandise. So I will first turn to Kelly Lo.

14 STATEMENT OF KELLY LO

15 MS. LO: Good afternoon. My name is Kelly Lo,
16 and I'm the sales manager of Fujian Rongshu Industry and
17 Xiamen Yi-He Textile Company. Fujian Rongshu and Xiamen
18 Yi-He are both Chinese ribbon companies. Fujian Rongshu was
19 founded in 2003 and Xiamen Yi-He was founded in 1995. The
20 major business activity of both companies is the manufacture
21 and sale of ribbons.

22 In my capacity as sales manager, I am
23 responsible for sales from these two Chinese ribbon
24 manufacturers. In addition, as Spencer Griffith mentioned,
25 also with me today is Diana Yang, who is the sales manager

1 of Rongshu Industry Corporation, a Taiwanese ribbon
2 manufacturer. Between us, we are familiar with both Chinese
3 and Taiwanese ribbon industries. We would be pleased to
4 answer any questions you may have.

5 Imports from our company and from Taiwan and
6 China are critical for the U.S. market. The volume of
7 narrow-woven ribbons produced by the U.S. industry does not
8 come close to meeting total U.S. demand. Imports of NWR
9 from China and Taiwan therefore have always been important
10 part of the U.S. market, in order to help satisfy U.S.
11 consumption.

12 Indeed, the Petitioner in this case, Berwick,
13 has imported ribbons from Taiwan and perhaps China, both
14 before and after dumping orders were imposed. Rongshu
15 competes fairly in the U.S. market, and is responsive to the
16 needs of its customers through new designs, quality products
17 and improved service.

18 I believe that all the Taiwanese and Chinese
19 producers follow the same approach. Taiwanese and Chinese
20 products have contributed to helping meet demand for a
21 broader range of products, and fresher fuller ribbons that
22 did not previously exist in the U.S., and play an important
23 role in helping U.S. purchasers round out their product
24 lines efficiently and fairly. The U.S. industry is simply
25 not able to meet total U.S. demand.

1 In addition to supplying needed volume in order
2 to satisfy U.S. consumption, the U.S. producers cannot come
3 close to meeting subject imports from Taiwan and some
4 Chinese suppliers. Also allow U.S. purchasers to have
5 access to alternative sources of supply, whom are willing to
6 partner with their U.S. customers to design the ribbons
7 needed and desired by the U.S. purchasers and their
8 customers.

9 In this role, subject imports allow U.S.
10 retailers and sellers to effectively round out their product
11 lines. Narrow woven ribbons are -- product in that there
12 are thousands of different types of ribbons, many of which
13 are designed for specific applications. This is not a
14 simple commodity product, so on the basis of price.

15 As a result, our company does not maintain a
16 large inventory. One way in which narrow woven ribbons
17 sellers distinguish themselves is their willingness and
18 flexibility to work with their U.S. customers on the design
19 and specifications for the desired ribbons. It is important
20 that U.S. purchasers are able to provide the full product
21 range that their customers in turn demand.

22 Taiwan and Chinese manufacturers allow them to
23 do this. In practice, our U.S. customers provide us with
24 their drawings for the ribbons they desire. The U.S.
25 customers may also request special packages or ribbons. Our

1 company would then try hard to meet the customers' specific
2 design demands. To my understanding, Berwick cannot produce
3 locally to meet the needs in the U.S. for specific design
4 demands such as this and thus has to obtain ribbons from
5 overseas suppliers for the U.S. market.

6 Partly as a result of these factors, it is my
7 experience that non-price factors are very important to the
8 U.S. purchasers when they choose a supplier. Factors such
9 as quality, availability, the range of products offered and
10 shortened lead times are all very important to our
11 purchasers when deciding from whom they will purchase narrow
12 woven ribbons.

13 Given the nature of these products and the
14 thousands of ribbons in the market, it is not surprising
15 that non-price factors are important in purchasers'
16 decisions, or accompanying price itself on doing very well
17 in these areas relative to our competitors, especially those
18 in the U.S. such as Berwick.

19 Another important factor in this market is the
20 effect that imports from third countries also compete
21 heavily in the U.S. market. Imports of narrow woven ribbons
22 from countries other than China and Taiwan compete heavily
23 in the U.S. market, and they have demonstrated their ability
24 to sell into the U.S. market.

25 For example, from my experience, we have seen

1 more competitions from third country suppliers in the U.S.
2 market in more recent years than we did in the past. In the
3 recent years, we have found that our U.S. customers also get
4 ribbons from suppliers in Mexico, Thailand, India and some
5 European countries like Germany and Switzerland.

6 Another unusual feature of this market is that
7 the Petitioner in this case, Berwick, has imported narrow
8 woven ribbons for many years. Indeed, Berwick also have
9 office in Hong Kong that help it to fulfill their imports.
10 Berwick had approached Taiwan and Chinese suppliers before
11 the dumping orders were imposed.

12 We understand the Berwick was trying to control
13 imports, because it did not have enough capacity to meet
14 U.S. demand. Berwick was not at all opposed to imports;
15 rather, it just wanted to control them. Berwick imported
16 ribbons both before and after the orders were imposed,
17 presumably because it is unable to meet U.S. demand on its
18 own.

19 I would now like to address what would happen if
20 the current against narrow woven ribbons from Taiwan and
21 China are revoked. The volume of imports from those
22 countries would not increase if the orders are revoked.
23 Demand for narrow woven ribbons in other markets is strong
24 and is not expected to decline.

25 We expect, for example, the Vietnam, Indonesia,

1 Thailand, Philippines markets will continue to grow. We
2 expected our shipments to those countries to grow in the
3 years ahead. Also, China's purchasing power has grown, and
4 Chinese customers are purchasing more luxury items. These
5 luxury items often are packaged with ribbon decorations.
6 Chinese customers also purchase ribbons for other uses such
7 as hair accessories, garment accessories and other uses.

8 Therefore, demand in China for NWR is growing.
9 While it is true that price in the U.S. market are sometimes
10 higher, it must be noted that the quality of ribbons sold in
11 the U.S. generally is higher than in other markets, meaning
12 production costs are higher as well for ribbons sold -- as
13 well for ribbons sold to the U.S.

14 For example, for Rongshu the U.S. customers may
15 request special ribbons, colors, packages and value-added
16 service, which makes the ribbon more valuable. Rongshu may
17 therefore charge higher prices for such tailor-made ribbons.
18 I also do not believe that price would be harmed if the
19 orders are revoked.

20 As I noted before, non-subject imports from
21 third countries already play an important role in the U.S.
22 market, and that would not change if the orders are revoked.
23 Also, even with the orders in place, there has been pretty
24 substantial volume of imports from Taiwan and China into the
25 U.S. market in recent years.

1 We have not seen U.S. price falling heavily.
2 There is no reason to believe this trend would change if the
3 orders were lifted. This concludes my remarks. Diana Yang
4 and I would be pleased to answer any questions you may have.
5 Thank you.

6 STATEMENT OF MELISSA FREEBORN

7 MS. FREEBORN: Good afternoon. My name is
8 Melissa Freeborn. I am the merchandise manager in the Soft
9 Lines Department for Hobby Lobby Stores. Hobby Lobby has
10 728 stores in 48 states. Hobby Lobby sells a variety of
11 products including arts and crafts, framing, fashion
12 fabrics, jewelry, holiday supplies and similar items.

13 Hobby Lobby also has its own manufacturing
14 facility for some products, but not ribbons. Hobby Lobby
15 and its affiliate companies employ about 31,000 people in
16 the United States. I am responsible for the Soft Lines
17 Department, which accounts for mostly arts and crafts and
18 fashion ribbons. These particular items are non-seasonal,
19 but Hobby Lobby also purchases ribbon for our seasonal and
20 floral departments.

21 My department accounts for approximately 1,500
22 of our over 2,500 different ribbon skews, that Hobby Lobby
23 will typically purchase in any given year. A large portion
24 of the narrow woven ribbons in my department are
25 manufactured pursuant to our own design. Hobby Lobby

1 actively participates in the design of such ribbons, and
2 works with our suppliers to produce a narrow woven ribbon to
3 our particular designs.

4 As you can see, the ribbon business is not a
5 simple commodity business, where the product is sold
6 primarily on the basis of price alone. It is critical that
7 our suppliers be willing to work with us to manufacture
8 ribbons pursuant to our design. We do not frequently
9 purchase from suppliers that simply only want what are shown
10 in the catalogue and nothing else.

11 In order to bring fresh designs and new products
12 to our market, it is important that Hobby Lobby itself be
13 involved in the design of certain ribbons. Thus, the
14 ability of suppliers to offer a range of products and have
15 design flexibility in order to work with Hobby Lobby on the
16 design of the ribbon is critical to us.

17 When choosing supply and suppliers, we select
18 from designs and styles that our customers will like. We
19 then discuss with potential suppliers their ability to offer
20 that product. It only is after that we are satisfied that
21 our supplier has the design flexibility and can meet the
22 product range we desire that we will discuss price and other
23 terms such as quality and reliability.

24 Hobby Lobby will not purchase ribbons at a low
25 price if the design and product range availability is not

1 first rate. In our design -- in our business, design
2 quality, reliability, shorter lead time and the ability to
3 offer a large range of products is critical to us when
4 choosing our suppliers.

5 In our experience, we have had good success
6 dealing with suppliers in Taiwan and China in this regard.
7 In contrast, it is in our experience that Berwick and other
8 U.S. suppliers are not as flexible and adaptive to produce
9 ribbons with our designs, and to comply with our delivery,
10 our timing demands and our inventory control demands.

11 In addition, from Hobby Lobby's perspective the
12 U.S. market did not change meaningfully once these dumping
13 and subsidiary orders were imposed against Taiwan and China.
14 For example, Hobby Lobby is not purchasing more from a U.S.
15 supplier once those orders went into place. We have not
16 seen meaningful changes in the U.S. market overall since the
17 orders went into place.

18 We do not think that the imposition of the
19 orders allowed the U.S. producers to gain new business.
20 Imports from Taiwan and China are needed, because Berwick is
21 not willing or able to provide companies such as Hobby Lobby
22 with customized ribbons while maintaining flexibility to
23 meet other requirements that we place on our suppliers.

24 Indeed, since the orders were imposed five years
25 ago, Berwick hasn't approached Hobby Lobby seeking our

1 business. We hear from ribbon suppliers all over the world,
2 but we never hear from Berwick. Also, we have a lot of
3 supplier options. There are multiple other manufacturers
4 who could supply Hobby Lobby, that would be willing to
5 partner with us on design and range of ribbon that we need.

6 Berwick is not willing and has made no attempt
7 to work with us on design and product offerings that we
8 need. Additionally, we coordinate with other Hobby Lobby
9 departments regarding specific color and design of ribbon to
10 match our other products offered in Hobby Lobby.

11 Frequently, multiple products are provided by those same
12 Taiwanese and Chinese suppliers, making coordination of
13 design a more fluid process.

14 It is important that we have multiple sources of
15 supply, and access to Taiwan and Chinese suppliers allows us
16 to maintain flexibility to meet our customers' needs. Any
17 increase in the purchases of ribbon from Taiwan is a result
18 of Hobby Lobby's growth in adding new stores in the last
19 three years.

20 Those additional purchases from Taiwan simply
21 reflect the increased demand that our product has had as a
22 result of adding new stores. In addition, we are seeing
23 imports from other countries outside of Taiwan and China.
24 We are seeing those imports of ribbons from countries such
25 as Mexico, India and Thailand in notable quantities.

1 As a major participant in the U.S. ribbon
2 market, Hobby Lobby does not believe that demand in the U.S.
3 market will go down. There is no reason to believe that the
4 U.S. market demand will drop. We believe it will remain
5 stable and an important part of the art and craft business
6 in the U.S., which continues to grow.

7 We are not aware of any external changes that
8 would act to reduce the demand of ribbon in the U.S. market.
9 Finally, we do not think that the revocation of these orders
10 would have any effect. Berwick would not get new business
11 because U.S. purchasers like ourselves have many suppliers
12 who can meet our design flexibility requirements.

13 The orders did not change anything when they
14 were imposed, and similarly nothing will change if they are
15 revoked. That concludes my remarks, and I would be happy to
16 answer any questions once we are complete. Thank you.

17 STATEMENT OF JOE DUFFEY

18 MR. DUFFEY: Thank you. Good afternoon. My
19 name is Joe Duffey. I'm the owner and president of May Arts
20 Ribbons. May Arts is a wholesale ribbon company that
21 supplies a wide variety of high quality ribbons to the
22 resellers that include the arts and crafts, the retail gift
23 and the fashion sectors. May Arts is based in Stanford,
24 Connecticut.

25 I am very familiar with the U.S. ribbon market

1 and the overseas suppliers, including in Taiwan and China.
2 I'm also very familiar with the operations of the Petitioner
3 in this case, Berwick. Imports from Taiwan and China play
4 an important role in this market that cannot be satisfied by
5 Berwick.

6 My company actively participates with our ribbon
7 suppliers in the design of the ribbon that we purchase.
8 When participating in the arts and crafts and the fashion
9 forward ribbon markets, we and other U.S. companies need to
10 be able to actively be able to be involved with the design
11 of our ribbon, and work efficiently and effectively with our
12 suppliers in order to obtain the fresh and new ribbon
13 designs that our customers demand.

14 We cannot work with a supplier that basically
15 only applies samples in a catalogue, and requires that we
16 choose from the non-differentiated designs that they offer
17 in their catalogue. From my experience, suppliers in Taiwan
18 and China are far more willing and effective at partnering
19 with us on customized designs of the ribbons than a company
20 like Berwick is.

21 Because we compete with Berwick for the sales to
22 retail customers, my experience is that they do not want to
23 work with companies like mine, and allow us to design the
24 ribbon that we want to offer to our customers. We believe
25 Taiwan and Chinese manufacturers are willing to meet the

1 quality and service requirements that we have, because they
2 value me as a customer, and they know that that is what is
3 required to continually earn my business.

4 My company, for example, supplies ribbons for
5 the higher end retailers, the gift basket and the craft
6 industry. The ribbons, for example, might be part of a
7 wrapped package itself, or it might be put on a holiday
8 wreath or a household ornament. Berwick in contrast is not
9 willing to produce and sell me these custom-printed design
10 in the relatively small quantities that I require.

11 In my experience, Berwick has never tried to
12 sell to my company. I have never heard from a
13 representative of anyone attempting to solicit my business.
14 To me, the reason is quite obvious. It's because Berwick
15 simply would not even want to deal with me. They're not
16 interested in selling me the differentiated unique designs
17 that we offer to our customers, that would then compete with
18 their product offering.

19 Further, we sell to small resellers who need our
20 products so that they can differentiate themselves in the
21 marketplace. We sell on average less than \$500 per customer
22 to just about 6,000 craftmakers and small retail stores.
23 Our unique designs, available to our customers in small
24 quantities, as low as a single roll per design, provide our
25 customers with a more differentiated offering than the

1 ultimate consumer of their ribbons can get from the large
2 retailer outlets.

3 Our ribbon is always the accessory to the other
4 products our customers resell. So having a unique design
5 selection is essential for them to stand out from their
6 competition. To meet this market need, our value
7 proposition to our customers is our differentiated designs
8 offered in relatively very small quantities and delivered
9 within days of receiving the order.

10 Our selection of ribbon designs in this value
11 proposition could not happen with any domestic manufacturer.
12 In addition, imports from Taiwan and China and other sources
13 also play an important role in the U.S. market because
14 Berwick and U.S. production generally cannot come close to
15 satisfying the total U.S. ribbon demand.

16 Imports have always been a substantial part of
17 the U.S. market and always will be. They have to, given
18 that the U.S. production cannot meet the U.S. demand. This
19 explains why even Berwick Offray has ribbons produced in
20 Taiwan for their own distribution. Certain Taiwan and
21 Chinese manufacturers provide high quality product, and
22 allow companies like mine access to suppliers who are
23 willing to work with us on the design of the ribbons in a
24 flexible and efficient manner.

25 They also are extremely responsive to me and to

1 other U.S. purchasers, unlike our experience with any
2 U.S.-based manufacturer including Berwick, who view me as a
3 competitor and not as a potential customer. From my
4 experience, price is a factor in purchasing decisions, but
5 not the mos important factor.

6 Product quality, the range of products offered,
7 the availability of the products, the reliability of the
8 products, fast order turnaround time, design flexibility are
9 all key purchasing criterias. I cannot sell to my customers
10 on price alone. Because we sell to small resellers, we
11 frequently work with the business owner, by helping them
12 identify the right ribbon design to complement their other
13 product offering.

14 Our combination of unique designs, customer
15 service, low quantity requirements and available inventory
16 to ship product allows us to sell our ribbons at a higher
17 price point than many of our competitors, including Berwick.
18 Berwick tries to build its competitive advantage by
19 attacking its competing manufacturers, instead of making a
20 comparable and appropriate investment in modernizing their
21 logistics and manufacturing processes.

22 I would like to address the very recent and
23 important development of the U.S. ribbon market. As you now
24 know, one of the U.S. suppliers Lawrence Schiff went in to
25 file for bankruptcy this past April. The bankruptcy trustee

1 agreed that an auction would be held for the assets of that
2 company.

3 I followed the auction process closely and was
4 registered to participate in the auction. Just a few days
5 ago, the Petitioner here Berwick purchased the assets of
6 Lawrence Schiff out of bankruptcy. Public documents from
7 the bankruptcy proceeding indicate that Berwick purchased
8 certain assets of the company for \$1,125,000. The acquired
9 assets included the manufacturing equipment in the Newville,
10 Pennsylvania facility and the equipment at the Quakertown,
11 Pennsylvania dying facility, all the assets related to the
12 business concerning the sale of ribbons to Tiffany
13 jewelers, all the inventory, all the intellectual property
14 and finally selected screen presses and transfer printing
15 and related equipment.

16 In addition to the sizable volume sold to
17 Tiffany, Schiff had significant government and other buyers
18 who desired domestic supply. The purchase of the additional
19 U.S. weaving, dying, printing, blocking capacity
20 demonstrates to me that Berwick obviously felt that the
21 narrow woven ribbon business in the U.S. market was strong
22 and attractive enough to justify a substantial investment in
23 additional U.S. capacity to serve future market demand,
24 hardly an action of a vulnerable and threatened U.S.
25 producer.

1 Berwick will retain significant value from the
2 purchase of Schiff assets, and will get a great return on
3 their investment of the intellectual property, the customers
4 and the equipment. This will be a very good investment for
5 Berwick.

6 I would now like to turn my overall thought on
7 the reaction of the U.S. market to the imposition of the
8 dumping and subsidy order five years ago. In my experience,
9 imposition of those orders did not significantly impact the
10 U.S. market. My sales did go down as a result of a
11 declining demand resulting from the recession that began in
12 2008, that put many of my customers, who were small
13 resellers, out of business. They did not go down from the
14 imposition of the order.

15 As you know, other Taiwan and Chinese suppliers
16 who either had no dumping margins or very low dumping
17 margins were able to increase their sales to the U.S.
18 markets, and it seems to me that a significant volume of
19 imports from Taiwan and China therefore still enter the U.S.
20 market even after the order went into place.

21 Several importers of ribbons -- several other
22 importers of ribbon found alternative suppliers from
23 Taiwanese and Chinese manufacturer who were not affected by
24 the ADD order, or moved their source of supply to other
25 countries in Asia or elsewhere who were not affected by the

1 order.

2 Similarly, I understand that the question you're
3 now examining is what would happen if the dumping and
4 subsidy order against Taiwan and China was to be revoked.
5 It is my belief that the revocation of the order would not
6 in any way change the U.S. market. As I noted, there is
7 still considerable -- there is still a considerable volume
8 of imports that come from Taiwan, China and many other
9 international markets, and that would not change if the
10 order was revoked.

11 Also historically, Berwick itself imports from
12 Taiwan and China, and as we heard earlier today, that is
13 still the case and it is necessary for them to round out
14 their product line and offer additional types of ribbon to
15 their U.S. customers. Another reason that demonstrates that
16 the imposition of the dumping and subsidy order did not
17 change the U.S. market was that, for example, my company was
18 not able to raise our price after the order went into place.

19 Prices in the U.S. market did not in my
20 experience go up after the order went into effect. I see no
21 reason therefore why price levels would change if the order
22 were revoked. There are just too many options for sourcing
23 ribbon for this order to have any effect on any meaningful
24 metric.

25 I have many, many options for sourcing ribbon

1 from all corners of the world, including Europe and South
2 America, as well as Taiwan and China, from companies
3 affected and those not affected by the ADD order. I have no
4 U.S. option for sourcing ribbon from a company that wants my
5 business and does not view me as a competitor.

6 Interestingly, there seems to be now more
7 importers of narrow woven ribbon operating in the U.S. than
8 there were five years ago when this order was introduced.
9 There are various U.S. companies competing to obtain access
10 to foreign supply from Taiwan and China, as well as from
11 various third country suppliers.

12 I believe the increase of Internet marketing and
13 sales is contributing to an increase in the number of ribbon
14 resellers who import from Asia. In addition, several
15 non-domestic manufacturers now sell online directly to the
16 U.S. consumer. In general, I see more competition from
17 imported ribbon in the U.S. market than I did five years ago
18 when the order was first introduced.

19 Importers are sourcing ribbon from Taiwan and
20 China who have no or low ADD percentages, and from other
21 Asian manufacturers. This resulted in lower cost of supply,
22 not higher cost of importers for many importers. This is
23 why so few of the other distributors and importers are part
24 of this hearing today.

25 There was no negative effect when availability

1 or cost of product resulting from the ADD order. Where are
2 these U.S. companies that were sitting here five years ago
3 objecting to this order? Where is Michaels? Where is
4 COSTCO today? Where is Target today? Where is Joanne's
5 today? They were all here five years ago objecting to this
6 order.

7 Where are the other six importer-wholesalers who
8 stood with me and objected to this unfair action by Berwick?
9 None are here today. This is because they felt no negative
10 effect from this order. Instead, they just found
11 alternative international supplies of ribbon.

12 This concludes my remarks. I thank you very
13 much for the opportunity to make this statement today, and
14 I'd be pleased to answer any questions you might have.

15 Thank you.

16 MR. GRIFFITH: Mr. Chairman that concludes our
17 remarks from this panel. We would be pleased to answer any
18 questions you or the Commissioners may have. Thank you.

19 CHAIRMAN WILLIAMSON: Okay. Thank you. Thanks
20 to all the witnesses for coming this afternoon, and we will
21 begin our questions with Commissioner Pinkert.

22 COMMISSIONER PINKERT: Thank you. And I join the
23 Chairman in thanking all of you for being here and being
24 willing to answer our questions.

25 You all heard the public testimony of the earlier

1 panel, and there was some back-and-forth about whether or
2 not purchasers had refused to meet with Berwick to discuss
3 buying narrow woven ribbons.

4 So now I'm hearing from this panel that Berwick
5 doesn't want to deal with certain purchasers. I'm trying to
6 understand, is this a difference of interpretation of facts?
7 Or are there serious differences of fact here? And how can
8 we Commissioners resolve any differences of fact, if there
9 are any?

10 MS. FREEBORN: I'll start with that. My name is
11 Melissa Freeborn from Hobby Lobby. I am the merchandising
12 manager of a large department. I work with hundreds of U.S.
13 suppliers and manufacturers. And I know and have talked
14 with the presidents of their companies, with their VP of
15 sales, and I have never met these people here before. Not
16 one of them has called me. Not one of them has emailed me.

17 So if they are trying to contact Hobby Lobby and
18 the main ribbon department at Hobby Lobby, they're not
19 contacting me. Whether they are trying to sell me or not,
20 or that they think we don't want to buy, they have not
21 presented any kind of a program to Hobby Lobby since the
22 five years that this Order has been in effect. Thank you.

23 MR. DUFFEY: I would just say, just speaking--I'm
24 sorry, Joe Duffey, May Arts Ribbons. I can only speak from
25 my own experience. I have never heard from, and I do know

1 that no one else in my company ever heard from anybody from
2 Berwick Offray trying to sell us ribbon.

3 I also would find it difficult--we're a
4 wholesaler of ribbon, and I think if they're selling at
5 every level, as they testified this morning, that they are
6 selling directly to the consumer on the Internet and I'm
7 going to try to take that product to my customer and get
8 them to try to buy it from me so that they can sell it to
9 the consumer when my manufacturer is selling directly to the
10 consumer market, I don't think they're interested in my
11 business.

12 As I said, I sell to about 6,000. That's a lot
13 of customers, less than \$500 each per customer. It's a lot
14 of work. Our average order is \$140. It's a lot of work per
15 order. We manage a lot of transactions day in and day out
16 to be a small business, and when we offer our customer in a
17 differentiated service offering the last thing they want is
18 to see the ribbons I'm trying to sell them being sold by my
19 manufacturer.

20 So I have never heard from anybody from Berwick,
21 but I think the reason I've never heard from anybody from
22 Berwick is it's quite a--they have no interest in my
23 business.

24 COMMISSIONER PINKERT: Let me just follow up with
25 you, Mr. Duffey. Now you say that they have no interest in

1 your business. Would you have any interest in working with
2 them?

3 MR. DUFFEY: I would have no problem working with
4 them if I could get the quality of product, the designs that
5 I wanted in the quantities that I wanted, in the time frame
6 that I wanted, and not that they would then become commodity
7 products that would be offered to everybody else selling
8 product.

9 I'm trying to sell product to the small, unique,
10 small craft and gift store and florist shop that's trying to
11 differentiate themselves in the marketplace. Most of my
12 customers are Berwick customers. Most of my customers buy
13 way more ribbon from Berwick than they buy from me. They're
14 using me as a differentiated--rounding off their product
15 offering. They're buying their single-face satin from
16 Berwick.

17 If I go into most of my customers, the majority
18 of the ribbon in their store is not my ribbon, it's
19 Berwick's ribbon. We are rounding off the selection of
20 ribbon that matches some unique product in their store that
21 they need something differentiated from to meet that demand.
22 Does that answer your question, sir?

23 COMMISSIONER PINKERT: Yes. Anybody else on the
24 panel wish to address this?

25 (No response.)

1 COMMISSIONER PINKERT: Okay. Thank you. Now
2 given Lauren Schiff's bankruptcy and departure from the
3 domestic industry, did the industry data in the Staff Report
4 reflect a survivor bias that makes the industry's
5 performance look more healthy than it actually is?

6 MR. GRIFFITH: Spencer Griffith from Akin Gump.
7 I'll start on that, Commissioner Pinkert.

8 Lauren Schiff did not file a response, given the
9 bankruptcy, and so I think the Commission and staff will
10 have to draw their own conclusions. I haven't seen Schiff's
11 financial data, obviously, so I don't know which way that
12 would cut in terms of the impact on the overall financial
13 performance of the industry.

14 Either now or in response to another question
15 about Schiff, I believe that Mr. Duffey, who knows the
16 background about Schiff, does have some further comments on
17 the Schiff bankruptcy. But if the Commissioners would
18 prefer, he could address that now, or later. I defer to
19 you.

20 COMMISSIONER PINKERT: Go ahead.

21 MR. DUFFEY: So you just want my general--can you
22 repeat your question? Sorry. I want to make sure I answer
23 your question. I can tell you a great amount of
24 information.

25 COMMISSIONER PINKERT: I was looking specifically

1 at the data in the Staff Report and whether or not it
2 reflects a survivor bias because of the departure from the
3 industry of Lauren Schiff. But if you have some other
4 comments you wish to make about Lauren Schiff.

5 MR. DUFFEY: Yeah. So there was a comment made
6 this morning that Berwick was the only buyer--only person
7 bidding on the assets of Schiff. Berwick is the only U.S.
8 manufacturer. The acquirer of Schiff's assets had to move
9 those equipment to another U.S. manufacturing facility.

10 So if you're the only U.S. manufacturer, you
11 could have acquired the assets and kept the company up and
12 going, but the cost to do that, because of its inefficient
13 multiple locations, four buildings, the fact that they have
14 a--in Newville, Pennsylvania, their weaving operation, and
15 in Quakertown, Pennsylvania, 2-1/2 hours away, their dying
16 operation, you would have to resurrect a business that had
17 been neglected for four years by Revolution Capital.

18 Schiff did not fail under the leadership of a
19 ribbon management team. Schiff was a very successful
20 company for 95 years, and for 4 years it was owned by a
21 private equity group that decimated the company. Within 60
22 days of acquiring the company, they terminated the CFO and
23 Chief Manager.

24 They stopped going to all the trade shows that
25 Berwick and myself go to, to exhibit our products. Schiff

1 disappeared four years ago from those shows, and it fired
2 all of its sales people 60 days after it bought the company.

3 Okay? It closed its New York sales office.
4 Revolution Capital's reputation is exactly that, to go into
5 companies and extract whatever value they can get out of a
6 company by liquidating and bleeding down the company. They
7 extracted more than they paid for the company over the four
8 years that they owned it, and at the end of the four-year
9 period they still owed the seller a note. The seller didn't
10 collect on the note, and he pushed them into bankruptcy.

11 So this was a very, very good operating company
12 with just under \$15 million in sales four-and-a-half years
13 ago, and in its final years of operation did just less than
14 half of that. And it was because of a lack of leadership
15 and lack of management.

16 I do believe what was said this morning, that
17 this business is part art and part science. This is a
18 business that really requires people who understand the
19 business to be successful at the business.

20 COMMISSIONER PINKERT: Thank you. Now turning to
21 direct imports, is there an increased vulnerability for the
22 domestic industry because of increasing prevalence of direct
23 imports, as opposed to imports going through sales in this
24 country?

25 MR. GRIFFITH: Commissioner Pinkert, by "direct

1 imports" do you mean for example imports by, for example,
2 the large retailers directly as opposed to purchases of
3 imports that Berwick imported and then Berwick sold?

4 COMMISSIONER PINKERT: Correct.

5 MR. GRIFFITH: Perhaps Melissa could address that.

6 MS. FREEBORN: I would say, no, there's not an
7 increase vulnerability of the U.S. market because of the
8 direct imports on our part. They themselves had been
9 importing for many years the same product types that we had.
10 They had the same opportunities to import.

11 I just do not see a vulnerability on our part
12 that I could say is out there for the U.S. market.

13 COMMISSIONER PINKERT: Let me clarify just
14 briefly. What I'm suggesting is that perhaps the domestic
15 industry, Berwick, is experiencing greater vulnerability
16 because of increased direct imports, and I just wanted to
17 get your response to that, or anybody else on the panel.

18 MR. DUFFEY: I guess this term "vulnerability," if
19 I understand, does it mean we're being threatened by our
20 competition? I don't know who is not vulnerable in that
21 sense. If you're the only U.S. manufacturer left, I guess
22 you're going to be vulnerable because you can't put anybody
23 else out of business anymore.

24 None of us--all of us compete in the marketplace
25 for business and work very hard to get business. So I think

1 that there is a--you know, the idea that we're vulnerable to
2 competition is a given, I think. But I don't think that
3 there is a unique vulnerability that Berwick has that any of
4 us don't have in competing for customers and competing for
5 business.

6 COMMISSIONER PINKERT: Thank you.

7 MR. GRIFFITH: Spencer Griffith, if I could just
8 add one last comment. Your question, Commissioner, does
9 highlight one of the unusual aspects of this case. We have
10 here a petitioner who itself has been importing subject
11 merchandise for years, both before and after these Orders
12 were introduced.

13 I think what the importer has done is tried to
14 turn this around, the argument, on its head and they're now
15 saying, well, now that we've lost control of some of these
16 imports that we rather unusually have ourselves controlled
17 for many years, and some of our customers are now importing
18 directly, it somehow makes us vulnerable.

19 I think we could turn that question back at them
20 and say, but wait a minute. You've been controlling imports
21 yourself for years, which is a very unusual feature of
22 industries that come before this Commission, where the
23 petitioners themselves are bringing in subject merchandise
24 in not-insignificant quantities.

25 COMMISSIONER PINKERT: Thank you.

1 CHAIRMAN WILLIAMSON: Thank you. Commissioner
2 Johanson.

3 COMMISSIONER JOHANSON: Thank you, Chairman
4 Williamson. How do you all respond to Berwick Offray's
5 contention that the United States maintains prices that are
6 significantly and consistently higher than world prices?
7 And this can be found at page 67 to 68 of their prehearing
8 brief.

9 And if accurate, doesn't this make the U.S.
10 market particularly attractive for reasons going beyond the
11 size of the U.S. market?

12 MS. LO: Kelly Lo from Rongshu. My answer would
13 be higher cost of production for Berwick.

14 MR. GRIFFITH: Spencer Griffith. If I could add.
15 Kelly Lo's statement indicated, as well, that it's been
16 Rongshu's experience that given the higher quality features
17 of the NWR sold in the U.S. market, that Rongshu's costs to
18 produce are higher in the U.S. market. So as her testimony
19 indicated in her statement, yes, U.S. prices are often
20 higher than prices in other markets, but that should be put
21 in context of certainly for Rongshu was Kelly Lo's testimony
22 that this higher production cost to sell into the U.S.
23 market. So if the issue is then margins relative to U.S.
24 sales versus sales in other markets, it may not be as clear
25 that margins are higher in the U.S. necessarily, going along

1 with higher U.S. prices, given higher production costs in
2 the U.S. market--to sell to the U.S. market.

3 COMMISSIONER JOHANSON: Right. But the product is
4 being produced in China and Taiwan--

5 MR. GRIFFITH: Yes.

6 COMMISSIONER JOHANSON: --which I assume are
7 lower-priced markets in which to produce?

8 MR. GRIFFITH: I believe her testimony was that
9 Rongshu's sales into the U.S. market, Rongshu's costs to
10 produce the ribbon sold into the U.S. market, is higher than
11 Rongshu's costs to produce ribbon that is sold to other
12 markets. All of that production takes place in China.

13 COMMISSIONER JOHANSON: Okay. Due to the quality
14 expected in the U.S. market? Is that the issue?

15 MR. GRIFFITH: Yes, that was her testimony.

16 COMMISSIONER JOHANSON: Okay. I understand, then.
17 Yes, go ahead.

18 MR. GRIFFITH: Could Joe Duffey answer?

19 COMMISSIONER JOHANSON: Certainly.

20 MR. DUFFEY: If I could just clarify, when you're
21 talking about the definition of quality of ribbon, it's a--
22 it's not--there's a whole--it's the finished goods that gets
23 delivered to my customer that defines the quality of the
24 product.

25 So I would say that you can get quality ribbon,

1 meaning quality narrow woven fabric, from a lot of sources.
2 Can you get it wound properly? Can you get it in the exact
3 color that you want? Can you get the print to be
4 consistent? Can you get it without breakage throughout the
5 spool so that when the customer is taking their five yards
6 off the ribbon they don't get two-and-a-half feet in and
7 find out there's a snip, which is very common in the ribbon
8 industry that the ribbon is blocked and spooled properly.

9 So getting--so what my customers demand in the
10 definition of quality, and what I ask my manufacturers to
11 deliver, isn't necessarily a higher quality woven fabric as
12 much as it's the finished product that has to be to exact
13 specifications in how it's wound and how it's packaged and
14 how it's labeled. Does that make any sense?

15 COMMISSIONER JOHANSON: Yes, I think it does.
16 Thank you. I appreciate your responses.

17 MR. DUFFEY: Adding those things is what adds
18 the cost for my product--for them to deliver product to me.

19 COMMISSIONER JOHANSON: Okay. Thanks.

20 How do you all respond to Berwick's attributing
21 much of the domestic industry's improvement during the early
22 parts of the Period of Review to the issuance of the ADCBD
23 orders?

24 MR. GRIFFITH: Why don't I start out with that.
25 Spencer Griffith. Unfortunately most of the information to

1 respond to that question would be confidential. So we have
2 addressed that in our prehearing brief, and we will address
3 that further in our posthearing brief. But I'm somewhat
4 tied to what I can address in this setting.

5 I don't know--Melissa?

6 MS. FREEBORN: Melissa Freeborn, Hobby Lobby. I
7 can only speak on behalf of what I know our company has done
8 since the Orders went into effect, but nothing has changed
9 on our direction. We still use the same suppliers. We
10 still import the same amount.

11 We have more stores. We have slightly maybe more
12 quantity because of that, but I would say that it's pretty
13 much the same. Nothing did change for us. So I don't know
14 how our business would be affecting their business.

15 COMMISSIONER JOHANSON: Okay. Following up on
16 that question, and I don't know if you all have the material
17 with which to answer this, but what factors do you believe
18 contributed to declines in the domestic industry in this
19 performance during the years 2013 to 2015?

20 MR. DUFFEY: I know--I think there's a couple of
21 factors that I have personal experience with. As they
22 mentioned this morning, there is a decline in crafting, use
23 of ribbon in crafting. And that's a cyclical trend. You
24 hope it comes back.

25 There's certainly the effects from the Recession

1 that have not worn off. Small business has not recovered.
2 Small businesses that went out of business in 2008, '09, and
3 '10 are not back at the same numbers that they were then.

4 So I think that they are the main factors that we
5 have experienced. I also think that there is a bleeding off
6 of inventory, which was mentioned this morning, that I
7 believe as well is a factor.

8 COMMISSIONER JOHANSON: Alright, thank you, Mr.
9 Duffey. And how should the Commission look at the
10 underselling data, given the fact that more than 97 percent
11 of the time there are woven ribbons from China and Taiwan
12 undersold the domestic product with averages of more than 40
13 percent, despite the ACBD Orders being in effect?

14 MR. GRIFFITH: Spencer Griffith. Yeah, the
15 discussion of underselling that your colleague raised this
16 morning in response to Berwick's comments on underselling,
17 what I heard this morning from Berwick's panel was that the
18 underselling data that the Commission has in front of it may
19 not be reliable, given the broad range of products that are
20 included even within the six specific pricing products that
21 the Commission examined.

22 Therefore, if in fact those pricing products are
23 producing, I'll use the word "skewed results," or results
24 that are being driven by the basket nature of even the
25 pricing products, then that means that the underselling data

1 cannot be relied upon. And if in fact the underselling data
2 cannot be relied upon, which was in essence the response of
3 Berwick's panel this morning, then that means that Berwick's
4 allegation that the subject imports are vastly underselling
5 the domestic production, it won't be valid because the
6 underlying pricing data is not specific enough to draw that
7 conclusion.

8 So we would submit that the Commission and staff
9 should look extremely carefully at drawing any conclusions
10 from that alleged underpricing/underselling data.

11 COMMISSIONER JOHANSON: Alright, thank you, Mr.
12 Griffith, for your response.

13 Do you all agree with Berwick that the level of
14 substitutability between domestically produced narrow woven
15 ribbons and their woven ribbons from subject sources has
16 changed since the original investigation?

17 MS. FREEBORN: I would say no, I don't think that
18 it has changed.

19 COMMISSIONER JOHANSON: You don't think that the
20 quality has improved during that time?

21 MS. FREEBORN: No.

22 MR. DUFFEY: No, I haven't noticed any quality--I
23 thought the quality was good then, and it's good now.

24 COMMISSIONER JOHANSON: Then what about the claim
25 that the degree of substitutability has increased from

1 moderate to high, which is something we just found in the
2 Staff Report?

3 MS. FREEBORN: I--I don't know why that would be.
4 On our behalf, I would say that it hasn't changed. So I'm
5 not understanding what people are responding--why they're
6 responding that it has changed.

7 COMMISSIONER JOHANSON: Okay.

8 MR. DUFFEY: Yeah, I don't have any information
9 that would support that.

10 COMMISSIONER JOHANSON: Okay. Do you all have an
11 opinion as to why we haven't seen new sources of U.S.
12 supply--of supply in the United States during the Period of
13 Review?

14 MR. GRIFFITH: I'm sorry? Is the question why we
15 have not seen--

16 COMMISSIONER JOHANSON: Why there has not been new
17 U.S. sources of supply during the Period of--

18 MR. GRIFFITH: Oh, new U.S. production?

19 COMMISSIONER JOHANSON: Yes.

20 MR. GRIFFITH: Joe, or Melissa?

21 MS. FREEBORN: Melissa Freeborn, Holly Lobby.
22 Like you saw in their presentation, manufacturing textiles
23 is a very difficult industry, whether it be ribbon or fabric
24 or yarns, or whatever it be. It's not something somebody is
25 just going to jump in, if they haven't already been in the

1 business. It's a very unique and skilled industry.

2 So I think that's probably why you don't see
3 other U.S. manufacturers entering the market. There's just
4 such a skill involved in that that you're not going to find
5 that.

6 MR. GRIFFITH: If I could add as well, Spencer
7 Griffith, I would also note as has been discussed at some
8 length, there has been a substantial increase in non-subject
9 imports and whether or not a new U.S. potential producer is
10 looking at the role of import competition it's been one of
11 the unspoken elephants in this room today, the substantial
12 increase in non-subject imports and indeed the significant
13 presence of subject imports continuing in this market and
14 the fact that a potential U.S. Producer may be afraid of
15 competing with non-subject imports which by the way are
16 lower-priced than subject imports according to the public
17 version of the Staff Report. It may certainly a factor in a
18 potential U.S. entrant's mind.

19 COMMISSIONER JOHANSON: Alright. Thank you for
20 your responses. My time has expired.

21 CHAIRMAN WILLIAMSON: Thank you. Commissioner
22 Kieff.

23 COMMISSIONER KIEFF: Yes, thank you very much. I
24 join my colleagues in thanking you for presenting and for
25 the witnesses traveling to be here. Just as a follow up to

1 the questions I was exploring with your counterparts on the
2 prior panel, is it your position that much of what they say
3 could be factually true but you could still legally win?

4 MR. GRIFFITH: Yes, absolutely. We believe that
5 for the reasons we set out in our brief is the three key
6 questions in front of you is will volume increase if this
7 order is revoked? Look at the role of non-subject imports.
8 Look at the presence of subject imports in the U.S. Market.
9 Look at the existence of other markets that these sellers
10 have access too.

11 Next, what is the likely effect on price? Look
12 at the reliability or usefulness of the underselling data
13 that we just discussed. Look at the relative levels of
14 prices non-subject imports versus subject imports that we've
15 discussed already.

16 Finally, vulnerability. It is our position that
17 this industry is not vulnerable. It's investment in Schiff,
18 it's investment in other non-Subject ribbon manufacturers
19 all evidence this as a healthy industry that is primed to
20 compete. So they may be looking at different data points
21 than we are but we think that if their data points are
22 correct we should still win.

23 COMMISSIONER KIEFF: And is another way of saying
24 that they might be better off if there is an order and in
25 that sense hurt by the absence of the order but not enough

1 or in the way that the statute contemplates for us to
2 maintain the order?

3 MR. GRIFFITH: Yes, we certainly think that that
4 is a realistic possibility here. I do want to clarify it is
5 our position that we do not believe they were improved by
6 the existence of the order. All the testimony set forth
7 here today and for the reasons set out in our brief was that
8 we do not believe that the order did anything to improve
9 their position nor did it make meaningful changes in the
10 U.S. Market.

11 Therefore relative to the key question if these
12 same orders are revoked, then by that same analysis, no.
13 Nothing will change.

14 COMMISSIONER KIEFF: And again, just to draw fine
15 distinctions here, your case doesn't rest on the strength or
16 your all and nothing statements. If they're questions of
17 degree you might still win?

18 MR. GRIFFITH: Yes, that's certainly our
19 position.

20 COMMISSIONER KIEFF: So then I guess for the
21 frame of mind that found this case to be a threat in the
22 first instance what in a nutshell would put that frame of
23 mind in a more comfortable position with the decision to
24 remove the order today?

25 MR. GRIFFITH: There's a lot in that question and

1 I'd like to reserve our remarks for post-hearing brief. I
2 would note one distinction. I was looking at the threat
3 determination during the break. The Commission and the
4 threat determination noted that competition from non-subject
5 imports five years ago was small for an extensive discussion
6 today that was no longer the case by any stretch and that is
7 certainly one distinction change from what we saw 5 years
8 ago to what we're seeing now. I'd like to reserve further
9 comments for the brief.

10 COMMISSIONER KIEFF: Well, makes perfect sense.
11 I have no further questions so thank you very much.

12 CHAIRMAN WILLIAMSON: Thank you. Commissioner
13 Schmidtlein?

14 COMMISSIONER SCHMIDTLEIN: Thank you. Good
15 afternoon. I'd also like to thank the witnesses for being
16 here, particularly the ones who've traveled so far. I do
17 appreciate it. Let me start, I just want to make sure I
18 understand some of your testimony Ms. Freeborn and Mr.
19 Duffy. I think you started out talking about that in your
20 view, it's been your experience that U.S. Producers aren't
21 as willing to work with purchasers on design, flexibility,
22 delivery, timing, inventory control, these are some of the
23 things I jotted down. Did I get that right?

24 MS. FREEBORN: Yes, you did.

25 COMMISSIONER SCHMIDTLEIN: And I think in general

1 Mr. Duffy you said --

2 MR. DUFFY: That's correct.

3 COMMISSIONER SCHMIDTLEIN: something along the
4 same lines. But then I also heard you both say later on in
5 your testimony that no one from Berwick Offray had ever
6 contacted you and you'd never had any email or any sort of
7 experience with them specifically, is that right?

8 MR. DUFFY: No one from Berwick Offray ever
9 attempted to reach us, correct.

10 MS. FREEBORN: Melissa Freeborn, Hobby Lobby.
11 Probably 8 to 9 years ago we did some business with Berwick
12 but years before the hearing 5 years ago we had ceased
13 purchasing from them, primarily because of design. They
14 just were very basic. Polka dots, stripes, simple things
15 and we have an in-house art department which purchases our
16 and creates it and we were using that. That was one of our
17 focuses and direction that we chose to go in at the time.
18 Since then, I have not been in contact with anybody.

19 COMMISSIONER SCHMIDTLEIN: Well then, I mean you
20 heard their testimony this morning I assume that they do
21 work with their customers in this regard, they develop
22 designs. They have a creative director that does do that
23 and so I guess my question for both of you is what is your
24 response to that? How do you counter that? I mean I
25 understand you haven't had any --.

1 (Inaudible aside from Panel)

2 I guess my question is if you testified it wasn't
3 your experience that they're willing to do that but really
4 how would you know that if you haven't --

5 MS. FREEBORN: Right.

6 COMMISSIONER SCHMIDTLEIN: Talked to them in the
7 last eight years?

8 MS. FREEBORN: Right. And I would think that if
9 they want our business and they've fought so hard these last
10 5 years ago to get the business back to the U.S. that they
11 would be knocking at my door every week, every month;
12 emailing, calling saying "we want to present you, we can do
13 whatever you want". We have not seen that so that is what's
14 shocking to me is that they've fought for this duty to be in
15 order to be put in place and then we've seen nothing from
16 them.

17 COMMISSIONER SCHMIDTLEIN: Mr. Duffey, do you
18 want to respond?

19 MR. DUFFEY: No, just that I had, it's a number
20 of years ago, again 6 or 8 years ago, probably before the
21 order where I did reach out to Berwick, I live in
22 Philadelphia, they're headquarters -- their parent
23 headquarters is in Philadelphia, and I did reach out. There
24 was a general if you want, send us a purchase order
25 whatever you want, which wasn't the way we were doing

1 business so it lost its favor. I did reach out to Schiff to
2 try to buy ribbon and they said "why would we want to sell
3 to you? You're competing with us."

4 So there's a small ribbon company up in
5 Pennsylvania called American Ribbon. They have a small
6 number of manufacturing facilities. Wouldn't even take an
7 appointment with me. There is no U.S. domestic
8 manufacturing who would make ribbon for me and not be a
9 competitor with me.

10 COMMISSIONER SCHMIDTLEIN: Because you're a
11 competitor?

12 MR. DUFFEY: Yes.

13 COMMISSIONER SCHMIDTLEIN: I see.

14 MR. DUFFEY: That's my opinion, yes.

15 COMMISSIONER SCHMIDTLEIN: Okay, alright. I just
16 wanted to clarify that. I assume that each of you and Ms.
17 Lo you can also respond to this as well that in terms of
18 these other non-price factors, quality, reliability,
19 inventory control that the Taiwanese and Chinese companies
20 are able to compete with U.S. Producers on that basis.

21 MS. FREEBORN: Melissa Freeborn. Turnaround time
22 with the Taiwanese in our experience, they're very quick.
23 If we need something they ship it immediately. I mean, they
24 can turn things over in a matter of weeks. They are very
25 flexible to do anything we ask. We never have any issues.

1 We ask then, whatever, they'll do it.

2 COMMISSIONER SCHMIDTLEIN: And is the quality
3 comparable?

4 MS. FREEBORN: Quality is extremely good,
5 especially in Taiwan. We've had no issues ever with
6 quality. It's very comparable.

7 COMMISSIONER SCHMIDTLEIN: Mr. Duffy? Excuse me.

8 MR. DUFFEY: I only buy narrow woven ribbon from
9 Taiwan. I do buy some other cut fabric from China but I
10 don't buy ribbon from China. All of my ribbon is purchased
11 from Taiwan from just a few limited number of manufacturers
12 and that's my experience as well, very high quality, very
13 responsive, very short turnaround time.

14 COMMISSIONER SCHMIDTLEIN: Ms. Lo, how would you
15 respond to that? Do you feel that your quality is the same
16 as U.S. Producers?

17 MS. LO: Yes.

18 COMMISSIONER SCHMIDTLEIN: And in terms of the
19 other factors? Do you all, are you able to compete on lead
20 time and reliability and -- ?

21 MS. LO: Yes, we have the ability to compete with
22 Berwick for our U.S. Producers in terms of quality products,
23 the lead time and designs. Yes.

24 COMMISSIONER SCHMIDTLEIN: Okay, so if the
25 Chinese and Taiwanese producers are competing on these

1 non-price factors at the same level or perhaps even more in
2 some cases I would assume as Freeman might say, but why do
3 we see so much underselling? Mr. Griffith, I don't know if
4 you're the best person to answer that. I heard your
5 response a few minutes ago where you challenged the
6 reliability of that due to the basket category but is that
7 your position that the Commission's pricing data is totally
8 unreliable, because those product definitions are so broad
9 that they include products that would be priced quite
10 differently?

11 MR. GRIFFITH: Madame Commissioner, the Berwick's
12 Panel response this morning has really raised that issue.
13 It was they who were challenging the validity of the price -
14 -

15 COMMISSIONER SCHMIDTLEIN: Well, let me put that
16 aside because I'm not sure I buy that, right, I mean the
17 pricing product descriptions were pretty narrow and so I
18 haven't heard, especially, I mean we can go through each of
19 them but the pricing product 1; it looks like the
20 differentiation between products that fall into that pricing
21 product would be based on color, right? So if it's not your
22 position, is it the Respondent's position that we shouldn't
23 rely on the pricing data?

24 MR. GRIFFITH: I would like to talk to the client
25 further before I state a different imposition on that. I

1 haven't discussed this specific issue with the client and so
2 I need more knowledge on those specific pricing categories.
3 I would also note though on the underselling allocations,
4 those are not insignificant underselling margins but what's
5 interesting here is the dumping margins in this case have
6 been relatively small, particularly from Taiwan.

7 COMMISSIONER SCHMIDTLEIN: But the quality, if
8 they're competing on a level basis essentially, at the same
9 level in terms of quality and reliability and lead time,
10 which you know, you might think might be a factor which they
11 couldn't compete on given the geography. If you're able to
12 compete on all of those, why would we see any underselling,
13 right? Quality is the same, why would you see, I mean on
14 the average number that's been quoted here is over 40
15 percent, 40 percent price differential for the same
16 three-quarter eighths?

17 MR. DUFFEY: I think, first of all I don't have
18 access to any of this data but I would think that all of the
19 manufacturers that we buy from have to compete with each
20 other. Berwick's not their only competition. So I think
21 any competitive price pressure is the pressure they're
22 getting from other manufacturers around the world whether
23 it's in Taiwan, Cambodia, Vietnam, Mexico, Columbia, South
24 America or Germany. I think that the manufacturers have to
25 be competitive internationally. They don't have to be

1 competitive just to get to one U.S. Manufacturer.

2 COMMISSIONER SCHMIDTLEIN: Do you think it's
3 non-Subject that's driving down the price?

4 MR. DUFFEY: I don't see a price differentiation
5 between one and the other to be honest with you.

6 MR. GRIFFITH: If I could add, Spencer Griffith.
7 Following up on the question of the role of non-subject
8 prices, the public version of the Staff Report at page I-V
9 states the unit value for non-subject imports and unit
10 values from several sources, there are significant
11 differences between, for example in 2015 subject imports
12 unit value was \$4.94. For 2015 unit values for non-Subject
13 sources \$3.04. So there appears to be significantly
14 lower-priced product coming in from non-subject sources.
15 That's in the public version of the staff report.

16 COMMISSIONER SCHMIDTLEIN: Yes, I see that. Are
17 you all suggesting, do non-subject compete on price but
18 subject doesn't? Is non-subject a price-sensitive product
19 or are they not able to compete on the basis of quality?

20 MR. GRIFFITH: I think we heard testimony earlier
21 from the Berwick Panel this morning that some of the quality
22 for third country sources for example India was not as good
23 as the product quality coming from say Taiwan. That was
24 Berwick's testimony this morning.

25 MS. FREEBORN: We purchase from Mexico as well

1 and I would say they're more, they're higher than Taiwan
2 slightly but some products --

3 COMMISSIONER SCHMIDTLEIN: On price you mean?

4 MS. FREEBORN: Yes. On some products they're
5 comparable in price. In recent years they've become more
6 equal as the Asian Markets' labor costs and whatnot have
7 gone up.

8 COMMISSIONER SCHMIDTLEIN: you mentioned in your
9 testimony that you had a lot of other options?

10 MS. FREEBORN: Yes.

11 COMMISSIONER SCHMIDTLEIN: What where you talking
12 about there? What were you referring to?

13 MS. FREEBORN: We have many factories in other
14 countries that have approached us whether it be Thailand or
15 India and some European countries as well out of Turkey and
16 whatnot that have provided samplings of ribbons but as
17 Berwick did say a lot of those qualities are not as good.

18 COMMISSIONER SCHMIDTLEIN: So Hobby Lobby doesn't
19 buy from those particular?

20 MS. FREEBORN: We buy some from Thailand but
21 very, very minor. The majority of it is from Taiwan and
22 Mexico.

23 COMMISSIONER SCHMIDTLEIN: So those are really
24 your sources, Taiwan and Mexico.

25 MS. FREEBORN: Which is the way it was before the

1 orders were in place, nothing has changed.

2 COMMISSIONER SCHMIDTLEIN: So when you said you
3 had lots of other options --

4 MS. FREEBORN: There are multiple suppliers that
5 we could go to in those countries but we have remained with
6 the factories that we were working with prior to the orders
7 because truthfully there was no effect on them. They
8 weren't dumping it enough to where the duties that they were
9 given if any affected our pricing or our decision to change
10 our purchasing ways. So they are good vendors, they are
11 good suppliers to us, we're loyal to them and they've done
12 great things for us so there was no reason for us to choose
13 to move our production somewhere else.

14 COMMISSIONER SCHMIDTLEIN: Okay, I see my time is
15 up. Thank you all for those answers.

16 CHAIRMAN WILLIAMSON: Thank you. Continuing
17 along the lines of Commissioner Schmidtlein and this will
18 probably have to be post-hearing, when we take a look at the
19 unit values and want, if you say we can't really rely on the
20 pricing data, what do we make of the unit values of both
21 subject and non-subject imports and what conclusion should
22 we draw from that? The unit value is inconsistent with the
23 pricing data, a lot of times we don't use unit values
24 because there is always depression of product mix that
25 causes problems. But I guess the question is if we don't

1 rely on the pricing data and yet there's inconsistency
2 between the two. If you want to do it post-hearing you can
3 but I --

4 MR. GRIFFITH: I think we should address that in
5 the post-hearing brief more fully. This product, when
6 looking at average unit values from all sources, yes, this
7 product, there's been testimony. It's undisputed there's a
8 wide range of products that's noted within ribbons and
9 that's clearly the case. You would think though that
10 averaging out over that entire range unless there were
11 substantial differences in product mix from country A versus
12 country B versus country C that the average unit values for
13 non-subject versus subject would be relatively close but
14 it's speculation on our part. We just don't know. We will
15 address that further in the post-hearing.

16 CHAIRMAN WILLIAMSON: Okay, I invite the
17 petitioners to do the same. I know Ms. Freeborn you talked
18 about "well, nothing's changed". I started to almost fill
19 out the question form, well why don't we just keep our
20 orders in place since nothing seems to change, doesn't
21 affect anybody? But more seriously, getting to the question
22 of, but it does raise the question are these, Costco and all
23 these other folks that you say are not here --

24 MS. FREEBORN: Right.

25 CHAIRMAN WILLIAMSON: Are they the ones buying?

1 MS. FREEBORN: I don't have knowledge.

2 CHAIRMAN WILLIAMSON: I will ask the Petitioners
3 also if they want to respond to that post-hearing.

4 MS. FREEBORN: Melissa Freeborn. I don't have
5 knowledge of who they're purchasing from but just from past
6 experience and from what I can see from their stores and
7 when I'm at factories visiting, you see things. I don't
8 think much has changed with the majority of them. They
9 still are purchasing from a lot of the same people. We all
10 work with the same factories and we all know that. So I
11 don't think a lot has changed on the other big retailers
12 that are not here on how they are purchasing.

13 CHAIRMAN WILLIAMSON: Could they be purchasing a
14 lot of the non-subjects?

15 MS. FREEBORN: Possibly. Like I said, I'm not
16 sure who they are purchasing from but maybe.

17 CHAIRMAN WILLIAMSON: I will have the Petitioners
18 to also respond to that question post-hearing if they have
19 any information on that. You and Mr. Duffey I think
20 disagree on one thing. He's talked about how the hobby
21 market is, and the Petitioners this morning said that it's I
22 guess not has grown as much or has gone down some relative
23 to some other segments of the industry?

24 MR. DUFFEY: Yes.

25 CHAIRMAN WILLIAMSON: But that's the segment that

1 Hobby Lobby is in, isn't it? It seemed like you all were
2 saying different things about what's happening in that
3 sector. Maybe a regional thing. I don't know.

4 MR. DUFFEY: The craft industry is a broad
5 definition of craft, right. So ribbon is a subcomponent of
6 that. The craft industry has cycled through a period of
7 time where scrapbooking only a few years ago was a very,
8 very popular thing. There was a period of time where
9 quilting was a very, very popular think that used ribbon.
10 There is all, there is cycles of a couple years where a
11 certain type of crafting is the hobby. Hobby lobby sells to
12 all of those crafting, whatever you want to do in crafting
13 you can do in Hobby Lobby.

14 CHAIRMAN WILLIAMSON: Okay, so one thing might be
15 out of fashion, then something else will come in.

16 MR. DUFFEY: Then something else is.

17 MS. FREEBURN: The business will shift from one
18 department to the other possibly.

19 CHAIRMAN WILLIAMSON: As it shifts is there a
20 difference in demand for ribbon, have you noticed.

21 MS. FREEBORN: Not necessarily. We have so many
22 different departments that sell ribbon so the purchases may
23 move from paper-crafting more to the sewing department
24 because the crafting has changed from the type of craft that
25 they're doing. Overall the quantity has not, for us, gone

1 down.

2 CHAIRMAN WILLIAMSON: Okay, Mr. Duffy?

3 MR. DUFFEY: So our experience is that crafting
4 has trended as well away from ribbons by a good bit actually
5 and we think that will cycle back again. So no, I think
6 that there is a -- I also think that our product is really
7 geared toward the craft market as opposed to the
8 gift-wrapping market. So our product is typically purchased
9 by somebody who wants to retain their ribbon for a long
10 period of time on an ornament or a decoration as opposed to
11 somebody that wants to wrap a gift for a child and the
12 gift-wrapping and the paper, it goes in the trash afterward.

13 So we definitely have cycles. The other thing is
14 we're selling to small resellers who have gone out of
15 business and they've not come back into business. So the
16 market may be there but it's not there for the small
17 retailers, it's not there for the small retailers at the
18 same level that it was 4-5 years ago.

19 CHAIRMAN WILLIAMSON: Okay, so what does that say
20 about the demand for ribbon, of the subject ribbon?

21 MR. DUFFEY: For the highest level, I don't know.
22 I don't know what it says about the highest level. We don't
23 sell to the big mass merchandisers. They don't need me
24 because what we bring to the small retailer is we bring the
25 design, we bring the selection, we help the choice of what

1 ribbon and we bring a readily available inventory. If
2 you're a mass retailer, you're buying your ribbons a year in
3 advance. My customers are buying ribbons 48 hours in
4 advance. You know, there's a big difference.

5 CHAIRMAN WILLIAMSON: Also, you mention that a
6 lot of your customers also buy a lot from Berwick?

7 MR. DUFFEY: Yes.

8 CHAIRMAN WILLIAMSON: So I guess the question I'm
9 asking is, it's almost like you have a niche market?

10 MR. DUFFEY: That's correct.

11 CHAIRMAN WILLIAMSON: So what does that tell us
12 about the, in terms of these orders and whether or not they
13 should be renewed or not? I mean clearly the niche market
14 is going to continue.

15 MR. DUFFEY: Yes, I would think so.

16 CHAIRMAN WILLIAMSON: So, does that really help
17 us in deciding whether or not getting rid of the orders will
18 adversely affect the Domestic Industry?

19 MR. DUFFEY: Well, I think that the instability
20 and the uncertainty that the order creates is very unnerving
21 for me as well as for my customers. Somebody has to absorb
22 the uncertainty of how these things are going to flush out
23 1, 2 and three years down the road so yes, I think there's a
24 lot of uncertainty as a result of the order. Never mind the
25 cost that's imposed that we can't pass down to our

1 customers.

2 CHAIRMAN WILLIAMSON: Okay, because I was just,
3 when you were talking I was beginning to wonder.

4 MR. DUFFEY: Then I'm not sure I understand your
5 question. The order is a significant problem for me. It's
6 a significant cost, it's a significant administrative issue
7 and it's a significant barrier for me to try to go after
8 businesses aggressively knowing that I could have a
9 retroactive penalty when those imports that I bring in today
10 have an increased percentage on those imports 2-3 years from
11 now when the orders are closed out.

12 CHAIRMAN WILLIAMSON: But it hasn't affected your
13 either disposition or your practice of importing subject
14 product?

15 MR. DUFFEY: No. It has a major negative impact
16 on our business. Our business is way down. Our business
17 is down I think partly because of the economy, partly
18 because of the trends in crafting and partly because of my
19 unwillingness to go after certain business
20 price-competitively where the margin that I might be able
21 to earn would be less than the risk of the penalty that I
22 might have to pay at a future date.

23 CHAIRMAN WILLIAMSON: Okay.

24 MR. DUFFEY: Does that make sense?

25 CHAIRMAN WILLIAMSON: That's very helpful.

1 MR. DUFFEY: My business is down almost 40
2 percent.

3 CHAIRMAN WILLIAMSON: Okay, thank you. No, that
4 is helpful. I needed to understand the role that you -- and
5 I guess you would fall under the category, we had wholesale,
6 distributor, retailer and you would fall into that
7 wholesaler?

8 MR. DUFFEY: We're a wholesaler. That's correct.

9 CHAIRMAN WILLIAMSON: Okay, good. Thank you for
10 those answers. That was helpful. I was wondering Mr.
11 Griffin. Then you responded to Berwick's argument on Page 2
12 of their prehearing brief that the Commission should
13 exercise its discretion to cumulate subject imports from
14 China and Taiwan given that they met those criteria and I
15 guess there was some question about whether or not
16 originally the imports were considered only marginally
17 substitutable where as now they are saying they are really
18 more substitutable than in the past?

19 MR. GRIFFITH: Mr. Chairman, it's our position
20 that the Commission should exercise its discretion not to
21 cumulate imports for this sunset review proceeding. The
22 primary reason for that is differences in volume trends and
23 differences in price trends and certain other differences in
24 competition between Taiwan and Chinese exports. We've
25 explained that in our prehearing brief. Unfortunately it

1 relies on confidential data in the staff report so I can't
2 discuss it here but we have laid out in our prehearing
3 brief our reasons for why we think the Commission should not
4 cumulate imports here.

5 CHAIRMAN WILLIAMSON: Okay, I'll go back and take
6 a look at that. Thank you. Okay, I'll come back later.
7 Commissioner Pinkert?

8 COMMISSIONER PINKERT: I just have a couple of
9 follow up questions. Now, you've talked about the AUVs of
10 non-subject imports versus the AUVs of imports that are
11 under the trade remedy's orders. I'm wondering just as in
12 the normal course of things, wouldn't you expect that the
13 AUV's of non-subject imports would be lower than the AUVs of
14 imports that were under trade-remedy orders just because of
15 the effect of the orders themselves?

16 MR. GRIFFITH: Yes you would -- Spencer Griffith.
17 Yes, you would certainly tend to see that in some instances.
18 What's interesting here though is that the issue of relative
19 pricing has come up in the context of significant
20 underselling margins between the subject imports and the
21 Domestic Producers. What's the competition that the
22 Domestic Producers are facing? That's why we believe it
23 relevant here that non-subject imports which are increasing
24 in volume are also significantly under-pricing the subject
25 imports. I think that's the relevance in this particular

1 case, Commissioner.

2 COMMISSIONER PINKERT: I see, thank you. I don't
3 know if anybody in this panel can speak to this issue but
4 what caused changes in capacity in Taiwan and China and
5 could those changes be reversed easily in the event of
6 revocation?

7 MR. GRIFFITH: I was just checking with Miss Lo.
8 I mean she could only speak to her company and not to other
9 producers.

10 COMMISSIONER PINKERT: Please do. Are you
11 comfortable speaking?

12 MR. GRIFFITH: Sure, there's some issue of our
13 confidentiality would it be okay if we addressed that in a
14 post-hearing submission for the company?

15 COMMISSIONER PINKERT: Absolutely. I'm
16 particularly interested in the part of the question that
17 deals with whether the changes could be reversed. If what
18 caused the changes in capacity was something related to the
19 demand or the commercial environment then could the changes
20 be reversed if the demand or the commercial environment
21 shifted in the future?

22 MR. GRIFFITH: Yes.

23 COMMISSIONER PINKERT: Okay with that I thank the
24 panel.

25 CHAIRMAN WILLIAMSON: Thank you, Commissioner

1 Johanson?

2 COMMISSIONER JOHANSON: Thank you Chairman
3 Williamson. I would appreciate it if you all would address
4 Berwick's arguments that since industries in the subject
5 countries have significant levels of excess and divertible
6 capacity and rely primarily on export markets that there are
7 likely to be adverse volume effects if the orders are
8 revoked.

9 MR. GRIFFITH: Spencer Griffith why don't I start
10 and others may have comments. One of the significant issues
11 here is one reason there won't be significant volume effects
12 is that the Chinese and Taiwanese exporters have strong
13 other markets that they can sell to besides the U.S. There
14 are other and growing markets in the world that these
15 Chinese and Taiwanese suppliers can sell to and that is one
16 reason why we do not anticipate significant volume effects.
17 I don't know if you want to add anything? Okay anyone else
18 -- I guess not, okay.

19 COMMISSIONER JOHANSON: That being said there
20 might be other markets but aren't U.S. prices higher than in
21 other markets?

22 MS. LO: Yes the U.S. prices are higher than all
23 the markets.

24 COMMISSIONER JOHANSON: So there would be an
25 incentive to ramp up -- potentially ramp up exports to the

1 U.S. market I would assume if the orders are revoked?

2 MR. GRIFFITH: There was testimony from Miss Lo
3 earlier that yes U.S. prices are higher relative to other
4 markets in some instances but again the Chinese and
5 Taiwanese producers cost to sell into the U.S. market, cost
6 to produce that product that is sold into the U.S. market to
7 higher specifications that Mr. Duffey addressed earlier does
8 result in higher costs of production to support selling into
9 the U.S. market.

10 So that would temper at least somewhat the higher
11 prices that could be achieved out of the U.S. market because
12 Mr. Duffey and Miss Lo both testified that there are higher
13 specifications in the U.S. market and therefore higher costs
14 to produce in your Chinese and Taiwanese factory higher
15 costs to produce when you sell to the U.S. and when you sell
16 to other markets so that would temper somewhat detract from
17 those higher prices in the U.S.

18 MR. DUFFEY: So that's the point that I was going
19 to make that you are not comparing apples to apples to say
20 it is a higher price. It is a higher price for a different
21 deliverable and that's the reason that I have not sought
22 alternative manufacturers. I didn't go to Vietnam or
23 Cambodia for supply because they couldn't give me what I
24 would define as the total quality product that I wanted.

25 They could certainly give me the ribbon that

1 looks like, feels like and touches you know everything else
2 that the ribbon -- they wouldn't give it to me in the
3 finished good format that I needed for my customers.

4 COMMISSIONER JOHANSON: But from what I vaguely
5 recall in the staff report looking at other major markets
6 for ribbon there are a number of highly advanced economies,
7 wealthy economies, wealthy countries who are either major
8 importers of ribbons. I would assume that the quality
9 standards in those countries would be comparable to those in
10 the United States?

11 MR. DUFFEY: If you could give me a market I
12 might be able to answer that question. There are others
13 where there is a lack of U.S. manufacturing capabilities so
14 there's a higher price here, whether or not you are trying
15 to sell to Germany or France where there is a lot of
16 domestic -- there is domestic manufacturing in all of those
17 countries. So I'm not sure how that would factor into the
18 competitiveness of the pricing in those markets.

19 COMMISSIONER JOHANSON: Okay thanks for your
20 responses to those questions. And this question is probably
21 best answered by Miss Lo or Mr. Duffey -- have major U.S.
22 retailers enhanced their buying power during the period of
23 review and are they increasing concentrated as Berwick
24 argued this morning? And if that is the case has this
25 increased the price competition in the U.S. market impacted

1 retail sales or impacted sales of your products in retail
2 markets.

3 MR. GRIFFITH: Would it make sense for Miss
4 Freeborn who is our manager to address that, would that be?

5 COMMISSIONER JOHANSON: That would be fine yes,
6 thank you.

7 MS. FREEBORN: We have had as Berwick did say
8 this morning there has been one retailer go out of business,
9 they are liquidating now, which is Hancock Fabrics. Besides
10 that I don't see us all having I don't know -- a lot of
11 control that we didn't already have. We probably lobbied --
12 we have grown, we have more stores, we have increased quite
13 rapidly in the last three to four years which has given us a
14 little bit more buying power I guess you would say.

15 When we purchase it is easier for us to meet
16 minimums and what not but I wouldn't say that that has
17 drastically affected our pricing and I would assume that the
18 other retailers are in the same boat.

19 MR. GRIFFITH: Spencer Griffith -- also in terms
20 of relative buying power as far as what was stressed today
21 there are fewer U.S. producers now, we are down to one
22 basically now. And so bargaining power has certainly
23 increased on the U.S. producer's side, particularly for
24 those customers who want a U.S. produced product.

25 MR. DUFFEY: I would say I don't have any

1 experience with the large buyers to answer your questions
2 specifically to their buying power but I think even the
3 small customers that I serve have more buying power today
4 because of the point that was made this morning about the
5 internet availability of pricing and costs. They know what
6 a roll of ribbon is and it is kind of unusual.

7 If you went to the internet today and you went to
8 Amazon today, just the Amazon, you could find about 30
9 people selling May Arts ribbon and none of it is me. Okay
10 they are all selling ribbon and some of it, I don't know how
11 they do it but they are selling -- we sell ribbon 30 yards
12 to a roll and you can buy 3, 5, 10 yards of May Arts ribbon
13 from 25 or 30 different people on any given day on the
14 Amazon market.

15 So people buy our product and they put our brand
16 and they take a picture off of our website and they put it
17 on Amazon and they are selling our product so it is a -- so
18 there's a kind of a lower barrier for people to understand
19 their need and to understand what the prices are so even our
20 small customers seem to have an increasing amount of
21 information that they didn't have five years ago.

22 And the other thing -- the other trend that we
23 have noticed because of internet sales is that where
24 customers used to try to give you two or three week's lead
25 time, two or three month's lead time for certain -- coming

1 into the holiday we usually have orders by April, May or
2 June for the holiday season let's say and now we have
3 customers waiting until September and October to buy their
4 holiday ribbon because they know that there's an enormous
5 amount of supply available to them at the push of a button
6 on their keyboard so they don't have to do the advance work
7 five and six months in advance and the other thing is they
8 don't have to carry the inventory.

9 If they ordered it six months in advance they had
10 to order the supply for that season. And now they order
11 enough in September and re-order in October and re-order in
12 November. So the internet has changed a significant amount
13 of that for small retailers and I think that applies as well
14 to retailers who might have clout.

15 COMMISSIONER JOHANSON: Alright well thank you for
16 your responses that concludes my questions.

17 CHAIRMAN WILLIAMSON: Thank you. Commissioner
18 Schmidtlein?

19 COMMISSIONER SCHMIDTLEIN: Thank you. I just had
20 a few follow-up questions. Miss Freeborn you testified
21 earlier that since the order was in place nothing had
22 changed at Hobby Lobby in terms of the impact on your
23 business of the order right?

24 MS. LO: Yes, yes.

25 COMMISSIONER SCHMIDTLEIN: Okay, so we just heard

1 Mr. Duffey say that his business is way down due to the
2 uncertainty that the order is creating with regard to
3 companies that he's purchasing from in Taiwan. Why hasn't
4 that affected Hobby Lobby's business?

5 MS. LO: I think we have a different customer
6 base to start with. You know he sells to a lot of mom and
7 pop shops and there's less of them to go around, they are
8 not there like they were five years ago they are smaller so
9 he has less customers to sell to.

10 COMMISSIONER SCHMIDTLEIN: But why has the order
11 affected him but not affected you?

12 MS. LO: I think --

13 MR. DUFFEY: I'm not sure that I said the order
14 affected me. I said that the general overall economy is
15 down closing a lot of small businesses and the trend in
16 crafting is down. The trend in crafting using the ribbons,
17 the high-end quality ribbons that we sell is definitely
18 down. That point was made this morning by Berwick and
19 there's no doubt that that has happened as well.

20 COMMISSIONER SCHMIDTLEIN: So you didn't say that
21 the uncertainty that the order is creating is affecting you
22 because you might be penalized a couple of years down the
23 road if duties were imposed under the order for imports that
24 you are making today?

25 MR. DUFFEY: So what I said is going after

1 additional business -- going after new business when I can't
2 -- because of the uncertainty of what could happen if there
3 are penalties imposed would prevent me from going after that
4 new business today going forward. But that's not business
5 that I lost, it is the small business retailers and the
6 trend in who sold into the craft industry who are no longer
7 or just not there today.

8 COMMISSONER SCHMIDTLEIN: So since the order has
9 been in place five years has it had an impact on your
10 business?

11 MR. DUFFEY: I would say that the -- yeah I'm not
12 sure that the order has had an impact on my business on the
13 historical business that I had. It certainly has an impact
14 on whether or not I can't be competitive -- so I would say
15 that immediately after the order we had a bump up in
16 business as a result of the order now a bump down because
17 mid-size retail people with five and ten and twenty stores
18 who didn't want to absorb the uncertainty of -- I apologize
19 I forget the term for when the ITC does the true up -- when
20 they do the liquidation -- the liquidation --

21 COMMISSIONER SCHMIDTLEIN: Right, right.

22 MR. DUFFEY: Okay so there was a bump up in
23 people coming to us for business and we thought we were
24 going to benefit by this order but then we realized that
25 they were just passing on the risk of that liquidated risk.

1 Six months, one year and a half later they realized they
2 could find and source their ribbon from non-subject sources
3 and not bear that risk and they disappeared so we lost that
4 business and I can't get that business back exactly.

5 So we had a bump up in business from what I will
6 call from a lot of people who had anywhere from five to
7 thirty stores that mid-size retail chains regionally around
8 the country.

9 COMMISSIONER SCHMIDTLEIN: And who were they
10 buying from before?

11 MR. DUFFEY: I don't know who they were buying
12 from before. I don't know if they were buying direct, I
13 have no idea who they were buying from before.

14 COMMISSIONER SCHMIDTLEIN: Okay.

15 MR. DUFFEY: If I could just add that some of
16 them are still customers but these are customers who may
17 have purchased 80,000 dollars' worth of ribbon are doing
18 1,800 dollars' worth of ribbon now because they are only
19 using me to round off the product that they can't get
20 somewhere else, they are not using me for their single faced
21 satin, they are not using me for a grain single color.

22 COMMISSIONER SCHMIDTLEIN: And that's not related
23 to the order in your view?

24 MR. DUFFEY: No, not at all no. I have no way of
25 knowing.

1 COMMISSIONER SCHMIDTLEIN: Okay and I'm sorry we
2 interrupted you Miss Freeborn?

3 MS. FREEBORN: I would say that our customer base
4 is different so his business may have been down for other
5 reasons. Hobby Lobby's business has not been affected. We
6 still have like I said earlier the same suppliers, we have
7 not changed any of that -- we didn't go somewhere else and
8 change -- our vendors fared well.

9 COMMISSIONER SCHMIDTLEIN: So are you buying --
10 if you don't want to answer this you don't have to, but are
11 you buying from suppliers that are under order?

12 MS. FREEBORN: Yes, yes, some of them that are
13 here, yes.

14 MR. GRIFFITH: Spencer Griffith, there's been a
15 lot of discussion today about demand and different witnesses
16 understanding of demand levels. I urge the Commission to
17 look at page I-4 of the staff report and look at consumption
18 levels, 2010 and 2015 which certainly is relevant to any
19 discussion of what has happened to demand and I mean there
20 are numbers there on that page that are confidential so I
21 can't discuss them.

22 COMMISSIONER SCHMIDTLEIN: Well one question that
23 we had was whether or not that consumption number is
24 accurate because we weren't sure or at least I'm not sure
25 whether it includes Schiff's information?

1 MR. GRIFFITH: I don't know. My understanding
2 from what I have heard earlier today that Schiff did not
3 answer a questionnaire response.

4 COMMISSIONER SCHMIDTLEIN: Right so I don't know
5 that they 2010 number -- I mean obviously Schiff is gone now
6 but that 2010 number in terms of the difference between that
7 and 2009 and how it --

8 MR. GRIFFITH: But also Commissioner Schiff was
9 in business 2011, 2012, 2013, 2014 and 2015 so yes if the
10 2010 number had gone up I would also assume the other
11 numbers would have gone up.

12 COMMISSIONER SCHMIDTLEIN: Right.

13 MR. GRIFFITH: I would also assume the other
14 numbers would have gone up by comparable amounts.

15 COMMISSIONER SCHMIDTLEIN: Right exactly.

16 MR. GRIFFITH: The trend line might not have
17 changed, I don't know it's speculation I haven't seen
18 Schiff's numbers.

19 COMMISSIONER SCHMIDTLEIN: Okay. I mean and sort
20 of along those lines when you look at the -- you know I know
21 that we have just discussed whether or not the order had an
22 impact on these particular -- these two businesses, the two
23 companies that are sitting here. When you look at the
24 volume of subject imports from 2009 to 2010 you know after
25 the order goes in place and when you look at the AUV's right

1 you obviously see a change -- the volume goes down, AUV's go
2 up. What accounts for that if it is not the order?

3 And let me just point out when you look at the
4 subtotal for non-subject instead of seeing AUV go up like
5 you do in subject you see AUV's go down. So when you look
6 at that it would suggest I'm not sure -- I don't think it
7 would be unreasonable to say it would suggest that there's
8 an impact there from the order?

9 MR. GRIFFITH: Given that all of these numbers
10 that we are discussing are bracketed I would be more
11 comfortable discussing that --

12 COMMISSOINER SCHMIDTLEIN: Well the 2009 numbers
13 are bracketed but the 2010 aren't but we can do that -- you
14 can do that in post-hearing.
15 I'm looking at table I-1 it's on page I-5 so just the next
16 page over from what you were looking at.

17 MR. GRIFFITH: Yes the 2010 forward numbers but
18 the --

19 COMMISSIONER SCHMIDTLEIN: Some of them are.

20 MR. GRIFFITH: I don't why are not public.

21 COMMISSIONER SCHMIDTLEIN: Well if you could
22 respond to that in post-hearing.

23 MR. GRIFFITH: Okay.

24 COMMISSIONER SCHMIDTLEIN: Given that you all's
25 argument is this had no impact -- imposition of the order

1 had no impact. But when you look at the quantity of subject
2 imports, when you look at the AUV value you see a change.

3 MR. GRIFFITH: Um-hum, we will address that,
4 thank you.

5 COMMISSIONER SCHMIDTLEIN: Okay alright. I don't
6 believe I have any further questions so I just want to thank
7 the witnesses for their testimony today.

8 CHAIRMAN WILLIAMSON: Thank you just a couple of
9 quick questions. At page 19 of your pre-hearing brief you
10 state factors that affect Taiwan's production of ribbon. In
11 your post-hearing brief can you elaborate on what extent
12 these factors have affected ribbon? You'll see it on page
13 19, that's propriety so I am not going to say anymore.

14 MR. GRIFFITH: Okay yes we will address that.

15 CHAIRMAN WILLIAMSON: I think Commissioner
16 Johanson had asked a question earlier about I guess higher
17 prices in the U.S. market and if I remember correctly you
18 talked about all the other markets that were potentially
19 attractive. But if the prices are higher in the U.S. market
20 -- you also talked about higher costs of selling to the U.S.
21 market, so my question is -- is there higher potential
22 profits in selling to the U.S. market?

23 Yes you have to pay more to maybe meet the
24 quality and the demands of the U.S. customer but are there
25 higher potential profits?

1 MR. GRIFFITH: No one here has an answer. I
2 could also note that there may be potential for lower
3 profits as well depending on the ratio of higher costs to
4 produce in the U.S. market relative to higher prices for the
5 U.S. market.

6 CHAIRMAN WILLIAMSON: Well maybe for post-hearing
7 you can give some more thought to that because that does
8 raise the question of you know -- even if a lot of other
9 markets are out there and you can earn more selling to the
10 U.S. market if you have a reason to come here and I think
11 that's what they are arguing.

12 Ms. Lo I don't know what extent you can talk
13 about the relationship between the producers -- some of the
14 producers and China and Taiwan. I have known from other
15 cases that have been -- sometimes it is investors from
16 Taiwan who have gone to China and started businesses and I
17 guess sometimes it goes the other -- but I was wondering to
18 what extent is there a relationship between the producers in
19 Taiwan and in China? I know it probably varies a lot
20 because there are probably a lot of different situations but
21 anything you could say about that would be helpful.

22 MR. GRIFFITH: She's asking me what the question
23 is Mr. Chairman?

24 CHAIRMAN WILLIAMSON: Okay if you want to do it
25 post-hearing.

1 MR. GRIFFITH: Could I just try --

2 CHAIRMAN WILLIAMSON: Go ahead.

3 MR. GRIFFITH: Try to paraphrase the question to
4 the extent I can. I think Kelly that the Chairman is asking
5 to what extent are there -- is it affiliation or relations
6 between Taiwan?

7 CHAIRMAN WILLIAMSON: Affiliations, relationships
8 --

9 MR. GRIFFITH: Is that your question?

10 CHAIRMAN WILLIAMSON: Yes, thank you.

11 MS. LO: Kelly Lo from Rongshu. For my companies
12 we own two Chinese facilities but for other Chinese
13 manufacturers I do not know anything about them.

14 CHAIRMAN WILLIAMSON: Okay good. Either now or
15 post-hearing could you sort of say something about what
16 might you choose to produce in the Chinese factories as
17 opposed to what you might produce in the Taiwanese factory?

18 MS. LO: Well if the products are labor intensive
19 we will produce in China.

20 CHAIRMAN WILLIAMSON: Okay thank you. Let's see
21 I'll check these -- I'm wondering if you could address
22 Berwick's argument on page 23 and 24 of their pre-hearing
23 brief in the absence of an order there will be a strong
24 financial incentive for subject producers to shift a portion
25 of their exports and a portion of their inventories to the

1 higher priced U.S. markets. This is I guess kind of a
2 repeat of the question I raised earlier.

3 Are imports sufficient substitutable and
4 interchangeable with U.S. produced ribbon that U.S.
5 producers were forced to drop prices in the market share?

6 MR. GRIFFITH: Spencer Griffith, it is our
7 position that the Taiwanese and Chinese exporters are not
8 going to be shifting significant volumes to the U.S. market
9 if the orders are revoked. The presence of substantial
10 other markets, competition with low-priced third country
11 imports, higher cost to produce for the U.S. market -- all
12 of these the lack of trade remedies or blocking regulatory
13 actions in third markets, all of these factors mitigate
14 against an increase of volume to the U.S. market.

15 CHAIRMAN WILLIAMSON: Okay what about raw
16 material costs in the U.S. versus other markets for
17 producers, is there significant differences?

18 MR. GRIFFITH: If I could paraphrase --

19 MS. LO: I do not know the answers.

20 CHAIRMAN WILLIAMSON: Okay.

21 MS. FREEBORN: Melissa Freeborn, I most
22 definitely just from experience because we also purchase
23 textile fabrics, a lot of -- one mill that we buy fabric
24 from here in the U.S. they actually -- they get a lot of
25 their Griage from other countries and bring it here to

1 finish and print or weave so I don't know that that's not
2 happening with Berwick's product as well. They may get
3 their materials from other countries and bring them here to
4 manufacture.

5 CHAIRMAN WILLIAMSON: Okay thank you. Well I
6 have no further questions, does anyone?

7 COMMISSIONER SCHMIDTLEIN: I'm sorry, maybe you
8 have just asked this but just so we are on the record here.
9 In your all's view is there any significant different in the
10 products that are produced in China as compared to the
11 products produced in Taiwan in terms of quality?

12 MS. LO: The quality is the same using Taiwan and
13 produced in China.

14 COMMISSIONER SCHMIDTLEIN: Okay and what about
15 some of the other factors, reliability, lead time?

16 MS. LO: Pretty much the same.

17 COMMISSIONER SCHMIDTLEIN: Pretty much the same
18 and is the product mix the same that can be supplied from
19 Taiwan as compared to China?

20 MS. LO: Yes.

21 COMMISSIONER SCHMIDTLEIN: It is and do you all
22 have a view Miss Freeborn on this?

23 MS. FREEBORN: Melissa Freeborn I would say that
24 the key, the big factories the quality is the same whether
25 it be Taiwan or China it is some small people that never

1 even responded to this their quality I couldn't say is
2 probably not so good.

3 COMMISSIONER SCHMIDTLEIN: Okay.

4 MR. DUFFEY: I will give you a slightly different
5 answer, I'm sorry Joe Duffey with May Arts. I think my
6 perception is that the quality in Taiwan is higher than the
7 quality in China but again I am defining quality by the
8 willingness and flexibility to work with me for very
9 specific attributes of the products that I am trying to get.
10 So if I was just ordering 20,000 yards of this specific
11 product in a specific color I think the quality would be no
12 different but if I want 5,000 yards with a certain print
13 with a certain pattern with an exact color I would have a
14 harder time sourcing that in China than I can from some of
15 the manufacturers in Taiwan, that's from my experience.

16 COMMISSIONER SCHMIDTLEIN: Right, okay, alright.
17 Let me just see if there is anything else -- alright I don't
18 have any further questions thank you.

19 CHAIRMAN WILLIAMSON: Do any other Commissioners
20 have any questions? No -- does staff have any questions for
21 this panel?

22 MR. CORKRAN: Douglas Corkran, Office of
23 Investigations thank you Mr. Chairman, staff has no
24 additional questions.

25 CHAIRMAN WILLIAMSON: Okay and those in favor of

1 continuation of the orders have any questions for this
2 panel?

3 MR. DORRIS: No Mr. Chairman.

4 CHAIRMAN WILLIAMSON: Okay thank you. In that
5 case I want to thank this panel for their testimony and it
6 is time for closing arguments and those in favor of
7 continuation of the orders have 1 minute direct and 5 for
8 closing for a total of 6 minutes and those in opposition to
9 the order have 31 minutes from direct testimony and 5 for
10 closing for a total of 36. And as usual we combine those
11 times and of course you do not have to use all of the time
12 and again I want to thank the panel for their testimony this
13 afternoon and I will ask you to step back and we will have
14 closing arguments.

15 MR. BISHOP: Will the room please come to order?

16 CHAIRMAN WILLIAMSON: Okay, you may begin when
17 you are ready.

18 CLOSING REMARKS OF SETH KAPLAN

19 MR. KAPLAN: I'd like to just draw some
20 attention to some of the agreements that were made between
21 the parties. First, with respect to non-subject imports,
22 the witness from Hobby Lobby testified that prices from
23 Mexico were higher, rather than lower, as compared to the
24 average unit values. The witness from the distributor
25 testified that their quality wasn't as good. So we agree on

1 that and that would explain some of the differences there
2 were looked at.

3 The witness from Taiwan and China admitted that
4 prices were higher in the United States than the third
5 markets, so there could be diversion here. And they did not
6 address the fact that the excess capacity doesn't require a
7 diversion at all. They could just use that excess capacity
8 without diverting anything and send it here. If there were
9 higher prices abroad they could have used, they would've
10 done that already, since they have excess capacity.

11 With respect to 2012 and 2015, we heard
12 agreement that between internet pricing, the decline in
13 crafting and inventory adjustment, there were factors that
14 negatively affected the industry. Those were factors I
15 talked about in the conditions of competition that made the
16 domestic industry sensitive to removal of the order.

17 On pricing, respondent had concerns with the way
18 the prices were collected, and the pricing products, the
19 average unit values have massive problems because of product
20 mix, but we will address particularly the incisive questions
21 by Commissioner Schmidtlein regarding the price differences,
22 and one of the things that affected them was levels of
23 trade, and the data was not collected at different levels of
24 trade and we will try to show how that would affect things.

25 One of the witnesses testified that certain

1 things at different levels of trade aren't priced in, things
2 like packaging and warehousing that could affect the prices
3 of the products, because it's kind of built into the price,
4 and that might affect things as well. So I thought that was
5 a great question and I think we have to answer it for you,
6 but during our discussions, we started making progress, and
7 we will give you examples, as it were.

8 With respect to the -- thank you very much --

9 CLOSING REMARKS OF GREGORY C. DORRIS

10 MR. DORRIS: The original investigations were a
11 closed vote.

12 And nobody knows that more than me. Trust me.
13 And the client too. But it was the right decision. I mean,
14 at the time, the industry was in trouble. The orders came
15 into effect. I think the staff report shows and the
16 testimony here today shows that there was immediate
17 beneficial effect to the U.S. industry. There was increased
18 U.S. shipments, there was better pricing, better
19 profitability and less subject imports.

20 While we'll discuss more in our post hearing
21 brief, I think you have to analyze the effects of the orders
22 in order to understand and putting context, the analysis for
23 whether there should be a continuance of the orders, in
24 particular, on the issue of vulnerability. That's what I
25 was trying to say in response to Mr. Pinkert's question

1 today, and I'll flush that out a little more in the post
2 hearing brief.

3 But when you're looking at these reviews, too,
4 it's not the original investigation. These are different
5 time periods. Things have changed. There are a lot of
6 differences in the conditions of competition, which we, I
7 think, have really gone over well in the testimony today and
8 also all these facts are supported by the pre-hearing staff
9 report.

10 In particular, the sub -- being the domestic
11 product and the subject imports has increased since the
12 original investigation. The competition in the market
13 continues to be based on price. There's some issues about
14 whether price affects it or doesn't affect it, but in the
15 end, since everyone agrees that the quality and the other
16 deliverability and these other issues are all the same for
17 all the different producers, it really does come to price.

18 And in terms of price, the competition is stiff
19 already with the orders in place. Removing the orders is
20 only going to greatly exacerbate the price underselling and
21 the competition price. There's a significant overlap in
22 the competition across the different dimensions that we
23 talked about. Geographically the products and the customers
24 and the distribution channels are all the same and so
25 there's competition in all those channels.

1 The subject producers have expanded their U.S.
2 sales marketing in the U.S. You heard about that today from
3 the testimony, particularly with respect to Yama, but you
4 also heard that the internet -- and it wasn't just our side
5 that talked about the internet -- and the impact it had on
6 the U.S. industry -- was also the respondents to discussing
7 the impact of the internet, not just on being able to make
8 sales, but also just having that awareness of what the
9 prices are, the internet price impact on the sales that you
10 do make.

11 So that's really a two-pronged kind of
12 situation. And even though we, as a domestic producer, may
13 not have many direct sales from us as a producer to a U.S.
14 consumer, our product goes through the internet in a lot of
15 different channels to a lot of different levels of customers
16 through the internet.

17 So we may say we have a small volume, but
18 overall our product being sold in the U.S. markets through
19 the internet is a large volume, and has grown over the
20 five-year period as we talked about. The buying power the
21 major retailers have become concentrated, not just the loss
22 to Hancock, but I think that because of the customers that
23 you heard from, Hobby Lobby, today, have become more
24 sophisticated.

25 They understand the market. They know who's

1 selling. She said we all could be with the same -- we all
2 know who all the same suppliers are. So they're all working
3 together in determining what the prices will be -- not
4 together in terms of any trust issues, but together in the
5 sense of understanding what the market is, and sophisticated
6 to know how to manipulate the sellers into getting the best
7 prices, which is what they do.

8 Even though as you also heard today, there is --
9 we have some power left through the effect of the orders,
10 because you heard from May Arts that, when the orders are in
11 place, there is that sort of uncertainty. You don't know
12 what the actual liquidation amount you're going to pay as a
13 dumping duty or subsidy duty's going to be, so even if the
14 margins are low, and maybe seem like they're not very
15 effective, but as you heard from Mr. Griffith, they actually
16 do have a huge impact, because you don't know what the final
17 amount's going to be. And that causes a lot of caution and
18 a lot of discipline on the market.

19 And so I think, with all those factors in place,
20 the adverse impacts you're going to have, because of those
21 conditions of competition, is certainly going to have a huge
22 impact on the industry, and it's not going to be a -- it's
23 going to be a very clear and discernible adverse impact, and
24 I think that, in that case, you should vote affirmative.

25 And these reviews, I think, based on the -- as

1 we heard -- is an easy affirmative vote, and we would ask
2 that you do continue these orders. Thank you.

3 COMMISSIONER WILLIAMSON: Thank you. Mr.
4 Griffith, let me know when you're ready.

5 CLOSING REMARKS OF SPENCER S. GRIFFITH

6 MR. GRIFFITH: Thank you, Mr. Chairman. Spencer
7 Griffith on behalf of those in opposition to continuation of
8 the order. I'll be relatively brief, even though I
9 understand I have considerable time. I think that our panel
10 and our submissions earlier put this into the easier camp
11 than the hard camp.

12 First of all, on demand. There's been a lot of
13 discussion about demand. Berwick has been claiming today
14 that demand is falling. I urge the Commission to look at
15 I-4 of the staff report, which shows actual U.S. consumption
16 levels from 2010 to 2015. I also urge the Commission to
17 look at II-13 of the staff report, which the public version
18 states "a majority of importers and a plurality of
19 purchasers and foreign producers reported there had been no
20 change in U.S. demand for narrow-woven ribbon since January
21 1, 2010, and that they do not anticipate any change in
22 demand for the foreseeable future."

23 You then look at Page II-14 of the staff report,
24 which shows by far the vast majority of parties responding
25 to the Commission's questionnaires all reported no change in

1 demand for the foreseeable future. And that's Table II-3 at
2 Page II-14 of the staff report.

3 Second, the Schiff bankruptcy -- there's been a
4 lot of discussion today of the Schiff bankruptcy and what
5 that means for the Commission. Couple of points here.
6 First of all, the Schiff bankruptcy is not attributable to
7 competition from imports. The Schiff bankruptcy happened
8 five years after this order went into effect. All of those
9 imports in that five-year period were, by definition as a
10 matter of law, fairly traded imports. Those imports were
11 not unfairly traded competing with Schiff.

12 Secondly, you heard testimony from Mr. Duffey
13 who was intimately involved with this bankruptcy proceeding
14 and was registered to bid and was following Schiff's
15 situation very closely. He reported that Revolution
16 Capital, the P.E. firm that had owned Schiff, made a
17 conscious effort to fire management, close sales offices and
18 basically take out of the company the value of the assets
19 that they could and then sell the remaining shell of the
20 company. That's exactly what happened. You have now
21 testimony on the record as to what the prior owner's
22 strategy was for that company.

23 Mr. Duffey also argued and explained to you that
24 Schiff represents a bit of a gold mine for Berwick. It has
25 sales to Tiffany that are highly profitable and will be

1 unique to Berwick, who now owns that account. Mr. Duffey
2 also testified that Schiff had U.S. government accounts that
3 required U.S. production. Those accounts will also remain
4 highly profitable for Berwick.

5 Mr. Duffey testified that Berwick will be a very
6 valuable and profitable investment for Berwick going
7 forward, which is also relevant to the Commission's analysis
8 of the vulnerability issue.

9 Third, we heard repeatedly today from
10 petitioners that this is a product that is sold entirely on
11 the basis of price, and that price wins the sales. We urge
12 the Commission to look at the staff report, as we discussed
13 that Page 8 of our brief, the staff report at Table 2-6,
14 demonstrates that the two most frequently cited purchase
15 factors that were ranked very important were availability
16 and product consistency. Reliability of supply and price
17 were the next most frequently cited purchase factors that
18 were very important. So this notion -- and they were
19 followed closely by delivery time, product range and
20 delivery terms.

21 So this notion that this is a product that is
22 sold exclusively on the basis of price simply is not borne
23 out by the staff report itself. There's also been
24 discussion today about the role of excess capacity. Our
25 panel testified and I believe the evidence in the record

1 will show that excess capacity is not going to be aimed at
2 the U.S. market to the extent that there is any, because the
3 Chinese and Taiwanese producers have valuable other
4 markets.

5 I would also note that again, this is an unusual
6 feature of this case because we are seeing significant
7 volumes of subject product remaining in the market. That's
8 the testimony you've heard today, as well as non-subject
9 sources from Taiwan and China, those companies that had very
10 low or zero margins.

11 So we have a situation in which there continues
12 to be a strong presence of subject merchandise in the
13 market. There's also been discussion today about retailer
14 buying power. Frankly, this mystified Melissa Freeborn when
15 I discussed it with her at lunch. As you heard her
16 testimony, from Hobby Lobby's perspective, they do not have
17 increased buying power.

18 Ms. Freeborn and her colleagues at Hobby Lobby
19 compete, obviously with Michael's and with Jo-Anne's and
20 Costco and Target. And they're all buying from, to the
21 extent they're buying from a U.S. producer, from a single
22 U.S. producer. Talk about buying power. There is only one
23 U.S. producer now and to the extent that a customer wants a
24 U.S.-produced ribbon, there's one place to go. That is not
25 an irrelevant factor when looking at relative bargaining

1 power.

2 There was also discussion today and we'll
3 continue to discuss this in our post hearing brief, about
4 relative prices in the U.S. market relative to other
5 markets. You heard testimony that, yes, U.S. prices are
6 sometimes higher, but that the specifications of the
7 products sold in the U.S. market are clearly higher.

8 That's undisputed that there's higher
9 specifications and therefore, as a result, you heard
10 testimony from Kelly Lo, that the Taiwanese and Chinese
11 producers' cost to produce those products in their Chinese
12 and Taiwanese factories are higher for the U.S. market than
13 they are for the other markets.

14 We will address further in our post hearing
15 brief, but the relative issue to you is going to be, as I
16 believe the Chairman noted in one of his questions, what are
17 relative profit margins? It's not, what are relative
18 prices? That will really be the key issue facing the
19 Commission. Because it's a bit of apples and oranges, if
20 you're comparing a higher quality, higher spec product in
21 the U.S., than you are in other markets.

22 The final point I would like to make is relating
23 to who is not here. Mr. Duffey referred to this, and I
24 believe that Ms. Freeborn did, as well. One of the
25 interesting things about the differences between this

1 proceeding today and the proceeding held in front of all of
2 you five years ago, was the number of big-box retailers who
3 were here and the number of wholesalers and distributors
4 were here in opposition to imposition of the order five
5 years ago.

6 They are not here today. Where is Michael's?
7 Where is Jo-Anne Fabrics? Where is Target? Where is
8 Costco? Where is Wal-Mart? Where are all the other
9 importers that were here with Joe Duffey five years ago?
10 Why are they not here? It's a bit like Sherlock Holmes, the
11 dog that did not bark. Why are they not here? We have been
12 stating today, both in our brief and in testimony, that
13 imposition of these orders did not change anything. The
14 proof is in the pudding.

15 Those companies are not here today. Why are
16 they not here? Because this order didn't change things for
17 them. They're still able to import. They're still able to
18 get the product they need. The order didn't really affect
19 their business they found over time. The market has
20 adapted. They have adapted. Everyone's moved on.

21 Revocation of this order is not going to change
22 anything for the vast majority of the market. And we think
23 that their absence here today does speak important issues to
24 the Commission as you're assessing the ultimate question of
25 what will happen if this order is revoked? For all of these

1 reasons and for all the reasons that you heard in our
2 panel's testimony today, we urge the Commission to revoke
3 these orders, because they have not served any purpose and
4 there's no purpose in further continuing them.

5 Once again, we'd like to thank you for all of
6 your time and attention. It's been a long day and we
7 appreciate your patience as well. Thank you very much.

8 CHAIRMAN WILLIAMSON: Thank you. Time for
9 closing statement. Post hearing briefs, statements
10 responsive to questions, and the quest of the Commission and
11 directions to the transcript must be filed by July 21, 2016.

12 Closing of the record and final release of data
13 to the parties is by August 12th, 2016. Final comments are
14 due by August 16th, 2016. And with that, this hearing is
15 adjourned. Thank you.

16 (Whereupon the hearing was adjourned on July 12,
17 2016 at 3:49 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Narrow Woven Ribbons with Woven Selvedge from China and Taiwan

INVESTIGATION NOS.: 701-TA-467 AND 731-TA-1164-1165

HEARING DATE: 7-12-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Review

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: 7-12-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Gregory Johnson

I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Gaynell Catherine