UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**)**	**Investigation Nos.:**
CERTAIN BIAXIAL INTEGRAL GEOGRID	**)**	**701-TA-554 AND 731-TA-1309**
PRODUCTS FROM CHINA	**)**	**(PRELIMINARY)**

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INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
CERTAIN BIAXIAL INTEGRAL) 701-TA-554 AND 731-TA-1309
GEOGRID PRODUCTS FROM CHINA) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Wednesday, February 3, 2016

The meeting commenced pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Michael Anderson, Director of Investigations, presiding.

APPEARANCES:

Staff:

Sharon Bellamy, Program Support Specialist

Michael Anderson, Director of Investigations
Elizabeth Haines, Supervisory Investigator
Amy Sherman, Investigator
Jennifer Catalano, International Trade Analyst
Cindy E. Cohen, Economist
David Boyland, Accountant/Auditor
Nataline Viray-Fung, Attorney
Russell Duncan, Statistician

APPEARANCES:

Opening Remarks:

Petitioners (Jeffrey Gerrish, Skadden, Arps, Slate, Meagher & Flom LLP)

Respondents (Yohai Baisburd, Dentons US LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Skadden, Arps, Slate, Meagher & Flom LLP
Washington, DC
on behalf of
Tensar Corporation

Mike Lawrence, President and Chief Executive Officer, Tensar Corporation

Bryan C. Gee, Director of Marketing, Tensar Corporation

Ann Shockley, Director of Materials and SIOP, Tensar Corporation

Robert F. Briggs, Executive Vice President, General Counsel and Secretary, Tensar Corporation

Cary Witt, President, GeoSolutions, Inc.

Michael Coleman, Vice President, Coleman-More Company

Dave Brooks, President, ACF Environmental

Jeffrey D. Gerrish, Nathaniel B. Bolin - Of Counsel

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:
Dentons US LLP
Washington, DC
on behalf of
Hanes Companies, Inc.
Hill Country Site Supply, LLC
Pacific Geosource, Inc. d/b/a Alliance Geosynthetics Inc.
John Dowdell, President, Hanes Companies, Inc.
Bobby Startling, Vice President, Hanes Companies, Inc.
Michael Frey, President, Pacific Geosource, Inc. d/b/a Alliance Geosynthetics, Inc.
Clay Cashatt, Vice President, Hill Country Site Supply, LLC
Yohai Baisburd, Mark P. Lunn and Daniel Morris - Of Counsel

Rebuttal/Closing Remarks:
Petitioners (Jeffrey Gerrish, Skadden, Arps, Slate, Meagher & Flom LLP
Respondents (Yohai Baisburd, Dentons US LLP)

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P R O C E E D I N G S

9:30 a.m.

MS. BELLAMY: Would the room please come to order?

MR. ANDERSON: Good morning. I would like to welcome you to the International Trade Commission's conference in connection with the preliminary phase Antidumping and Countervailing Duty investigations #701-TA-554 and 731-TA-1309 concerning imports of certain Biaxial Integral Geogrid Products from China. My name is Michael Anderson. I'm the director of the Office of Investigations and will be presiding over this conference. Among those present from the Commission here at the table starting with introductions on my far right is Betsy Haines, the Supervisor Investigator; Miss Amy Sherman our Investigator and Miss Nataline Viray-Fung the Attorney Advisor and to my left is our Economist, Cindy Cohen and our Accountant and Auditor Mr. David Boyland and our Industry Analyst Miss Jennifer Catalano.

A few housekeeping matters, I would like to remind all the speakers not to refer to any confidential business information in your remarks or business proprietary information in your remarks and to speak directly into the microphone. We also ask that when you speak you state your name and your affiliation for the record before the

beginning of your presentation or in answering any questions for the benefit of the court reporter and the transcript.

All witnesses must be sworn in before presenting testimony and I understand that all parties are aware of the time allocations. Any questions regarding the time allocations should be addressed to our Secretary. Are there any questions from the parties at this moment?

(No response)

MR. ANDERSON: Okay. Madam Secretary, I understand that all witnesses have been sworn in and are there any preliminary matters?

MS. BELLAMY: No, there are no preliminary matters.

MR. ANDERSON: Okay, very well. Let's proceed with opening remarks.

MS. BELLAMY: Opening remarks on behalf of Petitioners, Jeffrey Gerrish on behalf of Skadden, Arps, Slate, Meagher and Flom LLP.

OPENING REMARKS OF JEFFREY GERRISH

MR. GERRISH: Good morning. I'm Jeff Gerrish of the law firm from Skadden Arps representing the Petitioner Tensar Corporation. We are here this morning because imports of Biaxial Integral Geogrid from China are surging into the U.S. Market severely injuring the Domestic Industry and threatening the livelihood of its workers. The

statutory factors that the Commission normally considers have not only been met here, they have been met beyond the shadow of a doubt.

Let's start first with import volumes. Imports of Biaxial Integral Geogrid from China increased dramatically over the period of investigation. In absolute terms, the volume of dumped and subsidized imports increased by almost ninety percent between 2012 and 2014. Imports continue to increase in the first three quarters of 2015 by an additional thirty-two percent over the levels for the first three-quarters of 2014. Subject Imports also increased relative to U.S. consumption and production.

In fact, the market share for Chinese Imports nearly doubled from 2012 to 2014. This came at the direct expense of the Domestic Industry's market share which plummeted over the same period. The increase in Chinese imports was significant in relation to domestic production as well. In 2012, Chinese imports were less than a quarter of Tensar's production. By the end of the interim 2015 period, they were approaching Tensar's total production for all markets. Regarding price, the record shows that this market share penetration by Chinese imports was obtained by undercutting U.S. Producer prices.

Significant underselling has occurred resulting in substantial market share gains for the Chinese imports.

The rapid increase in Subject Imports and the declining import prices have depressed the U.S. Producer prices. Domestic prices of Biaxial Integral Geogrid have fallen dramatically over the Period of Investigation. This case represents a common dilemma for Domestic Producers like Tensar. Resist dropping prices to maintain needed profitability and suffer a loss of sales, or drop prices to maintain sales volume and suffer lower revenue.

When imports of Biaxial Integral Geogrid first started surging into the United States, they took sales and gained market share. As Tensar tried to maintain market share, it dropped its prices even further to compete with the Chinese Imports. Over the entire Period of Investigation but particularly from September 2014 to September 2015, domestic prices plunged to unsustainable levels. The impact on the Domestic Industry has been devastating.

Tensar lost a significant amount of market share and was forced to cut its prices drastically as a result of the dumped and subsidized imports from China. This caused Tensar's operating income and operating margin to plummet from 2012 to 2014. In 2015 things got even worse. Despite strong demand, Tensar was forced to cut prices even more in order to avoid losing further market share to the Chinese. As a result, Tensar suffered an operating loss in the first

three-quarters of 2015. The evidence is simply overwhelming that unfairly traded Chinese imports have had a significant harmful impact on the Domestic Industry and have caused present material injury.

In addition to causing present material injury, Chinese imports threaten additional injury absent relief here. Chinese producers have massive capacity to produce Biaxial Integral Geogrid, receive large export subsidies and are confronting a slowdown in their own economy. The rapid increase in Subject Imports that has occurred over the Period of Investigation demonstrates how quickly Chinese producers can increase exports to the United States. It demonstrates their clear interest in this market. Left unchecked, there is no question that the market share erosion and financial declines that Tensar suffered at the hand of Chinese imports will become even worse leading to additional production shutdowns and worker layoffs.

Our witnesses this morning will discuss their real-world experiences behind the data you've collected. The data here are clear and compelling in showing that the Domestic Industry has suffered present material injury and is threatened with further injury. But you will hear much more today about what this case is about. This case is about a Domestic Industry that has done everything right and is everything that you would want an American Industry to

be. The only reason we are here today is that the Domestic Industry faces an emergency, an emergency that can only be stopped with trade relief. The Domestic Industry seeks nothing more than basic fairness, the type of fair trading system that Congress counts on you to enforce.

As you will hear and as the Commission should conclude an affirmative determination is warranted here. We ask you to grant this relief and that the Domestic Industry and its people get back to work. Thank you.

MR. ANDERSON: Thank you Mr. Gerrish. Now we'll hear opening statements from Yohai Baisburd.

MS. BELLAMY: Opening statements on behalf of Respondents Yohai Baisburd, Dentons U.S. LLP.

OPENING REMARKS OF YOHAI BAISBURD

MR. BAISBURD: Good morning. My name is Yohai Baisburd and I am a partner with Dentons U.S. LLP. We represent Hanes Geo, Hills Country and Alliance Geoysynthetics. These companies run the gambit from large national distributors to regional disadvantaged enterprises. There are two points I would like you to keep in mind during Tensar's panel.

First, this case is really about Tensar's actions and decisions, not imports. For decades Tensar owned the entire U.S. Biaxial Geogrid market through a patent and maintained a tightly controlled distribution network which

is still the case today. As a result, Tensar was the only game in town and Biaxial Geogrid prices were high. Before that patent expired in May 2012, Tensar tried to move the U.S. Market from one group of patented products to another patented product called Triax.

Two years before a single import was sold in the United States, Tensar told the market that it would discontinue regular production of its type II product BIAX1200 and that it was its strategy to move all of their then Biaxial Geogrid market to Triax. That strategy failed when the market continued to demand rectangular and square biaxial products, even after Tensar, the sole source of supply for those products in the United States at that time effectively told the U.S. Market that it intended to abandon those products.

Also, before imports even arrive, Tensar began offering private label biaxial geogrids. These private label products did not carry the Tensar name and were sold at significant lower prices. In effect, Tensar took high-priced sales away from its branded Tensar biaxial geogrids and replaced them with lower-priced, private label sales. Imports can't be blamed for that either when they weren't even in the market at that time. Once the U.S. Patent expired the market finally had access to alternative sources for rectangular biaxial geogrids and no longer had

to purchase them from either the sole producer Tensar or their exclusive distribution channel.

Instead, engineers and contractors had access to multiple sources, none of which had a stated strategy of moving away from supplying those rectangular geogrids. When imports began entering the market in June 2012, close to six months into the first year of the Period of Investigation, they largely displaced non-geogrid design alternatives.

The second point I would like you to keep in mind is that every single square yard of Triax that Tensar sold in the Period of Investigation could have been a square yard of one of its rectangular biaxial geogrids. There is simply no clear dividing line between biaxial geogrids that have a rectangular or square shape and those that have a triangle shape. The Triax patent itself refers to it as a "geogrid made by stretching and by axially orienting a plastic starting material which was provided with an array of holes."

In other words, Triax is punched and drawn in two directions just like any other Biaxial Geogrid. Just like any other biaxial Geogrid, Triax is used to build roads and other similar projects. Our trade laws are there to protect U.S. industries from injury caused by unfairly traded imports but not corporate decisions made before any import touched U.S. shores or subsequent missteps.

Since we can't address any of the confidential information in this public staff conference, and there is effectively only one U.S. Producer, we're not going to be able to make any direct comparisons as Tensar can make, but you will see the data reasons in our post-conference brief as to why we believe that there is no reasonable indication that Subject Imports cause or threaten to cause material injury. Thank you.

MS. BELLAMY: Will the Petitioners Panel please come forward?

MR. ANDERSON: While you are getting set up I just wanted to welcome all the parties to the Commission and thank you for being here today. Please proceed when you are settled in.

STATEMENT OF JEFFREY GERRISH

MR. GERRISH: Again, for the record, my name is Jeff Gerrish representing Petitioner Tensar Corporation. I'd like to provide some additional information on the material injury and threat factors in this case and then turn it over to the Domestic Industry and Distributor Witnesses.

There are four key points to keep in mind as you consider this record. First, imports of Biaxial Integral Geogrid or BIAX from China were significantly increasing over the Period of Investigation, both in absolute terms and

in relation to production and consumption in the United States. Second, because of these imports, U.S. prices for BIAX collapsed and have continued to decline each year of the Period of Investigation. Third, the impact of the unfairly traded Chinese imports in the Domestic Industry has been devastating. Finally, Chinese producers will ship even more unfairly traded BIAX to this market in the absence of trade relief and will cause further harm to the Domestic Industry.

Now let's focus on the volume of Subject Imports. As you can see from this slide Chinese Imports soared from a little over seven million square yards in 2012 to nearly fourteen million square yards in 2014 and were on pace to exceed nineteen million square yards in 2015. This represents an astounding increase of over one hundred sixty-seven percent. Such an extraordinary surge of imports is more than sufficient to show that the volume of Subject Imports is significant.

Chinese imports showed no signs of slowing down and continued to pour into this market at ever increasing levels in 2015. This chart shows the significant increase in imports from the first three-quarters of 2014 to the first three-quarters of 2015. In this interim period, imports were up by more than thirty-two percent. Over the first three years of the Period of Investigation, Chinese

imports rapidly gained market share. In fact, they nearly doubled their U.S. market share over this period.

On the next slide, you see the simultaneous decline in Tensar's market share that resulted from the surge of Chinese imports. In fact, as shown on this next slide, all of the market share gain by Subject Imports was lost by the U.S. Industry. The Chinese imports took market share away from the Domestic Industry every year from 2012 through 2014. Once again, such evidence compels the conclusion that the volume of Subject Imports was significant.

As shown here in the interim period, unfairly traded Chinese imports have continued to hold about fifty percent of the total U.S. Market. In fact, during the interim period dumped and subsidized Chinese imports nearly equaled Tensar's total production of BIAX. That is every single square yard that the company made and sold in the United States plus what it exported to other markets. That's a staggering figure and it shows the significant volumes that the Chinese producers are continuing to ship here.

Now let's look at the price effects. This slide shows vividly what has happened to Tensar's prices over the Period of Investigation as a result of unfairly traded imports from China. To give you some context for this, it

helps to understand that BIAX is an extremely price-sensitive product. BIAX is commonly used in public construction projects like roads and highways as well as in private construction. Most of these transactions are done through competitive bidding. In that situation, the lowest bid wins every time. So even if the imports undercut Domestic Producer prices by a penny, it means the Domestic Industry loses that sale.

This next slide makes two key points. First, Chinese imports haven't just been a cent or two below the U.S. prices they have significantly undercut the U.S. prices by thirty cents or more per square yard. Second, facing prices like these Tensar has been repeatedly forced to lower its own prices to try to compete. As you can see here, the price effects of imports have not only been significant, they have been devastating. Here you see that in the interim period Tensar aggressively reduced its prices to try to win back market share. This helped volumes recover a little but not much. The unfairly traded Chinese imports continue to hold about fifty percent of this market.

Now, let's look at the impact of the Subject Imports. The impact of the volumes and prices you just saw was dramatic. As you can see here, Tensar's operating income plummeted every year over the Period of Investigation. What's more, the decline in operating income

grew steeper and steeper as the period went on. Here's another way to look at what's happened to Tensar's operating income over the Period of Investigation. This slide shows dollar value declines in operating income. The units have been omitted to protect confidentiality but the message is clear. Faced with an ever-increasing volume of dumped and subsidized Chinese imports, Tensar suffered severe revenue declines.

Things became so bad that in interim 2015, the company fell into a loss. Clearly these trends are not sustainable. Other indicia also show the impact that Subject Imports have had on the U.S. Industry as shown on this next slide. To be efficient and make an adequate return, a BIAX Line must run at a very high capacity utilization rate. But from 2012 to 2014, Tensar's capacity utilization rate fell by over thirty percentage points.

Here's another indication of the damage that dumped and subsidized imports have caused. As its shipments fall, Tensar's inventories increased. In fact, as this slide shows, there have been significant increases in inventories every single year of the Period of Investigation even while Tensar has been cutting its production. The story repeats itself when you look at the impact on Tensar's workforce and hours worked. Because of unfairly traded Subject Imports, Tensar has been forced to lay off workers

every year of the Period of Investigation even with these layoffs average hours worked per worker have declined.

The situation during the interim period has remained grim and clearly shows present material injury. Prices have continued to fall. Financial indicators from gross profit to operating income, operating margins and net income have all declined. This is nothing short of a disaster for this industry and it's all because of Subject Imports.

Finally, it is clear that in the absence of trade relief the surge of imports will not only continue but grow. The scale of the Chinese industry is simply incredible. Tensar has identified over seventy-five different Chinese producers and exporters of BIAX and there are likely more than that. It's clear that these companies are highly export-oriented. Their very location virtually guarantees that. For example, most of these companies are located in economic development zones and export bases established by government authorities to promote exports.

Here is a concrete example of what I'm talking about. This is a map of Shandong Province, located on China's East Coast. In this one Province alone we've identified these forty-six producers as exporters of BIAX. All of these companies are situated close to major ports and all or almost all of them are located in economic

development zones. They are ideally located to export to this market. Not only is there a large number of Chinese producers, they clearly have the capacity to flood this market.

Just take the example of a single Chinese Producer, Taian Modern Plastics or TMP. According to information available on its website TMP has the capacity of more than one hundred million square meters per year. That's equal to over one hundred and nineteen million square yards of capacity. When you think about the fact that last year the total size of the U.S. Market was around forty-one million square yards, that means that this one company in China, by itself has enough capacity to supply in one year what the entire U.S. Market would use in three. That's an astounding amount of capacity and that's just one company of more than seventy-five. Clearly the threat to this market is very significant indeed.

Not only do producers like TMP have the capacity to continue to ship here in ever increasing volumes, they have very strong incentives to do so. On the China side of the equation are the numerous export subsidies that they receive under the government of China's policies. These subsidies have one purpose, to promote additional exports whatever the price. On the U.S. side, we have continued strong demand for BIAX. The new Federal Highway Bill will

stimulate additional demand and increase road construction and related activity this year and in the years ahead.

At the same time, even as the Chinese government seeks to prop up exports, its economy is slowing. All of these trends mean that the U.S. Market will continue to be a very attractive market to Chinese exports. The situation for the Domestic Industry is growing more and more dire each day. Despite its best efforts, the Domestic Industry just can't compete with the dumped and subsidized Chinese imports. The U.S. Industry has slashed its own prices and made every effort to increase sales but it's financial performance continues to decline while Chinese imports continue to flood into this market and inventories like the ones you see here at Tensar's plant, continue to grow.

The U.S. Industry has certainly suffered material injury as shown by its plummeting market share, production, capacity utilization, employment and profits. That injury can only be explained by the surge of Chinese imports into this market over the period of investigation. Furthermore, there could be no doubt that Chinese imports threaten additional injury going forward. We urge the Commission to reach an affirmative determination and grant relief to this industry. Thank you.

I would now like to turn it over to Mike Lawrence, the President and CEO of Tensar Corporation.

After that, we will hear from Bryan Gee, Tensar's Director of Marketing. We will then here from three distributors of Biaxial Integral Geogrid, Cary Witt of GeoSolutions, Mike Coleman of Coleman-Moore and Dave Brooks of ACF Environmental.

STATEMENT OF MIKE LAWRENCE

MR. LAWRENCE: Good morning. My name is Mike Lawrence and I'm the President and Chief Operating Officer as Jeff mentioned. Before that I was the Executive Vice President and General Manager for Tensar Americas, and on behalf of Tensar, I would like to thank you all for the opportunity to appear before you today.

We greatly appreciate all the hard work that you've done and put into this important case in such a short period of time and including the difficulties with the snow that you had last week. So I'm sure it was a tough time for you and we appreciate that effort.

But I'd like to talk to you today about the crisis that my company is facing as a result of the unfairly traded imports from China.

The outcome of this investigation will have a major impact on the long-term future of my company and the workers that we employ. I do not use these words lightly. It is imperative that the Commission understand just how serious a situation we face and how important the decision

is.

But let me start by first providing you some background about Tensar. Tensar is a company that was founded on innovation. We're a group of engineers and problem solvers absolutely dedicated to what we do. And we've succeeded through our continual efforts to solve the toughest engineering challenges with new products and innovative cost effective solutions.

Our development of Biaxial integrated geogrids or BIAX is a perfect example of this. The founder of Tensar invented biaxial integrated geogrids over 30 years ago and the idea of making high strength and durable construction materials by taking a polymer sheet and turning it into a seamless grid through an integral forming process was completely new. We developed the product, the process and many of the uses for this product and we literally created this technology from the ground up.

We also created the market for biaxial integrated geogrids.

People have been building roads and other structures for thousands of years without biaxial integrated geogrids and of course it is possible to build without using any BIAX. So first it was not obvious to some why it would be helpful to start using this new product. We had to work hard to demonstrate our product's effectiveness in reducing

construction costs and improving performance, stability, and longevity of the projects in which it was used.

We had to show that using BIAX would create substantial savings compared to conventional construction methods that used more aggregate and other materials.

We spent countless hours educating state and local departments of transportation, private contractors across the country about the benefits of using BIAX. And not only in the initial cost savings, but in the life span and durability of finished roadways and other surfaces.

We worked through onerous independent testing and certification procedures to have our product accepted. These efforts paid off. The U.S. Army Corps of Engineers independently conducted extensive full-scale testing of Tensar biaxial integrated geogrids and various alternatives including both conventional construction materials and practices and other polymeric materials.

The government found that Tensar products dramatically outperformed all the alternatives and that several other forms of polymeric materials provided little or no improvement over unreinforced structures.

Now, BIAX is included in most state department of transportation specifications across the country and is widely used by contractors and civil engineers. It's become a go-to product to solve engineering challenges in earth

work construction and to reduce construction and maintenance costs. And that's all thanks to our efforts.

As I mentioned, we invented BIAX. We had a patent on the product. So when the patent ended in May 2012, we expected competition from new producers and suppliers and we were prepared for it. We made a great product -- we make a great product. We have efficient operations and the best workers and demand was strong.

The economy was continuing to recover from 2008 financial crisis. Prices of aggregate and other construction materials were rising which made the use of BIAX to reduce that amount of such materials a no-brainer.

At the same time thanks to our efforts, BIAX was continuing to gain even wider acceptance as an engineering solution. So we knew there would be room for U.S. companies like Tenax that make a competing biaxial integrated geo products for anyone else who wanted to compete with us on a level playing field. Indeed our expectations of rising demand was so strong we invested substantial sums to increase our capacity in 2012 despite the end of the patent. And that expectation has proven correct. Overall demand has continued to be very strong and is getting even stronger with the new highway funding and construction projects. This includes the new highway bill signed into law this past December which will provide $207 billion for federal highway

projects over the next four years.

So we had and have no doubt that demand for the product is going to remain very healthy. What we were not prepared for was a flood of unfairly priced imports. The expiration of the patent is not a license to engage in unfair trade. Virtually over night numerous Chinese companies have offered BIAX made to match our own specifications, the very specifications we worked so hard to get accepted in the market and at last count we identified at least 75 Chinese producers and exporters of BIAX. Many of these companies have a production capacity just as large or larger than Tensar's. And the United States is an extremely attractive market for them.

The level of unfairly traded Chinese imports that entered this market was astounding. You've already seen the numbers. In 2012 Chinese imports immediately took over 25 percent share of the U.S. market and things got much, much worse after that. From 2012 to 2014 Chinese imports nearly doubled again. By 2014 they held approximately half of this market, and this all came at the expense of our sales, our market share which plummeted during this period.

How did they do this? They did it by selling the products at absurdly low prices. Every year despite all our efforts we lost sales based on price alone. Our customers were continually telling us we had to meet these Chinese

prices or lose sales. We continue to hear that every day.

So what did we do? We fought even harder to recapture our market share on BIAX. We made our plant even more efficient. We were forced to slash prices even further and ramp up our private label program to try to compete with the dumped and subsidized Chinese imports.

As a result of these efforts, our sales volumes improved somewhat in 2015, but at a severe cost suffering an operating loss in the first three quarters of 2015.

The effects of these unfairly traded Chinese imports have been devastating for us. From 2012 to 2014 our shipments and production and earnings for BIAX all dropped significantly. And despite all our efforts to reverse this tide in 2015, things went from bad to worse as shown by the operating loss we suffered in that year.

Our inventories of BIAX have mounted and they're at their highest levels. We literally refer to the inventories in our plant as mountain morrow which you see on the screen. Our capacity utilization has declined significantly since 2012 and our plant is designed to run at a very high level of capacity utilization. We can't just flip a switch without major costs both economically and human. And in fact, we've been forced to lay off workers, cut hours, shut down production at our plants for extended periods all because of the unfairly traded Chinese imports

and the market share that they have stolen.

And our ability to invest in R&D and to make other investments that we need to constantly compete in this industry have been sharply curtailed.

As I appear before you today, it's especially frustrating to think the only reason these dumped and subsidized imports are able to sell BIAX here is because of our many years of hard work in building this market, convincing engineers, state and local governments, contractor across the United States to include the products in specifications and projects.

We did all the hard work and the unfairly traded imports have reaped the benefit. This should have been a great market for all, instead it's become a disaster for anyone who plays by the rules.

I truly believe that Tensar runs the best and most efficient operations for BIAX in the world. We're fully prepared to compete with anyone who is held to the same rules that we are. We have the best and brightest people, we do not back down from a challenge and I'm fully confident we can thrive in a fair market.

To obtain such a market however, we need strong and effective trade relief. We were well positioned to serve the market and create more jobs, help strengthen the manufacturing in this country, something that we constantly

hear from Washington, and we have the tools and the expertise to do it and a demand situation that has been very favorable.

I hope that you appreciate that from a business standpoint it is literally impossible to achieve these goals when you have nearly half of the market taken by unfairly traded imports and the threat of much more on the way.

Make not mistake, this is exactly why you see the depressed results, the layoffs and shutdowns that you do in context of a strong demand and it's what we'll keep seeing, and much worse if we do not act. That is why we're here today, we want this market to reward hard work and innovation, not dumping and subsidies. And I urge you to give us the trade relief we need and a level playing field. We will do the rest.

Thank you for your attention.

STATEMENT OF BRYAN GEE

MR. GEE: Good morning and thank you for the opportunity to appear before you today. I am Brian Gee, Director of Marketing for Tensar. I have served in various positions at Tensar since 2006 and before that at several other companies in the civil engineering field.

Currently I direct the marketing organization in the western hemisphere for Tensar's full portfolio of products and systems including biaxial integral geogrid.

I'm also a civil engineer with over 25 years of experience and I've published and presented numerous papers on geosynthetics and other engineering topics.

I strongly agree with the points made by Mr. Lawrence. I would like to expand on some of those points and address a few other topics that may arise today.

My job requires me to have great familiarity with conditions in the market for biaxial integral geogrids. I work to sell this product every day and that puts me in constant contact with everyone from our sales force to customers, to contractors and engineers to state departments of transportation, to the people on our factory floor. So I know the product and I know the market. I've seen and experienced first-hand the massive harm we've suffered from unfairly traded Chinese imports over the last few years. Demand for biaxial integral geogrids in the United States is driven in large part by construction. Both public spending on things like highways and roads and also private spending on streets and housing developments, parking lots, and many other construction projects.

Since 2012, demand overall has been very good. Contractors and engineers want to use BIAX because it allows them to save on aggregate, asphalt, and other materials. The costs of these other materials have been going up significantly since 2012. BIAX also improves the

performance and lifespan of the traffic surface. So it's a win/win. As a result, BIAX continues to be accepted in the marketplace in more projects further increasing demand.

All that being said, the past few years have been disastrous for our company. Despite robust demand and all the benefit of biaxial integral geogrids our sales of the product and our market share have declined dramatically. The reason is the flood of dumped and subsidized Chinese imports that has hit this market. They have surged into this market in huge quantities and at incredibly low and ever-decreasing prices. I constantly hear from our sales team, from distributors, and from others in the market, that Chinese BIAX is being offered for far below our lowest price per square yard and that we have to match that price or lose the sale.

Customers are basing their purchasing decisions for BIAX purely on price. If we don't lower our price to meet the competition, we lose the sale. But we have not taken this lying down. We have tried to do everything we possibly can to compete with the dumped and subsidized Chinese product.

We are constantly looking at our production process and costs to try to trim whatever we can wherever we can to increase the efficiencies of our plant.

And, of course we've continually lowered our

prices to try to match the Chinese prices. But it has become painfully clear that when we cut our prices the Chinese cut theirs even more. The result from 2012 to 2014 was a precipitous drop in our sales and our share of the U.S. market for BIAX. In 2015 we slashed prices even more and reinvigorated our private label program in a last-ditch effort to regain some of our market share from the Chinese.

Our sales volume has improved somewhat, but at a huge cost in the form of another severe blow to our bottom line as you can see from our data.

No matter what we do we continue to suffer at the hands of Chinese imports every day. As of today we are locked out of almost 50 percent of this market by unfair trade. And for those sales that we do make, we can't charge a true market based price. We have to keep prices low enough to avoid losing sales to dumped and subsidized imports.

It's difficult to overstate the impact that China's continued shipment of unfairly traded BIAX has had and is having. The impact of these imports on our sales and income has been overwhelming.

I would also like to address a few other points about this case. First, you may hear later today that BIAX prices have declined because of a decline in raw material costs. I'm here to tell you that simply has not been the

case.

Just look at what has happened to raw material costs since 2012. The key raw material for BIAX is polymer, mainly polypropylene resin. As oil prices rose and economic activity picked up, the average price of polypropylene resin increased each year from 2012 through 2014. So in a normal market you would have expected BIAX prices to rise along with it. But as you've seen from our confidential submissions we were unable to raise our selling prices for biaxial integrated geogrids over that same time period. Instead, we were continually forced to lower our prices even as our raw material costs were increasing. Why? Because of the onslaught of dumped and subsidized Chinese imports that entered and continue to enter this market.

In 2015 prices for polypropylene resin declined. However, we have continued to face severe pricing pressure from Chinese imports. In fact, many of the recent Chinese BIAX prices I've seen have been moving closer to the current price of polypropylene resin itself. So even though our raw material costs improved somewhat in 2015, that didn't help our bottom line.

To the contrary, we suffered an operating loss in that year because of the unfairly low Chinese prices for BIAX.

You may also hear claims about our products and

our commitment to the biaxial integral geogrid market. Let me dispense with each one of those points.

You should reject any notion that our products don't compete with the full range of Chinese products. I think that it may help for this purpose to see the products that we sell and the products that the Chinese sell. These are examples of our BIAX type one and our BIAX type two geogrids, common specifications that we created and the Chinese copied and sell here as well.

These are samples of comparable Chinese material.

Here is a sample of a square or balanced BIAX product made by us and this is the Chinese equivalent.

We sell a lot of square grid product as well.

Chinese BIAX or Tensar, this product is made the same way. You start with polypropylene resin pellets, the resin is mixed with black master batch, melted and extruded to form a sheet. You punch holes in the sheet with a specially designed punch press then the material is heated and stretched in two directions. The stretching on special equipment called an Orienter creates a network of strands and junctions that are homogenous and integral. My understanding is that the other U.S. producer, Tenax, uses a slightly different process but the fundamentals and the materials are similar and the resulting product is another version of a biaxial integral geogrid. We sell the full

range of BIAX products sold by the Chinese, and we compete with them on all of those products.

Tensar makes another geogrid product, TriAx, which is currently under patent. I understand that there may be some issue about whether TriAx should be included as part of this case. Let me tell you BIAX and TriAx are two very different products. This is an example of TriAx.

Like BIAX, TriAx is made from polypropylene resin, but that's where the products diverge. You can't just take a BIAX line and make TriAx. You need different thicknesses of extruded polypropylene sheet. You need different punches and have to reconfigure the punch press. And you have to put in different orienting and stretching equipment than what's required to make BIAX. TriAx also has significantly different physical and mechanical properties than BIAX. Unlike BIAX, TriAx is comprised of strands that intersect the form triangular openings and it has a high degree of radial stiffness throughout the full 360 degrees of the plane of the geogrid.

It has a completely different geometry and different rib structure and profile than BIAX which results in its having greater interlocking ability for aggregate improved performance and longer service live than BIAX. You don't have to take my word for it, independent experts have recognized that the two products have significantly

different physical and mechanical properties. And you can't just substitute TriAx for BIAX. For example, many state specifications either don't allow the use of TriAx at all or classify it differently based on its physical characteristics. Most states require a geogrid to meet certain strength properties in the machine direction, basically along its length and the transverse direction across the width of the roll. These specifications don't provide for a triangular structure such as TriAx which has no ribs directly in the machine direction. So this lack of provision for a unique structure like TriAx also distinguishes it from biaxial integral geogrids.

There are also differences in the applications for which the two products may be used.

In addition, the two products are different in the way that they are sold and marketed. We have a patent on TriAx and are the only source of this material in the United States. We also provide a range of product support and services for TriAx that is not offered with our biaxial integral geogrids. And other factors like price, customer perceptions, and the way these products are displayed and marketed are very different. So these really are two very different products and should not be considered together in this case.

Finally, you may hear that we are focused on

TriAx and are not committed to BIAX anymore. This is nonsense. BIAX is an extremely important product for us. You've seen the confidential figures and can see it accounts for a substantial portion of our business. BIAX represents a product that is absolutely vital to the health and future of our company. We wouldn't be here today if that were not the case.

You have a great domestic industry here, a high-tech industry with talented workers, an industry that wants to grow and create jobs. And I don't see why American companies and their workers should have to concede almost 50 percent of the market to unfair trade. If American mills are in the best position to serve American customers, then they should get the business period. It makes no sense to let foreign mills take market share by cheating.

I don't want to think about what will happen if these cases are not successful. As more and more Chinese imports pour into this market prices will fall even further and it will be impossible for us to compete. The results for us and our workers will be catastrophic. I urge the Commission to grant relief here and give us the chance to compete in a fair market, not a market that is distorted by unfair trade.

Thank you.

STATEMENT OF CARY WITT

MR. WITT: Good morning. My name is Cary Witt and I am president of GeoSolutions. I have over 20 years of experience in the geosynthetics and construction industries, and appreciate the opportunity to speak with you today about what's been happening in the market for biaxial integral geogrids.

GeoSolutions was founded in 1999 and has offices in Oklahoma and five locations in Texas. We are the region's largest provider of products used in soil stabilization, erosion control, and earth retention projects.

We are also the exclusive distributor for tensor products in Texas and Oklahoma, and the largest distributor of such products in the United States.

Our direct customers for BIAX are mainly paving contractors building roadways, as well as general contractors working on rural projects for subdivisions and other land development.

In Texas, the Highway Department is the largest consumer of biaxial integral geogrids. It uses a specification that specifically calls for the use of BIAX. They don't accept TriAx's or other geogrid products.

Given my long experience in the industry, I have detailed knowledge about the biaxial integral geogrids made by Tensar and the Chinese producers and the market in which they are sold.

Based upon what I have seen, I am certain that Chinese imports have significantly harmed Tensar and will hurt them further unless trade relief is granted. Why am I so certain?

I have routinely seen Tensar lose sales to Chinese imports. At GeoSolutions, we regularly bid for sales of BIAX to contractors. Every day we see contractors who purchase Chinese BIAX over Tensar's BIAX solely because of the cost of the Chinese imports.

The market for BIAX is driven by price. The customer wants BIAX that meets their specification at the lowest price. They don't really care where it comes from. I have seen huge price declines since 2012.

It was expected to see some price adjustments in 2012 due to the BIAX patent expiration. Since then, in 2013, 2014, and 2015 the price declines we've seen have all been because of unprecedented low priced BIAX coming from China. Prices have now dropped so low that there is seemingly no room left to reduce prices further.

Somehow, Chinese importers still continue to undercut the market price for BIAX month after month. Imports are significantly less than Tensar's current prices. Let me give you an example.

Tensar and Chinese both make a product known as BIAX-4100. That BIAX-4100 product just a few years ago sold

for $1.10 per square yard. Now the market price, due to Chinese product pressure, has fallen below 50 cents per square yard. That is a dramatic decline. And that is just one example for one BIAX product.

Across the board, there has been straight-line degradation in prices because of the imported product. The surprising thing to me is, this market has been so strong everyone should be making money and prices should have been increasing, or at least holding steady at their previous levels.

Demand for biaxial integral geogrids has been very strong over the last four years. Demand conditions over the next year and beyond should also be strong in our area. We have seen the demand for oil and gas development slow significantly, but overall in Texas there have been a lot of--there's been a lot of construction activity, keeping demand up.

The state economy is doing very well, and construction of roads and other infrastructure continues to grow. We also have more highway projects moving forward. So I expect the market for BIAX to continue to expand. But despite the strong and growing demand, what we have seen is the constant erosion of prices of BIAX. The reason for that is simple.

The imports coming in have been at such

incredibly low prices and in such large quantities that they've pulled the market down around them. They have made it very hard for anyone to compete. How can we match prices like that and expect to make a living at it? It's just not sustainable.

Unless something is done to address these unfairly traded imports, we will continue to be faced with an unlimited supply of low-priced product from China and market conditions will never recover.

Thank you for your time and consideration.

STATEMENT OF MICHAEL COLEMAN

MR. COLEMAN: Good morning. My name is Mike Coleman. I am a co-founder and vice president of Coleman-Moore Company, located in Des Moines, Iowa. We are a distributor of biaxial integral geogrids and other geosynthetic products.

I started selling in the business of geosynthetic products in 1994 at a company called QuickSupply. In 2004, I co-founded Coleman-Moore which operates a distributor of Tensar products serving the State of Iowa, western South Dakota, and eastern Wyoming. That's a lot of territory and a lot of roads.

Our customers are mainly earth-moving and paving contractors. Demand for biaxial integral geogrids is up because of education about the product in the marketplace

and our sales efforts.

For example, the Iowa Department of Transportation now uses the product as a matter of course because of the benefits you've heard about today. Demand has also been rising because of new factories and industry in the area that want to use BIAX in their parking lots as well as the housing boom in Iowa which is leading to more municipal street construction.

But Tensar has not been able to take advantage of this strong demand because of the irresponsible behavior of Chinese BIAX producers and those selling their products. The Chinese have been flooding the market with huge volumes of BIAX and are selling and marketing their product based only on the price.

I get e-mails from Chinese producers all the time offering BIAX for ridiculously low prices. In fact, the decline in prices over the past few years is all due to the surge of Chinese imports into the market.

To give an example, I recently saw a DOT project in Iowa calling for BIAX product which previously would have been about $1.15 a square yard to the customer. That job went for 60 cents a square yard.

Chinese product has been undercutting and underselling everything. Recent prices for BIAX from China have been around that 60 cents per square yard, but

sometimes as low as 56 to 57 cents per square yard to the contractor. My customers are always coming back to me with Chinese prices that are 15 to 20 percent below the price I am quoted from Tensar.

I've told Tensar about this, and Tensar has had to cut its prices in order to try to keep or win the sale. Many times Tensar has lost a sale because of the unfairly low Chinese prices.

Purchasers are driven by the lowest price, regardless of the source. Tensar sells both BIAX and TriAx product in Iowa, but the products are viewed and treated very differently. The Iowa DOT does not accept TriAx. On the other hand, private projects do use TriAx because of its clear benefits over BIAX.

For example, TriAx reduces demand for aggregate by about three inches compared to its BIAX counterparts in projects in Iowa. There's certainly a substantial difference in the rock required for TriAx versus BIAX depending on the soil type and design life of the pavement.

So using TriAx makes a huge difference in project costs and TriAx seems a different and more advanced product then BIAX in the marketplace. On BIAX, Tensar has lost an enormous amount of sales due to the onslaught of Chinese imports based on what I have seen.

The problem has been severe, and I believe that

conditions will only get worse if something is not done to ensure fair trade. It is getting to the point where no one can compete with these Chinese prices. When the prices to contractors are below what Tensar can quote me, I will lose the sale every single time. It is simply not sustainable, and I urge you to find in favor of trade relief.

Thank you for your attention and consideration on this matter.

STATEMENT OF DAVE BROOKS

MR. BROOKS: Good morning, and thank you for the opportunity to be here today.

I am Dave Brooks, president of ACF Environmental. We are a distributor of BIAX geogrids located in Richmond, Virginia. ACF has been in the business of distributing geosynthetic products for over 30 years. We deal in various geosynthetic products. Some of those are imported. However, the biaxial integral geogrid we sell is sourced from Tensar.

ACF is the exclusive distributor for Tensar in Virginia, Maryland, Delaware, and part of New York. We also sell Tensar products in other areas on the East Coast, including North and South Carolina.

Our main customers are contractors. Indirectly we work with the engineering community to define specifications for particular projects which in turn drives

the sale through the contractor. Almost all of our sales go through a set of contractors.

The driver of demand in BIAX in our sales territory is road construction, particularly in areas where subsoils are not as stable as in other areas, or where the engineers and contractors for projects want to minimize the amount of stone used.

Stone can be very expensive, and so anything that can be done to decrease the amount of stone adds to savings on the projects. Demand for BIAX has been and remains good. Our customers use BIAX all the time. It's an accepted product, and the state and local specifications call for it in many applications.

I expect that once the transportation bill is fully implemented, demand will continue to grow over the next year, and for years to come. But the problem is that it is nearly impossible for us to compete in the BIAX market and make any money. This is because of the huge volume of low-priced Chinese product that we have seen come into the marketplace.

In fact, we have seen underselling of Tensar's BIAX products by Chinese imports across the board all the time. The companies selling Chinese BIAX are price leaders and they're leading the market only in one direction: to the bottom.

Most of our BIAX customers now do not really care about the source of BIAX. They want a product that meets their specifications at the lowest possible price. The lowest price--the low-priced Chinese product has become so widespread in the market that when we try to sell Tensar we are immediately asked to drop our price to match that of a supplier selling a product from China.

This has a huge impact on how we sell. We routinely have to go to Tensar and tell them we are going to lose the business on price. And Tensar and us as a distributor have to lower our prices in response. And even if we do match the price, sometimes you don't get the business.

So even though demand is very good, prices continue to decline overall. And this price decline is entirely due to the prices that the Chinese are charging in the marketplace. Chinese imports continue to flood our market at lower and lower prices.

I completely agree with what the other distributors have told you this morning. The level of pricing created by the imports from China is not sustainable. We cannot keep lowering our prices, and lowering our operating margins, and lose sales forever. Something has to give.

Without relief from unfair trade, that something

will be the U.S. industry. I urge you to do everything in your power to prevent that from happening. Thank you, very much.

MR. GERRISH: That completes our presentation.

MR. ANDERSON: Thank you, Mr. Gerrish. I would like to thank the panel and all the panel members for their presentation, and for being here. It's very helpful to get more details and insights into your operations, and the market, and the product.

At this time, we would like to have staff ask a few questions, and we will start on my right with our Investigator Ms. Sherman.

MS. SHERMAN: Okay. Thank you all for being here this morning. I appreciate you taking the time out of your schedules to come and explain more about the industry to us.

My first question was to help me understand the different types of integral geogrid products on the market. I believe from what I've heard today there are two or three products on the market, the biaxial, the Tri Axial, and the Uni Axial product.

Can you describe the different applications that would be used in these three products?

MR. GERRISH: Jeff Gerrish for Tensar Corporation. I'll start, and then I'll turn it over to Bryan Gee for any

elaboration on that.

As you indicated, there are different types of geogrid, integral geogrid products. The UniAxial product that you mentioned is oriented and stretched in one direction, hence the term "UniAxial," and has tensile strength in that one direction. And it is used in wall systems, retaining walls and, you know, in slope applications.

You also have the biaxial integral geogrid product that we've been talking about here today, which is oriented and stretched in two directions. And that can be used for several different application. It can be used in roadway applications, as well as in other surface stabilization and reinforcement applications. It could also be used in things called "marine mattresses" as well as in certain wall systems, as well.

The TriAxial integral geogrid product is used I think exclusively in roadway applications or other surface stabilization and reinforcement applications.

And, Bryan, do you have anything to add to that?

MR. GEE: Yeah, I'd add a little bit to that. The UniAxial product is designed to be loaded in the plain of the material only. That's what it has the tensile strength in one direction.

The BIAX and TriAx in a roadway application would

be loaded perpendicular to the plain of the geogrid. So it's a different type of use, even though they're both integral geogrids.

As far as the wall applications for BIAX, those are primarily surface stability as opposed to the structural stability provided by UniAxs. And then as far as the applications of TriAx, there is one additional one that Jeff didn't mention, which is it's sort of a--it's slightly different from the roadway application, and that would be a foundation. We use it in a system with multiple layers to provide a shallow foundation in place of a conventional foundation.

MS. SHERMAN: Sol it sounds like in roadway applications that the Biaxial and TriAx products could be interchangeable? Is that correct?

MR. GERRISH: Again, Jeff Gerrish for Tensar Corporation. They are not interchangeable. In fact, as I think Bryan alluded to in his testimony, in many states specifications don't allow for the use of the TriAx product at al. They only allow for the use of the BIAX product.

And in other states that do have a provision for a triaxial geogrid product, the two products are treated completely separately in the specifications. So they are, again, not treated as interchangeable products.

And in addition to that, you know, you can't--

even when it allows for the use of TriAx and BIAX in a specification, you can't use one and replace the other. You would have to significantly change the engineering design for the roadway system.

MR. GEE: Yeah, I think that's the key point. I think Jeff covered--sorry, Bryan Gee with Tensar. Jeff covered the specification issue well there. I think the performance issue also goes to why they're not interchangeable.

Because TriAx confines aggregate more efficiently, it creates a stiffer, more stable composite layer. That means that you have to design that layer slightly differently with TriAx than you would with a biaxial geogrid.

So if you wanted to substitute one for the other, you would have to re-engineer the design. You would have to redo the design. You can't simply swap one out for the other.

MR. LAWRENCE: Mike Lawrence with Tensar. Just to add one component. Any other method of building a road would need that same kind of engineering redesign. You could use chemical stabilization, you know, lime, you could use more aggregate. You know, all these are methods, you know, of building roads. You could use a fabric. You could use a biaxially oriented material. Or you could use our

TriAx. Each, though, would require a different road design to make sure that the application works for the number of traffics, and time, and road duration that's required in the specifications.

MS. SHERMAN: Thank you. And just to confirm, I believe this morning I heard that the BIAX and TriAx products are produced on different machinery? Is that correct? Two discrete production lines? Is that correct?

MR. GERRISH: There can be BIAX and TriAx produced on the same production line, but there are just vast differences in the production process for the two product.

First of all, they both use of course polypropylene resin pellets. But that's where the similarities end. When you have an extruded sheet of material, it is exclusively dedicated to one product or the other. You know, polypropylene sheet for TriAx cannot be used for a BIAX product, and vice versa. The two products have different thicknesses and widths in terms of the polypropylene sheet.

Now once it goes into the next phase is into the punching press. You have to complete retool the punching press to produce one product versus the other. And then the product moves into the stretcher, or the orienter, and to produce TriAx you have to install special and expensive beveled rollers and special tensioning equipment. That same

equipment is not used to produce the biaxial integral geogrid product.

So it is at every stage after the polypropylene pellets, it is a completely different production process.

MS. SHERMAN: So up until the point where you're making the polypropylene sheet, the pellets going into the machinery, that's the same process. And then it kind of splits off between TriAx or BIAX, right?

MR. GERRISH: Yes, that's correct. The polypropylene pellets are the same. And again, this is sort of akin to a welded line pipe versus welded standard pipe. You know, you're using hot-rolled steel as the input into the production process for both products which are being produced on the same line, but they are obviously two very different products.

MS. SHERMAN: Does--Tensar does not product woven geogrid products? Is that correct?

MR. GEE: That's correct.

MS. SHERMAN: Okay. Do you know, is the production process for that product completely different? Or is it a similar process?

MR. GERRISH: Jeff Gerrish for Tensar, and I'll let Bryan speak to this a little more, but, yes, it's a completely different production process. You know, the Tensar production process involves taking the polypropylene

pellets and extruding them into a sheet, and it's an integral product. It's a homogeneous product. Whereas with the woven, knitted, or laser-welded products, it's two straps, or strips of material that are woven together, and it goes through a knitting machine, or they have to be overlaid and then welded together in a laser-welded product.

So it's a completely different production process. I don't know if you want to add to that at all?

MR. GEE: That's good.

MS. SHERMAN: Okay. Thank you. The patent that was on the biaxial product, when did that go off patent?

MR. GERRISH: Jeff Gerrish for Tensar. It expired in May of 2012.

MS. SHERMAN: So that was--and that was the same time that the patent started for the triaxial?

MR. GERRISH: No, that is not correct. Actually, I think the patent went on the trixial geogrid product in 2003, okay, 2003. And, yeah, so they were completely different time periods.

MR. GEE: Bryan Gee with Tensar. Just to add to that, we obtained the patent in 2003. We introduced the product in Europe in 2007, and in the Western Hemisphere in 2009.

MS. SHERMAN: Okay. Thank you. Does the domestic biaxial integral geogrid industry have the capacity to

supply the entire U.S. market?

MR. GERRISH: Jeff Gerrish for Tensar. I can start on that, and Mike can add. It certainly has the capacity to supply the entire U.S. market. And I think you can see from Tensar's data that, you know, they have the capacity to supply the entire amount of apparent domestic consumption.

And over the Period of Investigation, due to their significant amount of loss of market share, they've had a huge increase in excess capacity. Their capacity utilization rate has dropped significantly over the period because of the flood of Chinese imports.

And in fact in 2012, Tensar actually expanded its capacity for biaxial geogrid production. So it clearly has the ability to meet all demand in the market.

MR. LAWRENCE: Yeah, I'll just say the same, because, you know, we expanded capacity to make sure that we had enough for the entire market, and we put that money in capacity. As Jeff mentioned, we've experienced significant layoffs every year based on the unfairly traded imports that we've had to cut back capacity and lay off employees. But we're fully prepared to meet the needs of the market. Absolutely.

MR. GERRISH: Jeff Gerrish for Tensar. Just one additional thing to add. You know, as Mike was mentioning,

they've had to lay off workers and shut down the facility for extended periods of time over the last two years.

In addition to that, just starting in 2016 they've had to cut back even further the work week. Typically it's based on a seven-day work week. It's now down to I believe it's five-and-a-half days. All as a result of the imports that have flooded into the market.

MS. SHERMAN: Thank you. If someone could give me more information about the imports that are coming in, are there any other--is the product being imported from countries other than China? Or is it primarily China?

MR. GERRISH: Jeff Gerrish for Tensar. It is exclusively China.

MS. SHERMAN: Are they being produced in other countries, do you know?

MR. GERRISH: Again, not to my knowledge, no. We believe it's all being produced in China. And, you know, I think, you know, we addressed in the Petition the fact that they have a certain shipment showing as having a shipment point of somewhere in Korea, I believe, but those are clearly Chinese imports coming in. The company identified on the bills of lading are Chinese companies, and there are no producers of this product in Korea. So it is clearly all coming in from China.

MR. BOLIN: This is Nate Bolin. Just to add to

that, there is also the capacity, It's my understanding, to produce biaxial integral geogrids in other countries besides China.

MR. LAWRENCE: Yeah, they product it in other countries, but there's none being imported except from China that we've seen, just to be clear.

MS. SHERMAN: In the Petition, it states that Tensar has a manufacturing plant in China. Can you talk more about the nature of the operations there? Is that to supply the domestic market in China? Are you importing from this firm? Can you talk more about that?

MR. LAWRENCE: Sure. Mike Lawrence from Tensar. We have manufacturing in Europe, in China, in Russia, as well, and those are exclusively for those markets. So that's for the Chinese market as well as the East Asia, the India market, the Australia market, which we sell into as well.

So we ship from there to all those markets. We had one shipment in 2012, very, very small, three containers or something, and we haven't shipped any material into the U.S. from that plant since.

MS. SHERMAN: And then finally, I was hoping to get a little more information about the industry in China. You mentioned this morning that the industry in China is composed of over 75 firms, and you mentioned one large firm,

but do you have any sense of exactly how big the entire industry is? What the entire capacity is in China?

MR. GERRISH: Jeff Gerrish for Tensar. We do have information that we've been able to obtain with respect to, you know, the capacity for the Chinese production in China. It's not, unfortunately not easily accessible, but we have been able to gather information based on company websites and other data that is available. And we are going to be providing that information in our post-conference brief.

I can tell you we cited one example, TMP, which obviously has a huge capacity. But that company is not an isolated example. And there are several others who have, you know, either--capacity equal to or much greater than Tensar's. But we will be providing information on that in our post-conference brief.

MS. SHERMAN: Okay. Thank you. So in general do you know if the industry is composed of a few large players? Or are there multiple--are all of the companies in China this big?

MR. GERRISH: Again, Jeff Gerrish for Tensar. I think it's a mix, but there are several producers of this size in China. And, you know, it's just a--you know, but again I think there is a mix of different sized producers.

MS. SHERMAN: Okay. Thank you very much. I have no further questions.

MR. ANDERSON: Thank you, Ms. Sherman. Now we'll turn the microphone to Ms. Viray-Fung.

MS. VIRAY-FUNG: Good morning. Thank you for being here. Can you guys hear me okay?

MR. GERRISH: Yes.

MS. VIRAY-FUNG: I want to just expand a little bit on something that Ms. Sherman said. It sounds to me like the raw material for BIAX and TriAx are extruded at different thicknesses. Is it extruded on the same machinery?

MR. GERRISH: Jeff Gerrish for Tensar Corporation. Yes, it's extruded using the same machine.

MS. VIRAY-FUNG: So that's the final point -- at that point after they diverge and go to different production processes?

MR. GERRISH: That is exactly correct, yes.

MR. GEE: Bryan Gee with Tensar. Just to clarify -- the production processes diverse. But the machinery is -- there's some of the same machinery that is retooled depending on which product you're running. So it's not a completely separate product line, but it has to be reconfigured when we switch between products.

MS. VIRAY-FUNG: You mentioned that you retool the punching press?

MR. GEE: Yes.

MS. VIRAY-FUNG: You also mentioned bevelers and rollers. Does the BIAX go through that same process as well?

MR. GEE: Bryan Gee with Tensar again. No, it doesn't. Those beveled rollers are part of a tensioning system that we had to install when we developed TriAx in order to stretch it properly.

MS. VIRAY-FUNG: Okay, so that machinery is just exclusively for --

MR. GEE: That's correct.

MS. VIRAY-FUNG: Okay. All right. Thank you. Are you able to discuss whether it is the larger state projects or the smaller ones that tend to drive demand? Is it equally divided between the two? Do you have a sense?

MR. GEE: Bryan Gee with Tensar. It's divided between the two. We often look at the market as having a public component and a private component.

MS. VIRAY-FUNG: Okay.

MR. GEE: There's a lot of private construction in the United States. It tends to be driven by different factors. If there is a specification that includes BIAX, that very quickly goes to price. But performance of the material and the design of the material tends to be more valued in the private side, because the overall savings of money on the design is more important. On the public side

it tends to be driven by those public specifications that we've mentioned before, and so we're pretty much held to that and forced to bid on price.

MS. VIRAY-FUNG: So you've mentioned on the public side -- I've been hearing a lot about state specifications. Is that the only level of -- are there city specifications as well, or is it just state?

MR. GEE: Bryan Gee with Tensar again. There are some city or county specifications.

MS. VIRAY-FUNG: Okay.

MR. GEE: They typically follow the state that they're in. But there are exceptions. There are places where a city or a county has a different specification than the state they're located in. Often, at the county and municipal level, the engineering staff is not as extensive. They don't have as many resources, so they often simply adopt the state specification.

MS. VIRAY-FUNG: Okay. And the private ones have -- are they bound by the same specifications?

MR. GEE: Bryan Gee with Tensar again. No. They can be, if the consulting engineer writes the specification based on a state, but the states don't dictate the specifications for private work. They only dictate the specifications for public work.

MS. VIRAY-FUNG: So in that private construction,

are BIAX and TriAx interchangeable?

MR. GEE: They are both used, but they're not interchangeable because that design needs to change. So you will often have a road that might be built in a private market. There would be one design for BIAX and one design for TriAx and they might have different quantities or types of other materials in the road section. More or less aggregate, more or less asphalt, different specifications for other parts of it, you design the entire road together.

MS. VIRAY-FUNG: Okay. Do you have a sense of -- I'm sorry. Go ahead.

MR. GERRISH: Just one thing to add. Jeff Gerrish with Tensar. When Bryan talks about differences in the amount of aggregate, differences in the amount of asphalt, we're talking potentially significant differences in the amount that's used in each of the aggregate and -- so this makes a significant difference when you have to re-engineer the design of the project.

MS. VIRAY-FUNG: Could you elaborate a little bit? Could you give us an example?

MR. GEE: Bryan Gee with Tensar. Sure. So, if you -- it's difficult to do a typical road, but if you design a flexible pavement section, that is, it would have aggregate and asphalt. The typical street with an asphalt top, if you're used to. If you use the biaxial geogrid in

that section, you would need a certain thickness of aggregate and a certain thickness of asphalt to achieve the traffic life that you're after with that road.

If you use the TriAx geogrid, you could use less aggregate and less asphalt, or you could make the road last longer with the same amount of aggregate and asphalt because the TriAx makes the aggregate layer, the composite layer, stiffer.

This has a lot of implications for the project. For instance, if the street has curve and gutter, the thickness of that road section is going to have an impact on the overall design. You can't simply change the thickness of the road because then your curve and gutter won't be at the right elevation.

So, if you want to go between them, you've got to change the design, both for the thickness of the section and also to make sure your elevations and your plans and your drainage all work correctly.

MS. VIRAY-FUNG: Okay, thank you. Do you have a sense of what I'm hearing about states that do accept both and some that don't? Do you have a sense of what the proportion is?

MR. GEE: Let's see how best to answer that. Bryan Gee with Tensar. All fifty states, accept Biax in some form. As far as acceptance of TriAx, there are fewer

than ten that have a standard specification for it. I'm sorry I don't have the exact number. There are others that possibly accept it via special provision, but it's not incorporated into their standard spec.

MR. GERRISH: Jeff Gerrish for Tensar. We can address that in our post-conference brief.

MS. VIRAY-FUNG: All right. And I do have another question. Can you also address whether you anticipate that number of states intend to move up in the future?

MR. GEE: We're doing everything we can to move that up. We would like to have TriAx accepted in all fifty states, but in order to do that, we're having to change the philosophy of the specification agencies. Because we're having to get them to introduce performance specifications as opposed to material specifications.

MS. VIRAY-FUNG: Okay. Thank you. I do have one more question. You said that the TriAx is used for foundation purposes as well? Is the BIAX used for that as well?

MR. GEE: We no longer design with the BIAX for the foundations. We develop a system, we market it as the Dimension System. It's a very small part of our business.

MS. VIRAY-FUNG: Okay.

MR. GEE: It currently is configured to work with

two SKUs of TriAx. We no longer design it using BIAX. It was originally created with BIAX.

MS. VIRAY-FUNG: Okay.

MR. GEE: But we can create a stiffer layer with TriAx, so we use that in that system now. I'm not aware of whether any other manufacturer has created a similar system.

MS. VIRAY-FUNG: Okay. So TriAx is used for roads and foundations exclusively? That's it?

MR. GEE: Yes.

MS. VIRAY-FUNG: All right, thank you. I have no more questions.

MR. ANDERSON: Okay, thank you, Ms. Viray-Fung. Now we'll turn the microphone over to Ms. Cohen.

MS. COHEN: Good morning. I'd like to just follow up on a couple of things that were just asked. So it was stated that engineering designs would have to be changed to be able to switch to TriAx or to use other substitute products. How far in advance are the designs finalized versus when they would be purchasing the BIAX product?

MR. GEE: Bryan Gee with Tensar. That varies quite a bit, but it's typically driven by the date that the contract is awarded to the construction contractor. So the plans would all be prepared before the construction contract is awarded. That might be awarded by negotiation or by bid, depending on the process.

It could be anywhere from -- it's unlikely that it's less than six months, and it could be to a couple of years ahead of time, when that design would be completed, because the owner may hire the engineer to do the design, then still have to arrange funding to construct the project. There's a lot of different things that can extend that construction cycle, but the quotes whether they negotiated or bid are going to be based on that design that the engineer prepared, however it was designed.

MS. COHEN: Okay. For the distributors too, is that your experience?

MR. BROOKS: Dave Brooks with ACF. And typically as he said, an engineer designs a project to perform a particular function, number of cars, life of road, and they'll come out with a design. That design takes quite a bit of time, it's not something that changes routinely.

So it will be done sometimes years in advance, go to project, project gets funded, project gets bid, contracts get let, and then a contractor comes to us to get a price on a product as it was designed. So in a situation like that, to go to an alternate product, now you have to go back and offer an alternate product to get a re-design, as they said in height of the aggregate, or change of the type of asphalt or something like that, and get that approved back through the cycle. So it's at times a pretty arduous process to get

that design changed.

MS. COHEN: So if we saw the prices of aggregate coming way down, are we going to see a switch away from BIAX, or is that more of a longer term situation?

MR. GEE: We monitor aggregate pricing. We don't see it going anywhere but up. There's a limited quantity of that resource. In areas where, if the price were to come down, it would decrease the value proposition for BIAX, because you wouldn't -- saving an inch of aggregate would save you less money if the aggregate is less expensive. So BIAX is most valuable where aggregate prices are high, similar for TriAx.

MR. GERRISH: Just one thing to add to that. I think what we've seen, though, over the period of investigation is, aggregate prices have continued to increase and yet, Tensar sales of BIAX have declined precipitously. The pricing has declined precipitously. So it's all -- it really has not followed in relation to changes in the aggregate price. It's all been due to the price setting by the Chinese imports, which has just been down, down, down the entire period.

MS. COHEN: But the overall demand for the product, for BIAX --

MR. GERRISH: -- has remained strong throughout the period.

MS. COHEN: It's increased, correct?

MR. GERRISH: Correct. And is only expected to increase going forward. But it's increased and been strong throughout the period.

MS. COHEN: The date on the petition showed a slight decline in 2014? Was there a downturn in the market for BIAX, or is there something in the data that are --

MR. GEE: I believe that that's a function of our difficulty in getting the data exactly right in terms of what might've shipped to Canada. There are some imports that come through the U.S. and go to Canada. Canada suffered a decrease in demand for BIAX in 2014 as the oil price fell, specifically in Alberta. So we've done our best to split the data, but it's very difficult to track.

MS. COHEN: So those are your exports or those imports that are re-exported to Canada?

MR. GEE: Well, when we quantify the market, we look at our production plus what we see being imported. We've got much more detail we can provide in the post-conference brief, but essentially we're looking at import records to try to get this information.

MR. GERRISH: But I think that, you know, really the key is -- apparent domestic consumption has remained very strong and very consistent throughout the period. It really, you know, has been no significant change at all. It

was very slight. And of course, there was a significant increase in 2015, and yet, again, Tensar's operating income in that period went to a loss. So yeah, demand has remained strong throughout the period -- there really has been no significant change there at all.

MR. GEE: One additional factor that I'd like to note, which is probably stronger than what I noted before and I apologize I didn't think of it is that because the importers bring this in, in large shipments there's -- when you look at annual data and you only look at the day that it hits the port, you don't -- there is some -- they would import some in 2013 that would be sold in 2014.

So we're attempting to determine their demand, but obviously I can't -- I don't know when they sell the product, so if we see an import in the 4th Quarter, it's probably sold in the 1st Quarter of the following year, so a slight dip in 2014 may simply represent the import pattern.

MS. COHEN: And for the distributors, is that where you see strong increasing demand throughout the period? Is that your experience?

MR. WITT: Cary Witt, GeoSolutions. Yes, the demand has continued to be very, very high. There's a lot of construction, you know, throughout the U.S. Certainly I speak from a Texas standpoint and there's a lot of activity out there.

MS. COHEN: Thank you. I want to get a little more information about how sales work in this industry. Can you discuss the role of distributors and the Tensar, all of the Tensar distributors, are they exclusive to Tensar products? Can they sell Chinese product too?

MR. GERRISH: I'll start. Tensar has a group of exclusive distributors that have the rights to distribute their merchandise within certain geographic locations. It may be, you know, particular states or particular areas of states. However, I believe the way this works, is outside of those regions they are free to sell other material, but within that geographic location they are exclusive to Tensar.

Now Tensar also does sell to other distributors as well. Well, they sell to companies that are part of their private label program, and so they provide material to these private label suppliers, who in turn, put their own branding on it, their own private label on it, and sell it as their product. And these are the same companies that are importing the merchandise from China.

MS. COHEN: Okay, so just for our distributors here, do any of you sell Chinese product? Or just distribute the Tensar product?

MR. COLEMAN: Mike Coleman, Coleman-Moore. No. Zero square yards of Chinese product.

MR. BROOKS: Dave Brooks with ACF. We think, as Mr. Gerrish said, we're exclusive with Tensar in a few states, Virginia, Maryland, Delaware, not exclusive in other areas. So we're able to sell whatever geogrid we can in those other areas.

At this point we do not import any Chinese geogrid in any of those areas. We do buy from some other U.S. suppliers, they may be bringing in Chinese, but I -- we don't do that directly. We're buying through other U.S.-based companies. You know, we've chosen as a business to support the U.S. product.

Tensar's done a lot to help us compete in areas, even though the declines we've seen have just been more than we see in any kind of other industry, most substantially more than we've seen in other industries that have kind of gone through this materials change to imports -- big one in our mind maybe being the geotextile industry's gone through this same kind of thing.

Just seems the volume of price decline, and this is much, much more substantial than we've seen. But Tensar's tried to -- we've worked with them a long time. We're trying to work through them to address the market. That means they reduce their price, we significantly reduce our margins, we make less money. It hurts us in trying to offer the services we offer our contractors, but at this

point, we're trying to support that product line.

MS. COHEN: Mr. Witt?

MR. WITT: Cary Witt, GeoSolutions. I am an exclusive distributor for Tensar in my states. And typically, as a distributor you have to kind of, you know, choose which side of the coin you're going to be on. You're either going to be an importer or you're going to be with a domestic manufacturer. We've chosen -- due to the massive support we get from Tensar to go that particular direction.

MS. COHEN: And maybe for post-hearing, not to do it now, to describe what goes into becoming a Tensar distributor, how that process works.

I have some questions about the private labels, and how that works. What is the process for the private labels -- so there's companies that have their own label? Do they supply both domestically produced and imports under the same private label?

MR. GERRISH: I'll start. My understanding is yes, they -- first of all, they do -- the companies that are participating in Tensar's private label program, also are importers of the Chinese merchandise. And my understanding is that they put their same private label on both the imports and the merchandise that they get from Tensar and then supply them to their distributors and end-users.

MS. COHEN: Is there a contracting process for

the private labels?

MR. LAWRENCE: Mike Lawrence, Tensar. Mostly it's a shipment by shipment, you know, thirty days of supply, maybe in sixty days, something like that. But there's no long-term contracts in that part of the industry.

MS. COHEN: And in general for Tensar sales, are they mostly contract sales or spot sales? For sales to distributors?

MR. LAWRENCE: Mike Lawrence, Tensar. There's contracts for distribution rights, all right? So exclusive rights for different portions of states. But the pricing is fairly much negotiated on a case-by-case, job-by-job -- there's really no second sales to a job site or a road. Once it's done, it's on to the next job site, the next road, the next engineering project. So each is separate, distinct and often negotiated one-on-one.

MR. GERRISH: Just to add to that. You know, these are contracts, but not contracts in the way a lawyer might think of them in terms of having, you know, binding, fixed prices and fixed quantities. As Mike as saying, the pricing is done on a sale-by-sale basis. They have to respond to what's going on in the market.

So, when their distributors come to them and say, you have to meet this price, which is the Chinese price, they then have to meet that price to try to get the sale.

And obviously very often they have not been able to meet that price and they've lost the sale and lost market share in the process.

MS. COHEN: And I know this is going to come up in some conversations about the private labels, whether the pricing data should be included or excluded --

MR. GERRISH: I'm happy to address that again. Yeah, the pricing -- you know for the private label sales -- should not be included in the pricing products analysis. These are sales to a completely different level of trade than what should be factored into the analysis, and I think you've done that in the past in other cases involving private label sales.

These are sales that involved merchandise being provided to these private label suppliers who, again, are putting their own private label, their own branding on the merchandise. These are the very same companies that are importing the merchandise from the Chinese.

So if you were to do that comparison between the merchandise that's being provided to the private label suppliers, you would then be comparing the prices to those companies to their prices of the Chinese merchandise to their downstream customers with twenty percent or more markup in the product. So it would be a completely distorted analysis. Because these sales are at a different

level of trade completely, and again it's just it's completely different tier and you know, they've reported their direct sales to their distributors --

MS. COHEN: Would that be true for the nonprivate label sales as well?

MR. GERRISH: It would not be to the very same companies that are, you know, selling the Chinese merchandise. You know, so no, it would be a different comparison. It would be a different level of trade that they would be reporting on. And there's differences, too.

MS. COHEN: I guess my question is, are the distributors -- are there, like, different levels of distributors that -- or is that an issue?

MR. GERRISH: I mean these are many times master distributors that are, in fact, selling to other distributors. And, again, with their own labeling, with their own brand name on it, and so it's really a completely different, a whole different group and tier of sales there, than the Tensar merchandise that's being provided and sold to their distributors as Tensar product, which then goes to end-users at that point.

MS. COHEN: Okay, just to address what the respondents brought up in the opening statement about that Tensar was going to discontinue and also that it was going to discontinue the Type 2 product? Do you have any response

to that?

MR. GERRISH: I can start. You know, I think Tensar's demonstrated throughout, both in the data that they've provided to the Commission, as well as in the testimony here today, that they have a very, very strong commitment to biaxial integral geogrid in its entirety. All forms of biaxial integral geogrid. They have a substantial amount of their sales in this product.

And they have had that be the case throughout the period of investigation. And they've demonstrated their commitment to this product in 2012. We've talked about it, they had a significant expansion of their capacity to produce the biaxial integral geogrid product. I don't know you can possibly look at that other then, that's a strong commitment to the product.

A company that expands its production, expands its capacity, certainly isn't going to abandon their sales and production of that product. And the other thing, again to keep in mind is, these state specifications very often exclude the ability to use TriAx. It's not just like you have the ability to use it. They specifically exclude the use of TriAx.

They specifically talk about the fact that you have to use a biaxial integral geogrid product, so obviously there, you know, to sell in those states, they have to --

they always sell the biaxial integral geogrid product. But again, throughout the period of investigation and as they've demonstrated here, they've had a very strong commitment to this product.

MS. COHEN: So no announcement to discontinue Type 2?

MR. GEE: Let me address the specific instance you're addressing. All things being equal, we would rather TriAx than biaxial geogrid. It's patented, it's differentiated, it's a better performing product. Our customers will pay more for it because it works better.

So that said, we recognize that we had to stay in the market for biaxial geogrids because of the specification issues that Jeff listed. The specific announcement regarding Type 2 was that we were going to move that to a special order product because we would prefer to sell TriAx.

That doesn't mean that we wouldn't make it anymore, and it didn't mean that we wouldn't make other biaxial SKUs. That was one particular SKU that often came up against TriAx. We prefer to sell TriAx, so we made it a special order. We didn't pull it from the market. It was never pulled from the market.

MS. COHEN: So what does that mean, special order?

MR. GEE: In other words, we weren't going to --

we were going to discourage stocking of it. We weren't going to -- we would prefer to sell a TriAx as a stocked product with our branded distributors as opposed to that particular SKU of BIAX.

MS. COHEN: So for the distributors, have you -- are you now using TriAx instead of the Type 2, or what has been your experience?

MR. WITT: We inventory all the products. We have biaxial inventory, as well as TriAx. There are some customers that prefer biaxial, so we have that to service that end of the market. We have sort of more discriminating customers that want a more technical final product, and we'll encourage them to use TriAx. The market's composed of both BIAX and TriAX.

MR. BROOKS: Dave Brooks with ACF, and I think just to add to his answer, we have to sell what customers want to buy. I mean we are not in a position to maybe dictate as much as we might like or maybe even Tensar might like. So we have to stock -- as Cary said we stock both products in sufficient quantity to take care of what our customers are requiring of us. I don't know the relationship to TX, but we sell both in significant quantities.

MR. GEE: Bryan Gee with Tensar. Let me just add to what the distributor just told you. Type 2 is no longer

a special order product. The market did not allow us to pull back with that product. There's still demand for it, so we don't make -- it's not a special order product at this time.

MS. COHEN: Okay. So when did that -- when did it stop being a special order product?

MR. GEE: Very shortly after we tried to make it one frankly.

MS. COHEN: Okay, so it didn't stick.

MR. LAWRENCE: Mike Lawrence with Tensar. I mean if you look at the numbers and you'll see, I think, in the data that you have confidentially, TX is a big product for us and that's true in our markets. We know long term that it needs to be.

Again, the specifications drive that, but also just the usage is very, very high and we understand that. So we're committed to it.

MS. COHEN: Eventually do you see the market moving towards the TriAx, to TriAx and --

MR. LAWRENCE: To me markets, you know, move on their own volition and we follow them, right. I mean we -- we can think that you impact the markets, but you really don't.

You follow what the market needs and wants and we're prepared to do that. Whether it's UX, BIAX, TriAx,

the next product that we invent hopefully, you know, that will change the world or even substitute products that are out there. All of them are offered. We try to supply the ones that we can to the market.

MS. COHEN: Okay, thank you. Is there any shift in the market from the Type 1 to Type 2 or between the different BIAX products or are the sales of those pretty constant?

MR. GEE: Bryan Gee with Tensar. It varies by the region of the country. I will say that one of the things that we have seen, as soon as the imports came in, was a shift in the relative pricing of Type 1 and Type 2. We historically priced those skews based on their ability to solve the problem in the engineering design.

They're typically priced to the market by the Chinese manufacturers based on the cost of the plastic that's in the product. What that resulted in is a compression in the price of Type 2, because Type 2 provides more performance, more performance differential than there is plastic differential in the product.

But because the market very rapidly went to a very narrow cost plus basis, the price of Type 2 compressed because it came down to the price of the plastic instead of the price of the performance delivered by the product. Other than that, any shifts among skews are regional, and

they depend on factors like what specification is being written or in use by a particular DOT.

MS. COHEN: So the price decline for Type 2, are you seeing more sales of that versus the Type 1 because of the price, relative price drop?

MR. GEE: Bryan Gee with Tensar. At first, again in the markets that we could see, because I can't monitor my competitors' sales, we did see some skew shift toward Type 2 because it became a better deal. Now what we've seen starting in late 2012 end of '13 is that the shift, if anything, has gone back the other way because the lowest price product is the Type 1 or even lighter products than the Type 1 that are not one of the pricing products.

And as the price has been driven lower and lower and lower, everyone's simply trying to get to the cheapest possible skew.

MS. COHEN: Do distributors have any comments on that?

MR. BROOKS: I can just add. We sell more of the Type 2 than we do of the Type 1. I'm not sure there's a fundamental reason for that.

I do think that one of the issues we run into is on the Type 1, we're simply not competitive with where some of the Chinese product is very, very cheap in that market, and I think that we may be losing that market to other

distributors. So that might be the reason for the skew more towards Type 2 than to Type 1, at least in our business.

MS. COHEN: All right, thank you. So just two more questions and then I'll let someone else ask a question. How important is service and technical support in this industry, and the ability of Tensar to be able to provide those services versus importers?

MR. GERRISH: I'll start. This is Jeff Gerrish for Tensar. I think what, you know, what we've seen in the market and what we've been told is that really the only thing that matters is price, that you know these other factors, other non-price factors do not have an impact on whether Tensar is able to get the sale versus the Chinese.

So it's all really based on, you know, what is the lowest price and the Chinese have come in offering what they claim is the same product for a much lower price, and that's how they've been able to, you know, obtain as much market share as they have and obviously gain 50 percent of the market in this country. It's just purely based on price.

MS. COHEN: Yes.

MR. GEE: Bryan Gee with Tensar. Let me just to add to that, I would say that the transactional sales right now are occurring on price only for BIAX, but in order to grow the market you have to provide those other services.

So effectively this is part of the squeeze that we're caught in, is that we do almost all of the research that's done in this field.

We develop the new products. We provide the service to the engineering community, almost all of it, and we have no way to recover that cost because on the biaxial products, everything goes back to price. So what's that led us to do is to -- we have varying levels of service. Our private label biaxial products get no support, technical support in any way.

We provide a sheet of paper that says, you know, a certification for what the product is. Our biaxial geogrid carries our brand, it carries some support. It doesn't carry full support. We don't have full research support on it, etcetera.

When we moved to our TriAx product we provide more services there, because we can differentiate the product and we have a better chance to capture the benefit of the service that we're providing to the market.

MS. COHEN: Okay, thank you. And then just one final question. Is the ability to supply a full range of other products a factor in Tensar's sales of this product?

MR. GEE: Bryan Gee with Tensar. Can you clarify what you mean by other products?

MS. COHEN: So being able to supply, in addition

to BIAX being able to supply other -- maybe it's more of a question for the distributors, I suppose. So for the sales to the contractors, are you only supplying BIAX or are you supplying a variety of products?

MR. BROOKS: On our -- okay, go ahead.

MR. WITT: Cary Witt, GeoSolutions. You know, it's largely -- the sales game is about having products that your customers demand. So those of us that are sort of successful at the business not only have geogrid but geotextiles and everything else that they're looking for. So I think it's important to have the full gambit of materials, and that drives them toward us.

MR. BROOKS: And maybe to reinforce what he's said, Dave Brooks from ACF. We have to -- in our market, we have to offer a customer everything that they're potentially going to buy. It could be geogrid, it could be geotextiles, it could be geocells, all of which can be used in similar applications but perform different functions within that.

We have to be able to supply all of that. We also have to offer a technical enough sales force that can explain that to the engineers and understand so they'd be applied properly. The engineering community does listen to what -- to understand and design their products properly. The difficulty we run into is someone -- you know, for instance we have I want to say five or six PEs on staff --

is that we try to offer that service to an engineering community.

They design with a product and then someone comes in with potentially a lower cost alternative that's not offering any of those services, and we now -- we've now spent a lot of money and aren't going to make the sale. That's very damaging to our industry, because as Mr. Lawrence said, I mean you have to invest.

You have to be out there promoting products and investing in your industry in order for the engineers to know what to buy, the contractors know what to install and how to install and install them properly, so that we don't have failures.

If you can't support that because you're just always competing on a low cost, that I can't employ engineers. I can't employ competent sales people to go out and talk to that. So it's a very big dilemma for us on a distribution side, as to how do we compete where it's only about the lowest common price in the marketplace?

MS. COHEN: Okay. Thank you for all the responses. I appreciate it.

MR. ANDERSON: Thank you Ms. Cohen and now Mr. Boyland's turn.

MR. BOYLAND: Good morning. Thank you for your testimony. I've actually sent the company Tensar

company-specific questions and I appreciate your time responding to those. I do have a couple of questions here.

All of the information I look at is BPI, so I have to be pretty careful about how I ask the question. But actually touching on a point that Cindy just raised, in terms of the different financial results for BIAX and TriAx, and again not talking about specific information, but the level of SG&A that's being reported in each P&L, it would seem reasonable to assume, based on your description, that the TriAx would generally be reporting a higher SG&A simply because of the support that you just noted, that it's a higher level of support as compared to BIAX. Is that reasonable? Is that a correct interpretation? This may be a post-conference question?

MR. GERRISH: Yeah. I think this is something we'd like to address in the post-conference.

MR. BOYLAND: Thank you.

MR. GERRISH: I'm a little worried that it could get into confidential information.

MR. BOYLAND: Thank you, I appreciate that. Again, I don't want to make an assumption.

MR. GERRISH: Yeah. We'll definitely get into that in the post-conference.

MR. BOYLAND: Thank you. One additional question. Your testimony suggests that product mix did

change somewhat during the period, going from Type 1 to Type 2 and then maybe back down. Is that correct, that during the period the profile of the product mix did not remain constant, that it did change?

MR. GEE: Bryan Gee with Tensar. That's my experience, but I will readily admit it's qualitative, based on discussions with our sales people and our distributors. We try to get a view to the market, but I don't have comprehensive data that would say it went one way or the other. That's just transactionally I saw that happening.

MR. BOYLAND: Okay, thank you. I guess from my standpoint, I look at an average value, and if the profile didn't change, I think we could look at prices being the primary factor. But based on your testimony, when I do look at the average sales value during the period, is it reasonable to assume what I'm seeing are changes in the price as opposed to changes in product mix?

MR. LAWRENCE: Mike Lawrence, Tensar. You can absolutely assume that, yeah, and you'll have the detail to see that in the post-conference as well.

MR. BOYLAND: Okay, thank you. And I guess with respect to price itself, and again not getting into any of the BPI, but there seems to be a correlation between the average raw material cost and the price. It was not strong, but at least there seemed to be -- during the full year

period, there seemed to be a connection.

Is that typical in this industry, that you would see changes in price matching changes in raw material?

MR. LAWRENCE: I mean there's -- Mike Lawrence, Tensar. I believe in the 2012 through '14 it was actually the opposite. Price was going up and resin price was going down significantly in product. So maybe in '15 it was, you know, more of a match, right, where they were going down together.

MR. BOYLAND: And this may actually get to one of the questions I had as a follow-up, company-specific. So I don't want to get too into that. But part of the problem is interpreting the trend based on the information that was reported. If the company maybe could look at that specific question that I had regarding the components of COGS.

MR. GERRISH: This is Jeff Gerrish from Tensar. We'll -- we can provide information on this in the post-conference brief. But just to follow-up on what Mike was saying, I mean in the 2012 to 2014 period, the trends were exactly the opposite. The polypropylene prices were going up, where the prices for biaxial and for geogrid were going down dramatically.

So you would expect obviously the other trend to occur, but that was not the case at all. So there was no correlation between the two.

MR. BOYLAND: And again I'm looking at the average sales value and not specific to the pricing information. So there may be a little bit of a difference in that sense. With respect to the capacity expansion, could you describe to what extent that was specific to biaxial product? My impression is that it was exclusively related to BIAX. Is that correct?

MR. GERRISH: This is Jeff Gerrish for Tensar. I can start. There was capacity expansion for BIAX. There was also capacity expansion for TriAx as well at that time. So it did cover both products. I don't know Bryan if you want to add anything more to that.

MR. GEE: Just about how specific on the equipment do you want to get?

MR. GERRISH: Yeah, to the extent, you know, we'll -- you know, we can address that for --

MR. BOYLAND: I appreciate that. Part of it is that, you know, you report a specific amount for capital expenditures and to the extent it is specific or it's an allocation, you know, it would be useful to understand that.

MR. GERRISH: Okay.

(Pause.)

MR. BOYLAND: And again, not getting anything specific, but you talked about shutdowns during the period, also an increase in inventory. The financial results that

I'm looking at, nothing jumps out at me in terms of large non-recurring items. Could you discuss to what extent those shutdowns are directly or indirectly reflected in the financial results?

MR. GERRISH: I think there again, I think we'd like to be able to address that in the post-conference brief.

MR. BOYLAND: Thank you, and I guess another issue specific to the inventory, because I'm not seeing anything that jumps out at me, could the company confirm now or in the post-conference the extent to which you recognized any inventory write-downs from the valuation during the period?

MR. GERRISH: I think there again we'd like to address that in the post-conference brief, yeah.

MR. BOYLAND: Thank you.

MR. GERRISH: Thank you.

MR. BOYLAND: In terms of when the company obviously realized it was going off patent and some of the testimony indicated that there were plans to deal with this, was that primarily moving to private label? I mean was that the main strategy or was there any other plan or -- I mean I realize efficiencies sort of building those in to able to reduce the price. But what other strategies were applied?

MR. GERRISH: Yeah. This is Jeff Gerrish for

Tensar. Yeah, I mean I think a couple of things to keep in mind with respect to the expiration of the patent. Even before the patent came off the product, Tensar didn't have an unrestrained ability to price these products at whatever it wanted to.

There were other alternatives to using biaxial integral geogrid. Of course, you can use more aggregate. You can do chemical stabilization treatments. You could have used woven or knitted products potentially as an alternative. So that restrained Tensar's ability to price this product. It wasn't like a pharmaceutical company that has a prescription drug under patent and they can charge whatever they want for the product.

In addition, before the product came off patent, Tensar did take steps to reduce the price, to get it to a competitive level at the, you know, in anticipation of the product coming off patent. You know, the product had come off patent in other markets. It had come off patent, you know, in Europe, for instance, in Canada prior to this and they knew what the pricing was based on, you know, a fairly traded regular competitive market.

So that's where -- that's what they did. They brought the price down to that level in anticipation of what they knew was going to be additional competition in the market. As you mentioned, you know, throughout the Period

of Investigation they've continued to try to make their --

They were already the most efficient and lowest cost producer. They've made efforts to become even more efficient over that period, because they have tried everything they could to try to match these ridiculously low Chinese prices. And obviously, you know, they've suffered enormously as a result of that, as shown by the huge decline in their operating income and then the operating loss in the interim period.

MR. LAWRENCE: Yeah, and Mike Lawrence. Just one other comment. We had seen it come off patent in other markets, so we knew that, you know, the trend and kind of the impact and we're ready for it. Typically, you know, three months, six months later, the market's back to normal, you know. So that was 2012.

What we've seen in 2013, 2014, 2015, you know, continues the trend down to numbers that are just hard to fathom and extremely destructive to our business.

MR. BOYLAND: Thank you. This is sort of with respect to the sales process itself. My impression is that the distributors actually take title to the product. This is in a consignment arrangement. Is that correct?

MR. WITT: Cary Witt, GeoSolutions. Yeah, that's absolutely correct. We bring it into our inventory. Many times, sometimes we ship direct to job sites. But we take

them and ship them.

MR. BOYLAND: Okay, and is it also correct to interpret that most of the sales are made based on an actual ^^^^ I mean an actual contractor that has a job that they've, you know, settled on and this is -- they want to buy from you, I mean as opposed to you building up inventory yourself in anticipation? Or is it a mix?

MR. WITT: It's usually, you know, there's a project that has a predetermined need. You know, geogrids are designed in on the front end of a project rather than just sort of showing up one day. A contractor says I think I'll go buy some geogrid. There's a need for it that's built into a project.

MR. BOYLAND: Gotcha, okay.

MR. LAWRENCE: Sorry, Mike Lawrence. I think part of the question was, you know, do you have an inventory as well of product that you keep at your level, right?

MR. WITT: Oh absolutely.

MR. BOYLAND: That's true. I mean it's not just simply, you know, we have a contract for X and --

MR. WITT: Right. I have six locations BIAX and TX at all of those.

MR. BOYLAND: Okay, and that's your inventory?

MR. WITT: Exactly.

MR. BOYLAND: Okay, and is that true for the

other distributors?

MR. BROOKS: Excuse me, Dave Brooks with ACF. Yes, we have quite a, you know, 15 locations. We have grid at all of our locations. The construction industry turns pretty quickly. So we have to have an inventory that a contractor will come, pick up and utilize. There are large projects which are maybe a little more planned, and you can plan the shipping of those.

So a large DOT project, building a large road maybe a significant quantity and that might be, as Cary said, shipped direct. But most of the business is turned pretty quickly. A contractor will call, come in. I think something on the order of 70-80 percent of our business turns in a day. So you have to have inventory. We have title, have inventory, collect from customers, all of those things.

MR. BOYLAND: Okay, thank you.

MR. COLEMAN: Mike Coleman, Coleman-Moore. So do we. We have two locations and we stock up a significant amount of both TriAx and BIAX.

MR. BOYLAND: Okay, thank you. Thank you very much. Just one final question, and your testimony pretty much said this, and I thought it was sort of striking, at least in terms of the reported information that, you know, there did seem to be a pretty distinct correlation between

the volume and the changes in price.

But it did sound like in some instances, at least with respect to Canada, you did have a decline in volume simply because that part of the market declined. In 2014, I believe, that was sort of the beginning of that part of the cycle.

MR. LAWRENCE: Sorry. So Mike Lawrence, Tensar. We serve, you know, many, many channels. We've talked a lot about roadways here, you know. But you know, we have, you know, channels, marine channels. We have mining channels, oil and gas, petrochemical, parking lots, commercial buildings, residential streets. Obviously federal roads, walls, slopes. All these markets take our product.

So in any given year, you know, a market's up, a market's down. I mean it happens on a regular basis. The good news, you know, for our industry is that that market over those many years that we're talking about has been continually up year after year in total and that's the great news, you know, even though some parts are up and some are down on a regular basis.

MR. BOYLAND: Okay, thank you, and I guess that's a fair point. I'm looking at a total number, the volume reported in each period for your company, and part of the question was simply to get a handle on what part of that decline was simply a market issue. So it sounds like you're

saying yeah, some of it may have been but not the majority?

MR. LAWRENCE: Yeah. Overall, there's no market decline, which is the great news for us, right. One's down but many are up and with the forward-looking, we see our market being very attractive just because, you know, the federal highway bill has passed. That was good for the industry. But all of the fundamentals in the U.S. market are quite strong.

MR. GERRISH: Yeah, and just to be clear, just to follow up on the very last point, Jeff Gerrish for Tensar, you know, that's the key here is the U.S. market has remained strong throughout this period, and in fact has been growing. Yet Tensar's shipments in the U.S. market declined dramatically over the 2012-2014 period.

There was a, you know, some uptick in the interim 2015 period, but that was only because they slashed their prices even further to try to regain some of the market share which they really weren't able to do much.

MR. BOYLAND: And that actually was the part that I was -- you basically confirmed that question which I had and I was going to struggle to ask. But that -- you're confirming that in fact that change in volume was largely price-driven entirely?

MR. GERRISH: Absolutely, absolutely. And you know, what came at a catastrophic cost to the company,

because of course they had a loss in that period. It's just not sustainable.

MR. BOYLAND: Okay. Thank you for your testimony. I have no further questions.

MR. ANDERSON: Okay. Thank you Mr. Boyland, and now Ms. Catalano.

MS. CATALANO: Well last but not least, the scientist is here to ask questions. So I was listening to everyone talk about the difference between the BIAX and the TriAx product, and the company would have two separate patents filed, I'm presuming, with two separate patent numbers that were awarded at very different dates. It's quite an accomplishment for any group of scientists or engineers in any company to have a patent.

So the Patent Office has decided that there would be two different products and two different patents issued. Could you speak a little bit about what was the difference from what the Patent Office said and why you were awarded a patent for BIAX versus TriAx? I mean were you competing with yourselves, to outdo yourselves so you could get another patent? So I'll leave that open.

MR. GEE: Bryan Gee with Tensar. I have a limited ability to address what the Patent Office said, because I came to the company after both of those patents were issued to us. But to your comment about competing with

ourselves, absolutely. We were looking for the next thing that -- the next improvement to the product that would allow us to continue to differentiate ourselves.

MR. GERRISH: I think we can, you know, address more about that in post-conference brief as well.

MS. CATALANO: Sure, and that would be helpful, because we're trying to make an argument here that these two products are distinguished, and I would assume that the patent language was different and separate.

MR. GERRISH: Sure.

MS. CATALANO: Okay. My next question is about -- you mentioned that you were trying to change the philosophy of the world from a performance specification versus a material specification, and hope that the world would move towards a performance specification. I applaud that effort. I think it can't be easy to do that.

Could you talk about what some of the performance specifications would be?

MR. GEE: Sure. Bryan Gee with Tensar. The most succinct way that I can put this is that we were attempting to get the market to value the product based on what it does instead of what it is. So if we drill into the specifics, Tensar believed for several years, for many years, based on some of the early research on biaxial geogrids, that certain material properties correlated with

performance in a road.

What we learned as we developed TriAx was that those correlations were not independent of geometry. If you change the geometry, the correlations disappeared. So there are specific measures which, you know, we could provide you as to what were written into the specifications, because we believed they correlated to performance.

We introduce TriAx. We learned that by testing the product in the ground that it worked better. At the same time when we tested it in the laboratory, we found that those particular measures didn't correlate anymore. So then we had to look for a way to specify the product based on performance after we had spent 20 years specifying it based on material properties.

If you're talking about a roadway design, the way to specify based on performance goes back to design methodology. We do primarily two things with both biaxial geogrids and TriAx. Those are either stabilized soft soils, which is the easier application. You have a soil that's too soft to build on, a combination of a geogrid and an aggregate layer gives you a firm surface.

In that case, there are some accepted methodologies for how you design, and we try to write a -- we would try to write a performance specification that tied to those methodologies. One of them is known as the Drew

Hawn method, and one of the specific characteristics of the Drew Hawn method is that it does not include the tensile strength of the material in the methodology.

However, an awful lot of material specifications are written around the tensile strength of the material, and Drew Hawn demonstrated that it doesn't correlate to performance. So we would prefer that the specification correlate to how long that unsurfaced road, because that's what we're talking about here, no asphalt, how long that would last.

Now the higher end application that we sell these products in and primarily sell TriAx into is optimization of flexible pavements. In that case, you would write a performance specification if you could around the number of equivalent single axle loads that could be carried by that pavement, the number of -- the amount of traffic that could be carried by it, as opposed to some particular material quality of the geogrid.

That design methodology is evolving very quickly. Ashtoe is about to introduce or has recently introduced and they're continuing to push forward even a more advanced methodology for flexible pavements, where the material properties simply don't suffice to enter the method.

So what we spend a lot of time and money doing is trying to educate the market, to understand that what

matters is what the product does within that mechanically stabilized layer, that aggregate layer, to make it stiffer and make it perform differently, and that creates different design inputs to the Ashtoe equations. We want the specifications to be written that way.

Unfortunately, a lot of them are still written around tensile strength or aperture stability, modular or some other property that can be measured in a lab.

MR. GERRISH: And because the specifications are written that way, obviously they don't allow for the use of TriAx. So that's why you cannot use TriAx in those states where those specifications are in place, and I think that goes to at a least of couple of different factors that you look at in the like product analysis.

MS. CATALANO: Sure. So my next question has to do with the thinking about the comparison between your product and the Chinese product, and I understand that they're made of polypropylene primarily, and have you seen any differences in your product and the product imported from China? Are they using less polypropylene in order to cut costs? Are they stretching it differently so the tensile strength is not the same, or the performance characteristics are not the same?

MR. GERRISH: I can start. Jeff Gerrish for Tensar. These products are being marketed and sold as

equivalents to Tensar merchandise. It's complete knockoffs, and with the only difference being that they are lower-priced. So yeah, they're certainly being sold that way as completely identical products, one for one and they are --

You know, they're being, you know, the Type 1 and Type 2 and the square grids are all being marketed and sold as identical products.

MS. CATALANO: But is it your opinion that the performance characteristics are the same?

MR. LAWRENCE: So Mike Lawrence, Tensar. You know, our opinion really is interesting to us, and the problem is, you know, our contractors and customers down at the end of the line get a piece of paper saying it does this, and you know, that's a specification that's equivalent to the specification that we have and the price is the ruler and that's how it works.

So we'd obviously like to think that we have, you know, great products. But you know, if it says it meets the spec, people believe it meets the spec and that's all we can say. We don't make the products.

MS. CATALANO: I understand.

MR. GEE: Bryan Gee with Tensar. Just to go back to what I was saying in the previous answer. Most of the specifications for BIAx are material property. So how you

get to that material property doesn't really matter. In general, strength is going to be proportional to plastic. So it's pretty tough to take plastic out in a given configuration.

But they're not really sold based on what they do. So we can't really render an opinion. There isn't any testing on the Chinese product or there's very little. So we can't really render an opinion on the performance of their products and often unfortunately the market defines performance as what's the strength based on the material property sheet.

MS. CATALANO: Thank you. So I'm going to imagine that I'm about to build a highway, and I've got some choices in front of me. I can go with geogrids, I can maybe just use aggregate and asphalt, or maybe I can use woven or knitted product, or maybe I am going to go with chemical stabilization.

Could you walk me through, and maybe some of the distributors can help with this question, how does one make a choice with whether they're going to with biaxial or chemical stabilization, and what percentage of the people that you talk with decide on biaxial rather than chemical stabilization or woven or knitted?

MR. WITT: So Cary Witt, GeoSolutions. So I'm a geotechnical engineer, so I design pavements as well. So if

I'm going to make that decision, I might look at all the available options. So there may be, you know, one thing that leads me to a particular product. If it's a particular type of clay, maybe chemical stabilization's effective.

Geogrids have proven to be very cost effective. So I think the choice of sort of BIAX from TriAX becomes then what you're trying to accomplish. I think what Tensar are offering with the triaxial grid is a higher level of performance. So it comes down to the economics of that.

With the TriAx geogrid, for instance, you could create a pavement section that's more cost effective, thinner and therefore more cost effective.

MS. CATALANO: And let's say you had 100 customers walk through the door. What percentage of them would choose say, BIAx, TriAx, Tensar, and what percentage of them might choose, you know, we don't want this. We want chemical stabilization or more aggregate.

MR. WITT: Yeah. It depends a lot on the part of the country that you're in, I think. In Texas, we've tried very hard to promote the virtues of geogrid reinforcing aggregate and therefore making it stronger. So you know, we don't own the market by any means. In Texas, chemical stabilization is very prominent. So that they probably still have 80 percent of the market and perhaps we have 20 percent, something of that nature.

MS. CATALANO: Thank you. That's all the questions I have.

MR. ANDERSON: Sorry, Mr. Brooks. Did you want to follow up on that question?

MR. BROOKS: I was only going to add a little bit, but I think the first thing, it depends on the project. Obviously in the public world, the first place the engineer goes is to the DOT specifications, and that's what drives a lot of that design into the particular type of pavement section.

Private market's a little more open, and so theirs is now more, I want to say value-oriented. What can I do to perform at the cheapest possible price. So there it's dependent on area of the country, what types of aggregate is chemical stabilization would even work? Is it a paved or an unpaved road? Is it a parking lot or is it a road that will see a lot of use.

So there, you now look at a lot of options and, you know, in our -- we try to offer a whole host of options. It might be geotech styles, might be geogrid, might be other products that -- and then they can make the decision based on value that they sell. But so large public jobs, which is a pretty significant portion of geogrid sales, are kind of dictated by the DOT's. Private market now, there's a little more room.

MS. CATALANO: Thank you.

MR. ANDERSON: Okay, thank you Ms. Catalano. I believe my colleagues might have a few follow-up questions, so I'll turn --

MS. VIRAY-FUNG: Yes. This is Nataline Viray-Fung. Mr. Witt, I actually want to follow up. You touched on something I want to ask about. You said that there's regional differences in whether or not BIAX or TriAx are used? Could you or perhaps any of the other distributors or Mr. Lawrence or Mr. Gee speak to that?

MR. WITT: Yeah. It sort of depends a bit on what I call the maturity of the market. So us distributors, with the assistance of the Tensar technical sales reps and what-not, are trying to push the market toward a sort of a higher level of performance.

So we are trying to trend the market toward triaxial grid because, you know, it's ultimately about performance and the value of that performance. TriAx can provide a higher level of performance at less cost.

MS. VIRAY-FUNG: Mr. Coleman, Mr. Brooks, do either of you have anything to add?

MR. COLEMAN: I'll concur with Cary, and I think you'll see in those regions where you have a licensed Tensar distributor, you'll see probably more market penetration with the TriAx versus other markets. We all spend a lot of

time, like Dave talked about earlier, and a lot of effort and a lot of money and resources in getting out into the engineering communities and trying to show them the benefits and run through these calculations and show them what's available to them out there.

There's an inherent cost in that, and the distributors that they're licensed and do that, that's where you'll see probably more TriAx than BIAX.

MS. VIRAY-FUNG: Okay. Within these regions where you are licensed to distribute, are you seeing finer differences, more fine-grained detail, you know, say higher elevation or you mentioned clay?

MR. COLEMAN: Well one thing like in my region, Iowa has a really lot of limestone. That's a great aggregate to use with the geosynthetic. The problem is having a high supply means the cost per inch is substantial, but it's not as substantial say in some other areas, where there is no aggregate.

So for me to change something or develop a TriAx spec or something, sometimes in some areas unless the haul for the trucks to bring the aggregate to the job site is over ten miles, that cost savings kind of goes down versus that performance.

So in other areas of the country, it's way more substantial than some other areas. So where your raw

materials come from and costs definitely when you change that section makes a difference.

MS. VIRAY-FUNG: Sure, sure. Mr. Lawrence, Mr. Gee, are there regions of the country that do not use TriAx?

MR. GEE: Bryan Gee with Tensar. I wouldn't say there are regions that don't use either BIAX or TriAx, but to the regional question and actually to the previous question, the first indicator as to what decision you should make on what to use is how much does your rock cost?

And you will see in areas where there are no quarries, the value proposition of a geogrid is significantly better than in areas where rock is plentiful, as Mike just said, where the cost of rock is lower. It only makes sense. You're displacing rock with a geosynthetic. So that's the primary driver of the regional differences.

MS. VIRAY-FUNG: Okay, and I apologize if this was addressed earlier. I just wanted to make sure that you covered it in your post-conference briefs. You had mentioned earlier that TriAx has services that BIAX doesn't.

Could you please speak to that? You might have addressed it a little bit with Cindy, but I'm not entirely too sure. And then could you also provide an example of a spec that excludes TriAx? Thank you.

MR. ANDERSON: Okay, thank you. I'm going to look to my left to see if there are any further -- okay.

Mr. Boyland.

MR. BOYLAND: I did mean to ask this before. In the post-conference, could you identify the division specifically within Tensar that's responsible for BIAX, and how -- what other products are covered by that division, and if it's a geographic versus product line division, etcetera? Thank you.

MR. GERRISH: Jeff Gerrish for Tensar. Yes, we'll address that in the post-conference brief.

MR. BOYLAND: Thank you very much.

MR. ANDERSON: Any further questions? Okay. I want to thank you very much for your testimony. I've been -- my colleagues have done a fantastic job, as I've been crossing off all my questions. I did have three very quick ones if you'll indulge just for a few minutes.

Two of them have to do with the end market, and maybe this is for the distributors. But I wondered if you could just say a little bit about the size, relative size of the market where there is a specification and the geogrid product is bound, that you can sell it bound by that specification, versus a market, whether it's a private market or whatever, where you have -- your customer is entertaining something other than geogrid?

And particularly some type of product that's not the scope of this study. For example, it could be welded or

it could be some other type of product. Can you give us a relative sense of the size outside of this specified, you know, public works type of market?

MR. BROOKS: Well, I'll start. A lot of the -- I mean its primary application in road-building means that the pretty substantial use of this product is going to be in road work, which is directed by DOTs. So that's a -- a lot of the product is sold very large projects for contractor building a road or road widening, whatever those might be. So I don't know that I have a percentage for you, but it's the majority of the grid sold is in that kind of a world.

The private jobs, unless you're talking about something, maybe a public-private partnership, which is still dictated by DOT specifications. So a private job typically is going to be smaller, a housing development, a commercial center, a shopping center that they're putting in a pavement.

So that's probably more of the projects, but a smaller order volume if that makes sense. I'm sure it's exactly what you're asking, but I think the percentage of business in the public world is more, in my opinion. There's more orders, lesser quantity in the private world.

MR. ANDERSON: Any other observations or comments?

MR. WITT: Cary Witt, GeoSolutions. I'll add a

bit to that I guess. The DOT market, the public market, they work from sort of historical background, you know. If they've used geogrid Day 1, they continue that for a very long period of time. Of course, it all started with biaxial grid.

So in Texas, the specification is clearly a biaxial grid, and they're pretty much bound to that. They can't sort of think outside of that box very easily. It's hard to take them beyond that. In the private market, the geotechnical community can be a little more progressive.

So they tend to look at the newer technologies and have the ability, you know, look at sort of past usage and look toward how do I maximize benefit for my clients. So private projects typically trend toward TriAx in Texas and toward BIAX on the agency side, if that helps.

MR. ANDERSON: Okay, thank you for those comments.

MR. GERRISH: Actually, if I could just add, Jeff Gerrish for Tensar.

MR. ANDERSON: Yeah sure.

MR. GERRISH: Again you know, and this just I think is following up on a point that was just made, you know, again in these -- there are already state specifications which very clearly say that only a biaxial integral geogrid product can be used.

So very clearly under those state specs, which you know, represent what needs to be met for the substantial amount of the construction that's being done, you simply cannot use the TriAx product at all.

Now you also, of course, have certain states beyond those that separate the two products, treat them as completely different products. If a project is being, you know, has to meet a certain specification, there again it has to be, you know, one or the other. So I mean again, it's very clear sort of how they've treated it.

The states in looking at this, you know, have determined that these products either -- either can't be used at all in the TriAx case, or they're to be treated separately under the specifications.

MR. ANDERSON: All right, thank you. My next question is about Buy American. Are there any specifications with your customers or in your contracts on bids where there's a Buy America clause, and can you speak to the relative frequency of those?

MR. GEE: Bryan Gee with Tensar. At the level that I can see, we have not had the advantage of any of either the Buy America Act or the Buy American Act. We have been told -- I've been told directly by states, state Departments of Transportation that they only apply those Acts to steel, despite the fact that the Acts don't say

that.

So we have not, to my knowledge, received any relief. We do know that some of our customers, our end customers do prefer an American-made product. But we haven't realized any measurable price difference or competitive advantage based on that to my knowledge.

MR. ANDERSON: Okay. The other question has to do with the transition from BIAX to TriAx. It sounds like we heard -- we had a very rich discussion here about the market, the development, the patents, the applications and so forth. Is there any -- is there any sense that the TriAx, even though it's creating -- is it creating a new demand or is it eventually over time, when you get the specifications for TriAx, is it supplanting or replacing what would have been a BIAX application?

Right now, you've got a specification. But in the long term, as you develop from BIAX to TriAx, are you creating wholly a new market and a new demand for a product that can't be replaced by anything else, or is there some possible supplanting or replacement, you know, in the future of what would have been a BIAX market?

MR. LAWRENCE: Mike Lawrence, Tensar. You know, most roads don't use any improvement of the types that we're talking about. They just use aggregate and build a road, right. I mean the majority of all roads are built that way.

So our job as a company is to build better roads that last longer, and we have the technology to do it.

It's kind of frustrating that it doesn't often get adopted, and they build a road to last a certain length of time and we could double it, you know, and we know that. But our job is about building better roads. It's about getting innovation and technology out there to improve them.

We're going to continue to get products, you know. TriAx, for instance, has that ability to improve roads. BIAX has the ability to, you know, improve roads, chemical stabilization, you know, things that we don't do. All of them have the capability.

Our job is to find out where the best value is. Not every market will use the same product. So it's a question that we, you know, we look at quite heavily. It's really our business is about making these roads and paving sections, as we call them, better.

But there's not an automatic answer that one's going to replace another. Every road is going to be different and TriAx will be aimed at certain types of roads in certain circumstances where that value's better; BIAX at others.

So you know, we'll have another product too hopefully, and that will, you know, even do a better job at a better cost. That's what we continue to strive for.

MR. GERRISH: Jeff Gerrish for Tensar. Just to add to that, I think because of the performance, the better performance characteristics of the TriAx product and the better interlocking capabilities that it performs with the triangular geometry and structure and the different rib profile, you know, I think it is going to lead to new markets, because it's going to convince.

Because of the performance characteristics, it's going to lead more -- it's going to lead to uses of the geogrids in road construction where it never would have been used before because of these better characteristics. You also have different applications for the biaxial geogrid products that, you know, you can't use TriAx for, and we've talked a little bit about those here today, you know, in the marine mattresses and the wall units as well.

So you know, there's going to be different applications for the product. But again I think you're going to lead to, with these better performance characteristics for the TriAx product new markets, because those who would not have otherwise used geogrids are going to use them and you're not going to replace the biaxial product.

MR. GEE: Bryan Gee with Tensar. Just to reinforce that a little bit and add to it, we consider -- at this point, our primary competitor is conventional methods.

So I would view that as we certainly compete with the imported biaxial integral geogrids. But we're primarily trying to grow the market into conventional methods, as Mike said.

There's one specific area that I think represents a great example of a new market that TriAx would create separate from anything else, and that would be in flexible pavement design with mechanistic empirical design that I mentioned briefly in the previous questions.

We're the only company that is doing the investment required to integrate a geogrid into mechanistic empirical design methodology for Ashtoe. So there is no other -- that market doesn't exist right now. We're in the process of creating it. Nobody else is making that investment.

MR. ANDERSON: Thank you, very helpful. I would just close by encouraging you or ask you in the post-hearing brief, we had a very fulsome discussion about the patent and your experience with two different patents.

I think this is more for a post-hearing brief. If you'd care to share in your other markets where the patent has expired, talking about what level of decline in the prices you experienced and what length or duration for the market for your product to reach what you consider to be the market equilibrium post-patent in those other markets.

So it might be very helpful for the Commission to understand your experiences there. So with that, we thank you for all your information and a very thorough and responsive answers to our questions and for your testimony.

It's been very illuminating and very helpful, and I think at this point we'll take a 20 minute break and let the parties rest a little bit, and we'll convene shortly after -- by the big clock behind you, let's say 12:35. So thank you.

(Whereupon, a recess was taken to reconvene at 12:35 p.m.)

AFTERNOON SESSION

12:35 p.m.

MS. BELLAMY: Would the room please come to order?

MR. ANDERSON: Welcome to Mr. Baisburd and the panel and I'll turn the time over to start with your testimony now.

MR. BAISBURD: Great. Thank you very much and good afternoon. We're going to quickly get to the panel, but I'd like to take a moment to start at the domestic-like product because that's exactly where the Commission starts every investigation. And because you have to know what the like product is to define the domestic industry and it's the domestic industry that you analyze to determine how they're impacted if at all by the imports that are being investigated.

So I'm going to fall into the trade lawyer trap of talking about steel for just a second. You know, in the oil patch you can't use welded standard pipe to drill a well. You have to use welded OCTG or seamless OCTG. Those products are separate like products, they've long been found to be separate like products and that's not what we're talking about here today. But if you're building a road to that well and you're an engineer and a designer and you're sitting down to design that road and you choose to use a

geogrid, you're going to make a choice whether to use a biaxial geogrid or a TriAx product. Those products and that decisionmaking point are interchangeable and they're interchangeable for many reasons, not the least of which is they have similar physical characteristics and uses, they're produced at the same facility, you heard this morning, they're produced on the same production lines with some variation, apparently, as production processes require. Well, if you're making tubular goods -- steel goods, you make some changes in the production line as you're going to different widths and different thicknesses and different types of products as well. Customers perceive these as interchangeable and they're sold in the same channels of distribution as you heard from the distributors this morning.

So I just wanted to start briefly with that. You're going to hear a lot more about these products from the panel. And with that I would like to turn it over to John Dowdell, the President of Hanes GEO.

STATEMENT OF JOHN DOWDELL

MR. DOWDELL: Good afternoon. My name is John Dowdell and as Yohai indicated, I'm President of Hanes GEO components. I've been involved in the geogrid, geosynthetic and erosion control industry for over 20 years. I started with a company that manufactured geosynthetic fabrics that

were used in construction projects similar to the ones that we'll be talking about today. For the last decade I've worked for Hanes GEO Components, a distributor of these products and many others that support the industry.

I've read the petition, in particular the discussion of like-products and Tensar's claims about how imports have allegedly impacted their operations. And I'd like to start this afternoon with an overview of the geogrid industry because it impacts the way Tensar is trying to define it. And some of this will be a bit redundant from what you've heard this morning. So I'll try to tailor my way around that as best I can.

Tensar is trying to define the domestic -- I want to comment on the domestic industry, the role of importers, and the impact of Tensar's own decisions on the market that we compete in today.

Biaxial geogrids are primarily used for building in trafficked areas as Tensar laid out, I thought, quite capably earlier today. They're used in paved and unpaved roads, parking lots, railways, airports, port systems, so anywhere basically that there's traffic that will be traveling over a paved or unpaved structure is an opportunity to incorporate geogrids in the design of those products.

You'll hear a number of claims, grids are

primarily simply designed to hold rock in place. At its simplest form, that's how geogrids are designed. They hold the aggregate in place. There are four critical players in the projects which use geogrids. The first are the owners of the project, so that would be the private entities that pay for it or the public entities that are actually paying for the work to be done. They'll engage a design engineer to come up with a design for the product or the project that they're contemplating. After the design is done, there will typically be lettings for bids to complete the work and at some point there will be the selection of a construction contractor.

And then the fourth component of this would be the suppliers that sell and deliver the geogrids to the job sites. And I heard a number of times today that price trumps all. Price is absolutely important. It's not in my experience that price trumps all.

Geogrids are a very small percentage of the overall cost of a project. They are overshadowed not only by the other components in the road structure often times, but even something as simple as the labor rates that are being paid for the work crews that are actually out doing the work. The reality is if a distributor in the position I'm at in the chain fails to deliver on time that has significant impact on the contractor and their ability to

complete the project on time. They have crews scheduled to be out there at 7 o'clock. If you're not there with your material at 7 o'clock, I don't care what you were selling it at, it's a small component of the price and you're going to lose the opportunity to service that contractor then and in the future.

So there's much more to this, in my opinion, than simply who has the best price. Low price is an important component, I certainly acknowledge that.

Geogrids were introduced approximately 35 years ago as a way to improve performance while reducing the overall cost to build and maintain a road. A design engineer, as you heard earlier today, can utilize Biaxial geogrids or alternatives such as lime, cement, more rock in the road design. There are competing technologies in place.

Our estimate is currently the utilization rates of Biaxial geogrids are extremely low. We feel like it's in the range of about 5 percent if you look at this across the country.

Today this committee is focused on the Biaxial geogrids produced by punching and drawing polypropylene sheets in two directions irrespective of their aperture. And I will comment on that just briefly because you will hear us use the term aperture and I think you got a pretty good feel for this at this point. It's simply the shape.

We're just saying is it a rectangular shape? It's the shape and the size of the opening. So how much room is there that is actually fitting them. So for the back --

[LAUGHTER]

MR. DOWDELL: When making the decision regarding whether to use a Biaxial geogrid in a project, the engineer first considers cost. They're looking at what's the most cost effective way to build a road that meets our design parameters. They've been told that we want a road that's going to last 20 years, so they're going to look at all the factors that roll into costs and the relative cost of the grid being one of them. But they're also looking closely at the amount of aggregate, the asphalt and the other materials that will be used and the soil conditions. So all of that comes into play as they're looking at how are we going to go about designing this particular structure.

It's common in the industry for projects to contain specifications which can be met either by triangular or rectangular bio -- or geogrids, I should say. For example, in one Oregon DOT project that let in 2014, the Department of Transportation specified that a geogrid could be a triangular, aperture, insar, Triax T, TX5, a rectangular Tensar BIAX1200 a rectangular Teragrid RX1200, all of those on exactly the same projects with the exact same design parameters with no addition changes in terms of

materials or any other component of that project. And as part of our post-conference submittal, we can share with you a multitude of projects that have been substituted out from a Triax product to a Biaxial integrated grid with no other design changes. There are a number of examples that any of our panel up here can give to that exact point.

In other words, in this particular project, the specifications allowed for triangular aperture grids, rectangular aperture grids on an equal footing.

This gets us to the other players, contractors and suppliers. Before June 2012 Tensar had a patent on punched and drawn Biaxial geogrids in the United States. They were then and still are the sole U.S. producer of punched and drawn geogrids. As a result of the patent, pricing for punched and drawn biaxial geogrids was high because Tensar controlled all sales through both its patent and its exclusive and tightly controlled distribution network. We'll talk some, as the day goes on, I'm sure, about the growth in the market that we see -- that we've seen to this point and what we expect to see moving forward in the future. A key component of that growth now is more distributors have access to the product. There are more of us out there trying to get the product specified into the market. We're touching more contractors through that increased channel of distribution.

The high-priced Tensar geogrids made alternative non-geogrid designs using other stabilization techniques more competitive. There's a direct correlation to the cost of the grid and how many projects you're going to get it on.

Once the patent protection expired for rectangular Biaxial geogrid imports which provided high-quality, cost effective, alternative source of punched and drawn Biaxial geogrids quickly replaced these other design alternatives. So some of our projects are taking product that might have been using lime in the past and now they're able to incorporate geogrid. The market is growing as a result of these products coming to the market.

There are other reasons why the market looked for and benefitted from alternative sources of supply for punched and drawn geogrids. First, in 2010, two years before the presence of any imports Tensar clearly told the market that it intended to cease production runs for their traditional rectangular geogrids, that it would remove them from their standard list of products and was adopting the strategy to transition entirely to Triax another patented Tensar product. Basically what the market heard very clearly in written communications was, we're moving our Biaxial production to Triaxial. At the same time they changed their design software to give benefit to the Triaxial products relative to the Biaxial products. The

same calculations, the same inputs, different results for the Biaxial products after this occurred.

Second, Tensar's sole U.S. facility suffered a fire in 2011. Tensar notified the market they would support the U.S. market with equivalent Chinese and U.K. imported products. But for the market, this highlighted the risk of having a sole source, single manufacturing location facility supporting the entire U.S. market.

Third, Tensar's exclusive distribution network put other distributors at a severe disadvantage. When trying to bid for a project involving Tensar products, those of us that didn't have direct access to Tensar product were constrained to go to a direct competitor and ask them for pricing on a project. I don't think it takes much imagination to understand how that works out.

Looking forward, we are confident we will see growth in the Biaxial geogrid industry. Recently the federal government approved the FAST Act which gives five-year funding for infrastructure projects moving forward. In addition, with the ready availability of nonpatented alternatives, we believe we will continue to see a growing utilization rate of Biaxial geogrids in projects which benefit from their inclusion and design.

Thank you for your attention this morn -- or this afternoon. I was wishful thinking there, wasn't I. Thank

you for your attention this afternoon. If you have any questions at this time, I'll field them or I'll yield the floor to Mr. Cashatt.

STATEMENT OF CLAY CASHATT

MR. CASHATT: Thank you, John. Good afternoon. My name is Clay Cashatt and I am the Vice President of Hill Country Site Supply. We are a small, regional, disadvantaged enterprise in Texas that focuses on distributing a wide range of drainage and roadway products. I want to thank you for your time this afternoon.

A lot of roads are built in Texas, as you might imagine. So while we may be a small distributor, we know a lot about the geogrid market because the Texas Department of Transportation is the largest state DOT. And as mentioned earlier, is one of the largest, if not the single largest user of geogrid in the United States. So I'm going to cut to the chase. There is absolutely no basis for treating Triax as anything other than what it really is, a biaxial integral geogrid.

My understanding is that Triax is constructed of the same polypropylene polymer, manufactured at the same facility by the same crews, it is tested to the same AST and standards and is used in all of the same markets and applications as any other Tensar biaxial product.

All punch-drawn biaxial products including one

with a triangular aperture or shape, as John mentioned, are also manufactured using the same process, a plastic sheet of whatever thickness is first extruded and then punched and then stretched. It's that sample. The term Biaxial comes from the process of stretching it in two directions for either product.

Therefore, TriAx by definition is a Biaxial integral geogrid because it is also stretched in two directions.

Triax simply has triangular shapes giving it a different look from other Biaxial products with rectangular or square shapes. A rectangular, square and triangular products may have some different features comparing one to another, at the end of the day they are all punched and drawn biaxial geogrids.

Perhaps more importantly Triax and other Biaxial integral geogrids have the exact same uses. An engineer can decide whether they want a geogrid with a triangular shape or a rectangular shape or a square shape. In whichever case the geogrid is still used to build a better road, a better foundation, or other sole structure.

In short, every single square yard of Triax that was ever installed could have been a square yard of rectangular or square geogrid. Triax is simply a new way for Tensar to rely on a new patent to try to charge more for

its products.

Tensar itself recognizes that geogrids with different shapes are indeed interchangeable. First back in 2009 Tensar began actively promoting Triax as a direct substitute for their existing type one and type two business.

Years before any imports arrived Tensar openly discussed and disclosed their strategy to transition the market from the patented DX products to the newly patented Triax products. In fact, in 2010, they told the market that they would, quote, "Discontinue regular production runs of type two BIAX1200 and would remove it from all standard lists of products." This was two years before any imports.

Tensar also said that it was, quote, "our strategy to transition all of BIAX markets to TriAx." Let me say that again. Tensar said that it was, quote, "Our strategy to transition all of our BIAX markets to TriAx."

It doesn't take a rocket scientist to realize that they're interchangeable. Tensar continues to reinforce its position. Tensar's own road software -- design software called SpectraPave allows engineers to run scenarios using triangles or rectangles in both paved and unpaved applications which again show they have identical uses.

Finally, on Tensar's website there's an installation guide. Within that guide there's a single set

of installation instructions which cover both triangular and rectangular geogrids which are generically referred to as Tensar geogrids. Clearly the products have the same relevant characteristics and uses if they're installed the exact same way within the same applications and projects in the same structures.

In my view Tensar's effort to push the market to Triax another patented, sole-source product hasn't been as successful as they hoped. Rather in our experience the market has welcomed the availability of imported punched and drawn geogrids that has increased competition and expanded -- dramatically expanded the overall market.

Many of these projects -- these new projects that have come by include other construction products that tend to be packaged into one quotation from the distributor. So for us as a small distributor to be able to participate on these new projects and to participate in this growing market, we must have a punch, drawn geogrid. Not a Tenex geogrid, it's a different product, a punch, drawn geogrid. And as the only domestic producer, Tensar would not sell to us and currently will not sell to us because of their exclusive distribution arrangements. So it's not our fault. We had no choice but to service our customers and source imports.

Ladies and gentlemen, imports is not why we're

here today. From my perspective we're here today because of poor management decisions Tensar made for more than a decade. But management is not here today necessarily, it's been a revolving door as of late. I'll highlight these points.

Number one, Tensar simply turned their backs on 30 years and hundreds of millions of square yards of successful rectangular projects. Several comments were made this morning as John alluded to. Several comments were made by petitioners regarding the price stating that the point of sale, that price is the only factor at the point of sale. That's absurd.

Tensar and their distributors offered buyers and specifiers the most recognized brand, the best availability, the widest range or products. They have 30 years of relationships with specifiers and engineers. They put all of us at a disadvantage. But they turned their backs on that BIAX product that was so successful and walked away from it.

Second, Tensar incorrectly bet their company on the successful replacement of rectangle or triangles. The comment was made earlier that TexDot does not approve Triax. This is incorrect. Various special specifications, sole sourcing Triax are readily available on line. You can Google it. However, TexDot has allowed for the direct

substitution of square product for those triangular projects with zero design change.

So Tensar claims that triangles are better than squares and triangles are better than rectangles. But TexDot and countless others they don't agree. They want square product. They want competition. So they are off on the replacement of rectangles with triangles.

Third, they chose to degrade their brand integrity by diluting the market with low price, private-label material.

Fourth, they stood firm on their exclusive distribution model for branded products forcing distributors like us to look elsewhere.

And fifth, they are apparently laden in debt from years of questionable acquisitions, investments, changes in ownership, and continued high overhead relative to other technical, domestic, geosynthetic producers. They struggled to service this debt coupled with the previous points is the real reason why we're here today.

Thank you.

STATEMENT OF MICHAEL FREY

MR. FREY: Good afternoon. My name is Michael Frey. I'm the president of Alliance Geosynthetics. I started in this industry as a contractor building roads. In 2009 I made the decision to become a distributor of

geosynthetic products. At that time, Tensar had a patent on the punched and drawn geogrids and I was unable to source these products from one of their distributors at a reasonably competitive price.

Once the patent expired in June of 2012, I turned to imports in order to offer my customers the Biaxial integral geogrids that they were demands. From my perspective Tensar's exclusive distribution network restricted growth in the overall geogrid market in at least two ways.

First, Tensar's distributors tightly controlled access to Tensar's products. This put distributors such as myself at a distinct disadvantage because we were unable to offer similar products at a competitive price.

Second, the tight supply inflated prices which in turn limited growth of the geogrid market. Once the patent expired and imports could enter the market they quickly displaced the woven and welded alternatives and created much needed competition in the geogrid markets.

The result of this competition is that geogrid prices aligned with supply and demand and the market grew as purchasers realized that there was no longer a single source of punched and drawn geogrids.

Our ability to purchase competitively priced geogrids has allowed us to open up markets that were

previously off the table for us. For instance, lime treatment is a method of stabilizing weak subgrade soils. Past prices have not allowed BIAX geogrids to easily compete as a direct substitute for lime treatments. That changed when competition arrived. More people are offering geogrids than ever before marketing it to DOTs and and other entities and educating engineers of its advantages and capabilities. All suppliers are positioned to take advantage of that is growing opportunity.

Tensar is the price leader in this market, based on their 30-year exclusive presence, their significant market share, their brand equity, and their national distribution network, they set the prices and for years Tensar's use of its pricing power limited growth in the market. When they had the patent through mid-2012, they set the price for their Tensar branded Biaxial geogrids so high that it was not widely viewed as an alternative to substitute such as lime, cement, more rock and so forth.

In the months before the expiration of the patent, and before imports arrived Tensar aggressively dropped the market price by offering private label, Biaxial geogrid through a company named Syntech. Tensar's early utilization of private-labeled programs significantly devalued the market.

Today Tensar continues to compete and direct --

compete directly and very effectively against Chinese manufacturers seeking to sell through private label distributors. Since the patent expired, we've seen multiple examples of Tensar and their exclusive distributors leading the market by offering lower prices.

Thank you for allowing me to testify before you today. And at this time I welcome any questions the panel may have.

MR. ANDERSON: Alright, does that conclude your panel's testimony?

MR. BAISBURD: It does, thank you.

MR. ANDERSON: Okay, thank you. Thank you to the witnesses. Now we will start with staff questions with Ms. Sherman.

MS. SHERMAN: First of all, thank you all for being here today. I appreciate the testimony.

I will start with the question on biaxial versus triaxial, and clarifying one thing. You made it clear that you think they are completely interchangeable, but how would you respond to the Petitioners' argument this morning that the TriAx product is not interchangeable because of certain specifications, specifically in the public projects that state that they cannot use a TriAx product in the specifications?

MR. DOWDELL: John Dowdell, Geo components. First

of all, one of the main reasons that those products are not included is because Tensar has tried to redefine testing protocols for the TriAx product relative to BIAX. That's, in my personal opinion, motivated by the fact they do not want those products to be classified generally in the same classifications as biaxial products. That goes against the entire marketing push that they're making to try to distinguish them from TriAx.

What they've tried to do is, as they alluded to, and with some success and in some states, is they've certainly tried to establish a separate category for the triaxial products from the traditional biaxial products in a number of states.

And then the hope is that they'll be able to specify a lighter weight grid product in the categories against the traditional grid products. And, you know, the perception that may have been left with the panel is that they're the only ones doing testing in the market. That's far from true. We've spent hundreds of thousands of dollars testing not only products that we do import--and I'll be glad to answer some of the private-label questions later--but not only are we spending hundreds of thousands of dollars in testing of those products, but we're testing them side by side with the triaxial products with independent testing, using industry leaders--PRI, SGI--where we're doing

in-ground testing, and actually comparing the performance of the products.

And that test data bears out much more similarity than difference between those programs. But to answer your initial and direct question--how is it different?--their goal has not been to qualify like products under those same approval processes. Some states have moved forward with that, and in those states the products are used fully interchangeably. On private projects, we can give you a host of examples where the original project specification either came out as a triaxial product specification and moved to either a square or rectangular aperture product, or came out with a provision of as-equal where those products competed for the jobs on equal footing.

Clay, I'll defer to you.

MR. CASHATT: Clay Cashatt, Hill Country. I'd like to elaborate. On those reference specifications, welded and knitted and other types of geogrids may not meet as well. In fact, most of the time would not meet those very same specifications that we're referencing. That doesn't change the fact that they're still called geogrid and still used in pavements to help the pavement hold rock.

MR. BAISBURD: And if I may, I understand why you asked the question because they raised it this morning, but it's really smoke and mirrors on their part. Because the

question is not can they sell TriAx for that particular project, it's where they sell TriAx in the United States, a product that they produce in the United States, they could have sold biaxial. They could have sold either rectangular or square biaxial. It's that every sale of TriAx in the United States could have--is a project that could have been designed with a square or rectangular product.

So they themselves are limiting the size of the market for your analysis by artificially creating a dividing line. It's not that TriAx can't sell to that state DOT, it's that where they sell TriAx that is a sale that could have easily been one of their own biaxial--one of their own square or rectangular products.

MS. SHERMAN: So are your company's sales of biaxial geogrids competing directly with the TriAx product?

MR. CASHATT: Clay Cashatt, Hill Country. Absolutely.

MR. DOWDELL: John Dowdell, Hands. Absolutely.

MR. FREY: Michael Frey, Alliance Geo. Absolutely.

MS. SHERMAN: So even though they said this morning that the TriAx is a price tyer, they would still--your customers would still prefer the TriAx over a biaxial product?

MR. DOWDELL: John Dowdell, Hands. Not my

customers because I don't have access to that product typically in most of the country.

MR. CASHATT: Clay Cashatt, Hill Country. All of my customers prefer competition and prefer the square products when possible.

MS. SHERMAN: Okay. Thank you. This question is specifically to Mr. Cashatt. In your testimony you said that--I hope I wrote this correctly--that Tenax Geogrid is a different product. Can you explain more about that?

MR. CASHATT: Clay Cashatt, Hill Country. Absolutely. As I understand it, it's an extruded product, not a punch-and-drawn product. So while it's still integral, meaning that it's not a welded or knitted junction, the plastic runs through the node, the node is the junction between the ribs, but the process of manufacturing it is quite a bit different. It's distributed through a die process versus punching a sheet and stretching the sheet. It's extruded through a die first and then stretched, as I understand it.

MS. SHERMAN: You don't believe that--they're not producing or selling any of the integral geogrids on the market? Is it the woven, or is that a different product?

MR. CASHATT: So, no, woven product is just like it sounds. It's weaving a yarn one over another, as you would weave any other fabric or textile, but you weave it

into a product that creates openings. And then you coat that. It's a different product than what we're talking about with Tenax. Tenax is an integral product by definition, but its properties are different. And most importantly, the market views it as different. And that's substantiated by their limited number of distributors who are willing to carry their product, because it is different and perceived different by the engineering community and specifiers.

MS. SHERMAN: Okay. So it sounds like it is a biaxial integral product as defined the scope, but you're saying it doesn't compete with the imported product or with Tensar's product?

MR. CASHATT: If you were to ask them, I think they would say that they compete. In my mind, we don't see--in my market, we see zero Tenax in the marketplace. I don't know of a single distributor that carries their product. They don't seem to have an interest in the market that's necessitated to compete.

By definition, it is an integral product. But in my testimony I was specific that we need a punch-drawn product, which is not Tenax.

MS. SHERMAN: Thank you. Are there differences in the way that the product is produced in China versus how it's produced in the United States? Do you know? Is it the

same process, manufacturing process?

MR. FREY: I can speak to that. I was in China. I visited three manufacturing facilities in roughly September of 2014. And, yeah, I've seen the process. And from what I understand, the process is the same in China. I have not personally been in Tensar's plant myself to see their process so I can't speak to that, but the process I've seen in China is the process that was described to you today: take raw plastic, extrude it into a sheet, punch the sheet, stretch the sheet in two different directions, make it into a roll.

MS. SHERMAN: Thank you. And then my final two questions are the same ones I asked the panel this morning, seeing if we can find some more information about the industry in China, exactly how big it is. Do any of you know who the big players are, and exactly how big the market is in China, the capacity in China?

MR. DOWDELL: John Dowdell from Hands. And I don't know the answer to that question directly, but since I've got the floor I'm going to take it a totally different direction for just a second. Our team travels extensively across the world. We're a subsidiary of Leggett & Platt. Leggett & Platt has a global logistics group that assists us in identifying potential suppliers.

I knows of five manufacturers that are located in

China. Now there may be a number of companies that are trying to market for those, and one of those five is Tensar, so--for outside of Tensar. There are three main players that serve as that market. One was TMP. Another is a company called Bosty. And then there's a company called Ichang. And I may have butchered that name a little bit. We don't do business with them.

But the bottom line is, it's not 75 producers out there manufacturing geogrid. The team from Tensar has manufacturing facilities in the area. They know better. There are five that I know of.

And to answer your other question that was asked earlier today, we're aware of a manufacturer, as well, in Greece manufacturing in Poland, and manufacturing in Russia beyond that for subsequent use.

MR. BAISBURD: Yohai Baisburd on behalf of the respondents, and we can supplement that information in our post-conference brief, too.

MS. SHERMAN: Great. Thank you. I have no further questions. Thank you.

MS. VIRAY-FUNG: I have a few follow-up questions. You were saying TMP was one of the bigger manufacturers in China? I thought I heard somebody referring to Tiyan. Is that the same company as TMP?

MR. DOWDELL: It is.

MS. VIRAY-FUNG: Okay. Thank you.

Going back, Mr. Cashatt, to this Tenax discussion, does Tenax--it was a little unclear to me--does Tenax meet DOT specifications?

MR. CASHATT: They do meet the tech DOT specification. I can't speak for other DOT.

MS. VIRAY-FUNG: So the same ones that would--the same specifications that BIAX meet?

MR. CASHATT: The square products, correct. Yes.

MS. VIRAY-FUNG: Okay. Do you know if Texas DOT includes or excludes TriAx?

MR. CASHATT: They do not as a standard specification, but there are numerous special specifications and projects where they have either installed TriAx or specified TriAx in the past. So they're aware of the product, and they're aware of its use as an application.

What they do not liken to is sole-sourcing the product, and they do not liken to separating the product in its own class. So there was some effort several years ago to modify the existing specification to include TriAx. Tensar tried to achieve that through separate columns or classes--in other words, Type I-A, Type II, and then Type III and Type IV for TriAx to try to differentiate that, and it fell dead. So that's where we are today.

MS. VIRAY-FUNG: Okay. You had mentioned that

Texas DOT is the largest consumer --

MR. CASHATT: So I've been told.

MS. VIRAY-FUNG: Does anybody on the panel have a sense of who else, what regions are the larger consumers of biaxial geogrids?

MR. DOWDELL: John Dowdell for Hands. The market in California, in Oregon, the Pacific Northwest, is also very strong. We see geogrid used across the country. Oklahoma. The Carolinas. Basically pretty much anywhere we compete there is a market, and it tends to follow the infrastructure of construction spending where we see the most opportunity.

MS. VIRAY-FUNG: Okay. Thank you. I have no more questions.

MR. ANDERSON: Okay. Thank you. Ms. Cohen?

MS. COHEN: Good afternoon. We appreciate the short presentation this afternoon so we can get straight to questions, and lunch.

(Laughter.)

MS. COHEN: Let me ask some questions about the private labels. Do any of the distributors here sell private labels?

MR. DOWDELL: John Dowdell for Hands. We do.

MS. COHEN: Okay, the other?

MR. CASHATT: Clay Cashatt, Hill Country. Is your

question private label from Tensar, or just private label in general?

MS. COHEN: Private label in general.

MR. CASHATT: We do.

MR. FREY: Michael Frey, Alliance Geo, and we private label as well, yes.

MS. COHEN: Okay, so is all of the Chinese product sold under a private label of an importer?

MR. DOWDELL: John Dowdell for Hands. No, not all of it is sold through a private label. I would say--and this is truly an estimate--my estimate would be the vast majority of it is. But, for example, Bosty manufactures a high end of product called E-Grid, and it's all sold under Bosty's label. And I'm sure there are instances where other Chinese grid are sold under their own in-house labels.

MS. COHEN: Okay. And so all of you deal with private label. And can you source from different Chinese manufacturers for the private label? Or do you source from one manufacturer?

MR. DOWDELL: John Dowdell, Hands. I'll take the lead on this because we buy from three different suppliers under our private label program. And in each of those instances we do extensive testing on their products prior to executing any Pos with them. We've visited all their facilities, looked at their in-house testing protocols and

procedures, and have ongoing testing procedures in place to ensure the quality of the products.

I mentioned earlier we've done a lot of side-by-side testing both in-ground and in lab conditions. My experience on that is, the question was asked earlier are they a lighter weight product, consistently the test data that we have is they're about 5 percent heavier. Their performance is extremely good. We've had no issues of complaints at all, and no quality issues related to the products we're sourcing.

We're very careful about product channeling, the specific projects for example within our inventory system. It's all called teragrid. But we're able to track from the manufacturer to the job site, where we've purchased the goods, and we don't co-mingle products on the same project. Because there can be minor differences in things like aperture size. And when I say "minor," it's probably something you wouldn't necessarily identify with the naked eye, but there can be minor differences with after size. So we're very meticulous about ensuring that we're channeling the product from one supplier to one project.

In our specification guides, if you look on our website and look at our specifications for a 1200 series grid, what you'll find on that specification sheet is the lowest common denominator for each of the product

attributes.

So if its tensile strength and we're buying from three groups, it's the lowest tensile strength. And we go down the line like that so that we know if we go off of standard specifications, a standard specification sheet, that we're over supplying the product relative to what's on the website.

You get to a project that may require a design engineer to sign off. And a good example of that would be a product--a project that's been specified originally as a TX-1.040, and they agree that they--I should say TriAx 1.440, and they agree that will accept alternatives, well that engineer is going to want to see the specific specification sheet of the product that you're going to supply.

At that point, we go right to the manufacturer's specification sheet, have that submitted and signed off on, and for that project we ensure that that's the product that goes.

MS. COHEN: l And do you also source from Tensar?

MR. DOWDELL: We do. Which makes this kind of awkward, doesn't it.

(Laughter.)

MS. COHEN: And for the other companies?

MR. CASHATT: Clay Cashatt, Hill Country. No, we

do not.

MS. COHEN: And do you have multiple Chinese suppliers?

MR. CASHATT: Currently we have one.

MS. COHEN: Okay.

MR. FREY: Michael Frey, Alliance Geo. We have sourced from three different Chinese suppliers. We do not currently source from Tensar.

MS. COHEN: And do you have the same--do you keep the inventory separate for the different suppliers?

MR. FREY: Yes, we do.

MR.BAISBURD: May I?

MS. COHEN: Yes.

MR. BAISBURD: Yohai Baisburd for the Respondents. If I could address something that came up this morning about level of trade--

MS. COHEN: Yes.

MR. BAISBURD: --and the private label, there's direct competition in that space.

And it's completely distortive not to have a full analysis of all the direct competition in the United States market. I mean, that's traditionally what the Commission does.

And, you know, Respondent counsel would love to exclude all their low-priced sales but, guess what, like

that's not what we do. That's not how the system works.

So I think that it's critical that the Commission have a complete data set to address kind of all aspects, and at every level at which competition occurs between U.S. produced product and the subject imports.

MS. COHEN: So how are we getting, say for Hands, how are we getting the best apples-to-apples pricing when we're having Hands importing directly and selling, reporting your sales prices for Chinese product, but Tensar is reporting their prices to Hands? Is that an apples-to-apples comparison?

What's the best way to get at that?

MR. BAISBURD: So the Commission's questionnaire asks both the U.S. industry and importers to provide their pricing data for the products that are defined by the Commission. I mean, that is the standard approach. And there is, at this stage of where we're at, that's what everyone should be doing.

And I think that there is, to the extent that there is direct competition in the market, it's with respect to all the sales. So what do I mean by that? There's also multi layers of distribution channels that, as you heard, Tensar sells through exclusive distribution at the primary level, and then may or may not sell through sub distributors down as they go deeper down the chain.

But at the end of the day, what the analysis is is the price at which Tensar sold to the first unrelated customer in the United States. And that's the data that the Commission always gathers from my experience.

MS. COHEN: Okay. Go ahead.

MR. BAISBURD: I might add one thing. It's a business decision. You produce the product. You choose how you want to get the brand equity of your marketing, and sell it as Tensar. Or you choose to sell it in the private label fashion at a reduced price. But at the end of the day, it's the producer who is making that decision.

And that's why we gather the data in the aggregate, because you're looking at their complete operations and comparing it to the complete operations of the imports.

And so if they made a business decision to try to sell it in a certain channel versus another, that's on them. Because at the end of the day, the production run, as I understand it, is the same.

I mean, I don't think we've heard anything that there's any difference in quality, or size, or approach. And I'd like the industry, obviously, experts to speak. I don't want to speak for that.

But if they're making a decision to sell it that way, maybe--I mean there could be any number of reasons why

they would like to increase sales at a low price at any given point in time to generate more revenue, generate more cash flow, generate more sales in a particular instance, and that's their decision.

That's not driven by the import price, or the presence of imports. They can sell it as Tensar, or they can sell it through private label. And I think gathering all the data in the aggregate as the Commission always does, from my experience, is the proper way to do the analysis.

MS. COHEN: Did you have a comment?

MR. DOWDELL: I had one, because another aspect that came up earlier during the questions that stuck with me was the effort to distinguish the channel of market differently from private label and branded products, and what I heard was basically well if it's private label, it's going to a totally different channel of market. It's going through subdistribution, and in my experience that is not the case.

The vast majority of what we sell goes directly to a contractor. It's put on a flatbed truck with a moffut on the back that includes a group of not only grid but likely other products that are going out to that work site, and it's delivered to a construction site.

We do sell to some distributors as well, but the majority of our business goes directly to contractors.

Where we do sell to subdistributors, it's typically a small operation that doesn't have the ability to hold a full line of inventory products, and they prefer to buy from someone that's regionally located, that the next day can send them something to replenish their inventory.

It will include grids, silk fence, geotextile fabrics and other products. But there are companies that do sell primarily through subdistribution. Carthage Mills was on the list. Carthage Mills would be a company that in my opinion probably sells the majority of what they do through other distributors. They're not going to be geared up to service that market.

But that's not the rule. The rule would be much more aligned with what Haynes is doing, with what Hill Country Site Supply is doing, and I can tell you we're competing directly with the Tensar distribution team to contract direct sales.

MS. COHEN: So you're both purchasing from them and competing, and competing with them?

MR. DOWDELL: We are. I was at the start of the day anyway.

(Laughter.)

MS. COHEN: Well, at the risk of -- can you tell me when you're deciding from who to purchase for your private label, what factors you look at? Obviously price

would be one --

MR. DOWDELL: Price is a factor but you know, frankly, without getting too far into the confidential aspect of this, price is not the only aspect that we look at.

We have -- we have paid more for domestically available goods because we look at things like the working capital availability, the ready access to inventory. I mean there are factors beyond the price aspect of it that come into play.

MR. BAISBURD: This is Yohai Baisburd for the Respondents. We will supplement that on the post-conference brief too.

MS. COHEN: Okay, and I had asked this morning about whether the U.S. producer sales are contract or spot. Is that -- do you agree with their characterization of the contracts?

MR. DOWDELL: John Dowdell, Hanes. Yes, it's -- the vast majority of it is spot or job by job. You'll be bidding on one construction project and you're -- that's the PO that you'll receive related to that one construction project. It may go in one load, it may go in multiple loads over an extended period of time.

MS. COHEN: So that would be your -- for your sales?

MR. DOWDELL: That's for our sales.

MS. COHEN: And for your --

MR. DOWDELL: And our purchases are also spot.

MS. COHEN: So the Petitioner showed us this morning the big decline in prices in interim periods. To what do you attribute the decline in prices?

MR. BAISBURD: Yohai Baisburd again. I just want to preface this for a second because it's -- well, first it's confidential information so the Respondents won't be privy to that. Two, we don't know how that market was defined for purposes of the comparison.

I suspect it was defined by excluding TriAx. I mean in fact not, I suspect. It obviously was defined by excluding TriAx, and so that's not the market that they compete in. I mean they compete in the geogrid market and that's their knowledge of pricing.

MS. COHEN: So maybe I should ask more what is, you know, for the distributors here, what has been your experience? What has been the trend in prices over the period and do prices exhibit a large decline over that interim period?

MR. CASHATT: Thank you. Clay Cashatt, Hill Country Site Supply. Prior to the patent expiration, which was in May, May 31st I believe, 2012, about six or seven months prior to that, whenever they first -- the first

private label agreement as I understand it was the Syntec.

From that point forward, seven months prior to the patent, there was a pretty aggressive suppression of pricing that Tensar instituted through Syntec, and it was of the general understanding and as I was told actually, that that was in an effort to flood the market with inventory to distributors like myself who did purchase from Syntec via Tensar, so that it would discourage imports.

After the patent, actually there was a suppression in pricing and I attribute that mainly as a jockeying of producers with distributors, and then a jockeying of distributors to end users in this new-found competition, right. Up until for the last 30 years, there was by and large one manufacturer and one set of exclusive distributors who controlled that punch drawn market.

After the patent, there was an increase in competition. So everybody thought everybody could sell to everybody, right. So there was a natural suppression of pricing because of that competition. It took about 18 months to kind of flood that out and we figured out who our customers were and who we're going to buy from and likewise others, and it pretty well stabilized, in our opinion, up until about 2014.

If there's been any decline since then, I think you could maybe look at polypropylene prices and oil price

has contributed to that. But it pretty well stabilized, in our opinion, back in 2014.

MS. COHEN: So you don't see a major decline over the last three quarters?

MR. CASHATT: I wouldn't call it major. I would call it expected. But and if you pull in the TriAx into the biaxial market, which is what it should be, there's still a very high price per pound. I know we're looking at price per square yards here. But if you put it as a price per pound, it hasn't been nearly as affected as you might believe.

MS. COHEN: Well, for a given product say, for a given specification --

MR. CASHATT: Right. I was talking about the product as a whole, integral biaxial geogrids.

MS. COHEN: Right, right, because we -- that's why we have our pricing product, so we can look at specific pricing trends and not have a products mix issue.

MR. DOWDELL: John Dowdell with Hanes. I'll comment on that in a couple of ways. First of all, it was not a straight price decision that led our organization to make a decision that we needed to have an import position as it related to biaxial grids.

It was equally as important to us to recognize that Tensar's strategy truly was and was clearly stated in

three separate industry-wide letters that I'm sure will be submitted by counsel, that their goal was to replace biaxial sales with triaxial products.

So they set up a private label distribution agreement with Syntec and said hey, come and buy your biaxial products from us. Now from a strategic perspective, if you're running a business as a distributor and they're also in the same breath telling you but we're not going to sell you TriAx. You can't have access to the product we're going to try every way we can to push the market to, but buy the other stuff from us.

It wouldn't have mattered what the relative price was. We were compelled to take a position with imports because the overarching strategic direction of the supplier was to move away from the products they were offering to sell us. It's as simple as that from a strategic perspective.

Now to your direct question about well what's happened with the individual products? They've gone down. The pricing has gone down on those individual products, and I'm certain that the individual product data will bear that out. I don't know to what percent. I'd be glad to tell you if I really felt like I knew, but you'll have access to that information.

A key component of that though is likewise on a

global basis, prices for those products have went down. This isn't a U.S. phenomenon. During the same period of time, resin produced in North America, the resin manufacturers that make polypropylene, their margins have went from about 19 cents a pound to 35 cents a pound, all-time record highs for resin. That's driven by automotive demand and a number of other factors.

That's not what's happened in the world. The rest of the world, the resin market has continued to decline, in line with prices of oil and gas, which is what you would typically expect within the industry. So there are factors far beyond a nefarious attempt by the Chinese manufacturers to suppress the market that's at play here. What's at play is global economics.

MS. COHEN: Are there other non-subject sources? We've heard there's no imports into the market. But are there other foreign producers out there that you've looked at?

MR. DOWDELL: There are. There's a producer in Poland that we've visited and that manufactures a good product. Frankly the only reason we haven't brought product in from them is they're sold out in their market, because we would have liked to have had a little more flexibility in that regard, just because of, you know, the fact that we don't like to have all of our eggs in one basket.

MR. BOYLAND: Yohai Baisburd. As was mentioned earlier, Tensar produces in the UK.

MS. COHEN: Right.

(Pause.)

MS. COHEN: I believe that is all I have right now. Thank you.

MR. ANDERSON: Thank you, Ms. Cohen. Mr. Boyland.

MR. BOYLAND: Good afternoon. Thank you for your testimony. I just had one question, Mr. Dowdell. Dowdell?

MR. DOWDELL: Dowdell.

MR. BOYLAND: Dowdell. You were discussing working capital and my impression was that the availability of U.S. produced geogrids would allow you to buy; your inventory would turn over quicker; it would be more available; you'd have less money tied up in inventory per se, as opposed to the Chinese product?

MR. DOWDELL: Yes sir.

MR. BOYLAND: Could you maybe just discuss that, how I mean what's the lead time on the Chinese product?

MR. DOWDELL: Okay. John Dowdell, Hanes. Typically, it's going to run a minimum of eight weeks for product by the time you get a PO in, get it to port, get it to our shores and clear test them. So we typically plan on

somewhere around the three month time frame.

Now embedded in your question is another aspect that I think it's important for you to understand, is the construction season is very cyclical based on weather. So it's not unusual at all and it's not unique by the way to the geogrid aspects of our business. We do this with other aspects of our business as well.

We take very strong inventory positions in the late first quarter. Typically, we like to go ahead and get stocked up on goods that are being imported, because if you don't have it while the construction season's going on, it really is literally on a regional basis day to day weather when a project can be completed, and then you miss that opportunity.

So you'll actually, if you looked at the details of our organization, you'll see our inventory spiking typically during the off season getting ready for the season, because we can't wait eight weeks or twelve weeks for a product to come in in season.

MR. BOYLAND: And I guess I would interpret that to mean that to the extent you're relying more on imported versus U.S., your money would be tied up that much longer?

MR. DOWDELL: Yes sir. That's what makes it attractive in many instances for us to buy domestically, is because it's -- it is a much quicker turn of our inventory.

And you know, we're a corporate organization. At the end of the day, we're evaluated on that as well.

MR. BOYLAND: Okay. Thank you for your testimony. I have no further questions.

MR. ANDERSON: Okay, thank you Mr. Boyland. Ms. Catalano.

MS. CATALANO: I'd like to talk about polypropylene, and where do you get your polypropylene most of the time? So you're going to get it from China. Are they producing it in China?

MR. DOWDELL: John Dowdell for Hanes. Now to be clear, we don't buy polypropylene chip at all. We're going to be buying -- we're going to be buying materials that are made out of it. So the grid products made out of chipped polypropylene. So it's not -- it's not a purchase that we would be making.

There are a number of large companies, Reliance would be a good example, I believe domestically you've got probably Formosa, Shell that manufacture polypropylene. Those would be purchases that the manufacturers would be making, and they're typically going to be made within the regions that the manufacturing facility is.

It's much more efficient to handle those goods on rail cars than it is through individual totes or bulk and flexible intermediate bulk containers. So it's very much a

regional market for the manufacturers that supply the grid and fabric manufacturers for polypropylene products.

MS. CATALANO: And do any of you ever use anything except polypropylene? Do you use any different polymers?

MR. BAISBURD: Yohai Baisburd for the Respondent. So they purchase the finished goods, the geogoods.

MS. CATALANO: Were they all made of polypropylene?

MR. BAISBURD: They're all made of polypropylene.

MS. CATALANO: As far as you know?

MR. BAISBURD: As far as I know.

MR. CASHATT: Clay Cashatt, Hill Country. For the purposes of a punch drawn product, which is what we're discussing today predominantly, it is all polypropylene, yes. But there are other geogrids for retaining walls or other structures that are made of polyesters, fiberglass, other polymers as well.

MS. CATALANO: And do those polyester products compete in the same markets as the polypropylene products that you have?

MR. CASHATT: For the retaining wall businesses and those businesses, yes. But it's not a traditional

"biaxial" product. In other words, the retaining -- I think that Tensar alluded this morning that a uniaxial product behaves in one direction. So a wall that's trying to fall over pulls in that direction.

A roadway acts in multiple directions, which is what a square or triangular product provides reinforcement for in all directions. So in that market, prior to that patent expiration yes is the answer to your question, that polyesters, woven and knitted, coated, welded, all the different array of products, did compete.

But after the patent expiration, when the distributors were allowed to source punched and drawn products, the market dictated that those products were not relevant anymore. So they do not compete mainly because they're not stocked and distributed by the distributors at the different regional levels.

MS. CATALANO: Thank you. And I'm going to ask a similar question that I asked before. Let's say I'm going to build a highway and I want to come in and I want to ask your expertise on should I go with the bioaxial geogrid; should I go with more asphalt and aggregate; should I go with chemical stabilization?

Could you kind of paint a picture of what it's like to have a customer come to you, and how many of those -- what percentage of the customers that come to you choose

biaxial geogrids as opposed to some of these other methods like chemical stabilization? What has been your experience?

MR. CASHATT: Clay Cashatt, Hill Country. Thank you. The overall experience is that, and we agree with the Petitioners, that the vast majority of the market is controlled or uses chemical stabilizations, more rock, other methods other than geogrid. So there's lots of room to grow, right.

So when a customer of ours, which would be a contractor, comes to us and asks us to help them design a roadway or modify a roadway or what have you, typically there's an engineer involved that we will work with to discuss the different options.

That engineer might use lime, cement, flat ash. They might increase the thickness of the rock, the asphalt as we've all discussed before. But they could also use any of the geogrids we've been talking today. So with a triangular product, there's different strengths. The one I'm holding here is the lowest grade strength, VTX-130S, and there's four other products stronger than this, 140, 5, TX-160 and TX-7.

So they offer five different products with varying strengths. That engineer would take this product and what Tensar advertises for this product and combine it with rock to produce a pavement. They would then take this

product, which also has varying strengths. There's weak products and there's extremely strong products. The weaker the product the more rock you need.

So a strong product of this can easily replace a weak product of this and vice-versa. So they would take the cost-benefit analysis of this combined with the rock and the asphalt and the soil and everything else that a geotechnical engineer looks at, and determine which one is the most beneficial to their owner, who's ultimately who they're responsible and answer to.

MS. CATALANO: Thank you. So would you agree with what was said this morning, that it's about -- I heard the estimate of 80-20, meaning 80 percent of the market is other than BIAx-TriAx, and 20 percent of the market, at least in Texas, is BIAx?

MR. CASHATT: I would agree that Texas is more friendly to geogrid than chemical stabilization. I don't have the numbers to support that. I wouldn't refute that. I would say that that's a fair estimate.

MS. CATALANO: That's a fair estimate.

MR. CASHATT: But every day that 80 percent goes down, because the 20 percent is going up, all right, because we're all out there with the same message, and this is very important to understand. Prior to the patent, we had our product made out of woven coated polyester. They may have

had a knitted product. They may have had a tenax product and we were all -- and yeah Tensar, everybody's telling the engineer that our product's the best, right. Their product -- well ours is the best.

The engineers just -- they didn't want to have anything to do with any of us. Get out of the office. I'm going to use the lime, because I know how lime works, and you know what, and all the lime guys told us exactly how to use it, right. Get out of the office.

Now that the patent has expired and we've all consolidated around the same technology, there is one clear message that these products work, and the engineers are starting to believe us and starting to use them more instead of chemical stabilization. The only outlier is that triangles are magically better than squares, okay. That's the only different message out in the market today.

But outside of that one message from one company and their distributors, it is one unified message, and that's what's growing the market.

MS. CATALANO: Thank you.

MR. DOWDELL: If I may, John Dowdell for Hanes. I'd like to follow up on that. I do think that the Texas market is much more progressive with their use of grids than industries in general, and you know, if you look across the entire market, I think it would be a stretch to say five

percent of the applications where a grid would benefit the substructure are being used. It's got a very low penetration rate today.

MS. CATALANO: Thank you. That's very helpful. I want to continue on with a question for you, John. You spoke about how you do testing for products that come from the suppliers in China. Could you talk about what some of that testing involves? What are you looking for?

MR. DOWDELL: Certainly. First of all, we've done in ground testing, where we hired a third party testing institute, a company called TRI, to basically plant sections or install sections of geogrid around a track, where they then came and literally run vehicles over it.

We talked about single axle passes. Well that's exactly what we did. We literally buried grid in a track and drove a truck around it repeatedly to exhaustion, and throughout that process continually measured the rut depths that were occurring for the different grids.

Through that, we were able to basically evaluate the various grid offers in terms of their performance as it relates to the number of times that it would take to basically fail the product. From that as well, you're able to look at some in-ground damage that's done to the product as it's put in place and compact it as well.

So a lot of what we were doing is just

evaluating how grid performs in real world circumstances, to measure its failure point in terms of the number of times a single axle could pass. There was a high correlation, irrespective of the aperture shape of the product, to the weight of the product and its performance. Heavier product tends to just give you a better support.

In addition to that, we do ongoing lab testing for things like the tensile strength that the products have, and things as minute as the aperture size. Some of the states have very specific specifications about how big the aperture size would be. So we're doing things of that nature on a routine basis.

MS. CATALANO: And are these products that you are testing, are those exclusively the Chinese suppliers, or are these also the BIAX and TriAx products from Tensar?

MR. DOWDELL: All the above.

MS. CATALANO: Thank you.

MR. DOWDELL: Certainly.

MS. CATALANO: No further questions.

MR. ANDERSON: Okay, thank you Ms. Catalano. I look to my right to see if there are follow up questions from staff, and to my left. Okay, Ms. Cohen.

MS. COHEN: Just a quick question. Do your customers know whether the products they are buying are domestic or Chinese? Do they ask that question? Is that

something that the contractors are aware of?

MR. DOWDELL: John Dowdell for Hanes. I can't think of an instance where I've been asked.

MR. FREY: Michael Frey, Alliance Geo. I have not been asked specifically the product that I sell them is American or import. I have been asked during a submittal process to get RGO grid-approved on certain projects, whether it was American or an import.

Specifically, I can think of some FAA projects that I was asked the question, because there wasn't -- they have a Buy America type clause in their specification and I have been excluded from selling several of those projects because of not having an American-made product.

MR. DOWDELL: And I'd like to build on Mike's comment there. John Dowdell with Hanes. There are exceptions. I mean military projects, rail projects. Typically in those instances, there is a Buy American requirement that is actively enforced.

So as I think through this, there are instances where we could point to, that yes that was a factor.

MS. COHEN: Okay. But the road projects generally --

MR. DOWDELL: Typically not, typically not. Now we may turn in a submittal sheet that has it. A lot of the DOTs, if you have a private label program, which we're

listed private label, many of the DOTs require a disclosure of the manufacturer at that level.

So you're giving direct manufacturing detail at that point, and if that's the case, then in those states whatever we've submitted, that's what we sell.

MS. COHEN: Okay, thank you.

MR. CASHATT: Clay Cashatt, Hill Country. By and large we're not asked. I can think of one recent project and it was sizeable. It was about 270,000 square yards. That's a large project by anybody's estimation. It was actually originally specified tracks through the state of Texas through the Department of Transportation.

The contractor then submitted a square product from us as an equivalent, direct equivalent no change, and that was granted. And then they did ask us directly where are you getting your geogrid and is it going in the spec? They had clearly been coached or scared into thinking that it was not good product.

Luckily the state of Texas, because they have the resources, they actually sample material from every project, from every lot. You have to deliver it to the job site. The state inspector takes a sample, sends it to Austin to the laboratory, and their own laboratory technicians test it for compliance and we easily pass and alleviate those concerns.

But because of availability, he was very concerned, because we told him about the lead time that was required, as John alluded to earlier. He was concerned that if he awarded the contract to us and we didn't fulfill the quality needs of their state, that he wouldn't be able to source the material anywhere else. So that was the only time we were ever asked that question.

MR. DOWDELL: John Dowdell, Hanes. Bobby, my associate here, made a good point. One other thing you might want to know though is on all of our labels, it lists the country of origin. So it's readily available. I mean it's visibly available there, that it was manufactured in China or the US of A.

MS. COHEN: Okay. So since you --

MR. DOWDELL: They don't ask for it there.

MS. COHEN: Right. So you might be sourcing the same Type 1, Type 2 from different -- from Tensar and from China, right?

MR. DOWDELL: We definitely would be doing that, but not to the same project.

MS. COHEN: And not for the same project, okay. Thank you.

MR. DOWDELL: Certainly.

MR. ANDERSON: I just want to follow up with a couple of quick questions, and thank you all for your

testimony and answering our questions. I appreciate that maybe in the post-hearing brief, you're going to talk a little bit more about the industry in China. You mentioned that you have a different view on how many producers are in China and what they're making and so forth.

So I appreciate more documentation or elaboration on that in the post-hearing brief. But I would ask if when you're doing that, if you could just add your knowledge or your understanding of what the market is in China, what the domestic demand has been like during the Period of Investigation in China for these products, if you could add that.

The other question I had was Mr. Dowdell, you gave us a picture of a little bit different than what the first panel had talked about, in that in some of these specifications, that you're allowed to choose multiple types of products, and it's not exclusive to one product. So you know, the idea of the sole sourcing issue.

Do you have any idea of how many projects or the, you know, relative share of the projects where you have multiple options for technology or for products, as opposed to one where it specifically says a geogrid of this type?

MR. DOWDELL: John Dowdell, Hanes. I don't is the short answer. I'm not sure percentage-wise how many instances that's the case. But I think it's important that

the panel understand that many projects are done with a specific engineer's review and approval.

So it's not uncommon at all for a state project to roll forward without relying on the qualified products list. They may very well utilize a special provision, as Clay mentioned earlier, to get the product in as specified. In all instances virtually, there's a clause on the back end of those standards, those specifications that says "or equivalent, with engineer's approval."

So it's very often the case that the distributors and the contractors frankly. A lot of times it's the contractor that drives this for us. It's not actually us going into the design engineer and saying hey, could you change this to this product. A lot of times it's the contractor that's going in and says you know, I've had good experience with this product. I'd like you to evaluate it in your design, and that's how that's really transpiring. Now Clay, do you have anything that you would like to add to that?

MR. CASHATT: Clay Cashatt, Hill Country. I think you've covered it well.

MR. ANDERSON: Is that fairly common then, that the "or equivalent" is exercised?

MR. DOWDELL: Yes, the short answer is yes. It's fairly common that the "or equivalent" is exercised.

It's always a harder sell. It's much easier to be originally designed in. But a lot of that will actually happen before the bid's finalized. A lot of times the engineer will put out their letting with the bid request, and there will be an "or equivalent."

The contractor's going in with either a totally revised design alternative or with another product on a specific line item, and trying to get that signed off before the bid ever happens. As much of this happens at the contractor level as it does at the distribution level by far.

MR. CASHATT: Clay Cashatt, Hill Country. I will elaborate. This is -- in the industry it's commonly called flipping a specification. Whether it's originally specified lime and you're flipping it to geogrid or if it's the lime guys taking geogrid and flipping it to lime, right.

You can readily go to an engineer with standard pavement design methodologies and talk to the engineer and convince the engineer and the owner that why your product or technology or industry's technology, for that matter, is the preferred choice, right.

So it's very common for a geotextile manufacturer who doesn't represent any of these products to try to flip a grid specification to geotextile or geocell or

cement or flax. So they're all interchangeable one to another. They all do the same job. They make the road last better or last longer or stronger, whichever is the case. That's the intent of all of these products.

MR. BAISBURD: Yohai Baisburd again. And just to clarify one point, it's not just flipping, if you will, between different types of alternatives. It's also within geogrids. It's going from Type 1 to Type 2 or from a particular type of Type 2 to a different particular type of Type 2, or going from TriAx to Type 2 or vice-versa.

I mean it's -- they're designers. They're designing something and they're making choices as they're making their design, and there's a continuum of options available to them, especially with respect to biaxial geogrids.

MR. ANDERSON: Thank you for that response, and then my last comment or request is we heard a lot about creating market demand. You had more access to product during the POI and that you created this demand with additional product coming into the market.

The Petitioners in their brief have highlighted the level of subject imports relative to consumption, and I assume the panel agrees that demand has been going up in the last couple of years for this product. So if in your post-conference brief, you could specifically address some

of the data and calculations that they made on import market share relative to demand, and comment on that part of the argument they're making there, that would be extremely helpful.

MR. BAISBURD: Yohai Baisburd. Absolutely. We'd be happy to take care of that in the post-conference brief. But I think you also have just your own experiences in the marketplace, if he has one, that talk about how you see demand over the POI.

MR. FREY: Yeah. Michael Frey, Alliance Geo. Yeah, I've seen demand for the product rise as the amount of people that can promote the product and educate engineers and specifiers about the product has risen.

I've also seen, as I stated in my testimony and we'll submit some specific examples in our post-conference, of the price of geogrid allowing us to compete with substitutes that are more traditional, such as more rock or lime or some sort of chemical stabilization.

Certainly, the pricing has helped our ability to open up those markets to the use of more readily used geogrid than they would before so --

MR. ANDERSON: Okay, thank you. Thank you very much. With that, I think we've exhausted our questions. I appreciate your patience and it's been very helpful, and I appreciate all the detail and your being here today. We

will now turn to closing arguments by each party. Thank you very much.

MR. GERRISH: Just in case you forgot who I was.

MR. ANDERSON: Mr. Gerrish, please proceed when you're ready.

CLOSING REMARKS OF JEFFREY GERRISH

MR. GERRISH: Thank you. Jeff Gerrish for Tensar Corporation. First let me thank you very much for all of your hard work on this case and your patience here today. The biaxial integral geogrid industry in the United States is in crisis, as a direct result of the surge in unfairly traded imports from China.

The question before you is whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of the subject imports. The answer is a resounding yes. It is clear that Respondents simply have no explanation for what has happened to this industry over the Period of Investigation.

Their focus is on what happened in 2011 or early 2012, and they have no explanation for what has happened since. Consider some of the claims they have made this afternoon. Respondents claim that the surge of Chinese imports was simply a natural consequence of the product

coming off patent.

But as you heard this morning, this is not a situation where product was placed too high coming off patent, and the price simply came down to normal levels. This is a situation where the Chinese have ravaged and destroyed the market with dumped and subsidized prices that are not sustainable. We are almost four years out from the expiration of the patent, and the prices keep going lower and lower and lower.

Anything related to the expiration of the patent is long since over. If this is a simple matter of more competition, why haven't other U.S. or non-Chinese producers entered the market? Because they know that they cannot survive at these prices that the Chinese are charging.

Respondents claim that Tensar was not willing to sell to them and they had to seek an alternative source of supply. They also claim that there is no other U.S. producer, so they had to source the product from the Chinese. Again, there is no support in the facts for any of these claims.

First, Tensar clearly has sold to these companies. They said as much. Second, like many companies, Tensar has a group of exclusive distributors for its products. This allows Tensar to regulate the marketing and

sale and distribution of its products. There's no evidence that Tensar somehow couldn't or wouldn't meet demand in the market at any point.

In fact, Tensar had available capacity to meet all demand for BIAX throughout the Period of Investigation. It also certainly doesn't provide a license for the Chinese to flood the market with dumped and subsidized product. If this was just a matter of more people being able to buy BIAX, well that doesn't -- it doesn't explain why the market hasn't grown to accommodate everyone, why they had to take market share away from U.S. producers of this product, and that's exactly what has happened. Market share has plummeted for Tensar over this period.

Respondents claim that Tensar is no longer interested in bioaxial integral geogrid, and instead is focused on the TriAx product. I think that we heard that Tensar has turned its back on BIAX. However, once again the facts tell a very different story. All you have to do is look at the data on the record. The data plainly show Tensar's strong commitment to the biaxial integral geogrid market.

In the testimony you've heard from both Tensar and its distributors simply confirms that. Tensar has been selling TriAx in this market for several years now, and they continue to make a substantial amount and sell a substantial

amount of BIAX product. They certainly have not replaced BIAX with TriAx.

I think we heard here this afternoon that the price of biaxial integral geogrid fell because of declining raw material costs, declining polypropylene prices. The evidence shows directly to the contrary. Polypropylene costs actually increased from 2012 to 2014. At the same time the prices for biaxial integral geogrid dropped significantly.

There was a decline in polypropylene costs in 2015, but despite these falling costs in 2015 and despite demand for biaxial integral geogrids being strong and growing, Tensar still suffered an operating loss. Why? Because in an effort to maintain production, Tensar was forced to cut its prices to unsustainably low levels to try to match the dumped and subsidized Chinese prices. Clearly, prices fell much more than costs in 2015.

Another claim you've heard here today is that TriAx should be considered part of the same like product as biaxial integral geogrid and included in this case. The record before you, including the testimony you heard today, demonstrates very clearly that you should find biaxial integral geogrid to be a distinct like product, based on the factors you typically consider in the like product analysis.

Just to summarize some of the key facts before

you, TriAx has a completely different geometry than biaxial integral geogrids, and has significantly different physical and mechanical properties and performance characteristics. This fact has been recognized by independent experts and Tensar of course has a patent on TriAx.

Now we've heard this afternoon that geogrid is designed to hold rock in place. Well again, the different characteristics of this product show very clearly that TriAx has a much greater ability, much greater interlocking ability to hold rock in place. It's a very different product. This is not just a product that looks different. It is different in its physical and mechanical properties.

These two products are not interchangeable. For example, many state specifications either do not allow the use of TriAx at all, or classify it in a separate category from biaxial integral geogrids. There are also differences in the applications for the two products. At a minimum, you would have to make significant engineering design changes to use one product in the same general end use as another.

There are differences in the machinery and production processes for the two products. As we heard, there was differences in polypropylene sheet that can be used for one product versus the other. Polypropylene sheet is specifically dedicated to one product and cannot be used

for the other product. They have differences in their width and in their thickness.

You also have to significantly retool the punch press to make one product versus the other. In addition, TriAx requires the installation of special and expensive tensioning equipment and beveled rollers for the stretching line. Once again, there are differences, significant differences in the production processes.

TriAx and biaxial integral geogrids are sold and marketed differently. Biaxial integral geogrids are provided through private label arrangements. TriAx is not. In addition, TriAx is under patent and is only available from Tensar. Tensar also provides a whole range of support and services for TriAx that are not available for biaxial integral geogrids.

Customers perceive the products to be distinct, as evidenced by the different specifications and requirements issued with respect to the two products. Biaxial integral geogrids are also displayed and marketed separately from TriAx in company brochures, websites, technical guidelines and other materials. Finally, TriAx is priced significantly higher than biaxial integral geogrids.

These facts plainly show that there are significant differences between TriAx and biaxial integral

geogrid and that TriAx should not be considered part of the like product. As all these examples demonstrate, Respondents have failed to explain or even adequately address the record before you.

The fact of the matter is the record here tells a simple and compelling story. Much of the key evidence is undisputed, and all of it adds up to the fact that subject imports have caused material injury to the domestic industry. The volume of subject imports is significant, both on an absolute basis and relative to domestic consumption and production.

The imports were massive and they increased over the Period of Investigation. Chinese imports almost doubled their market share over the Period of Investigation, stealing market share away from the U.S. industry. As a result, the U.S. industry was not able to take advantage of the strong demand in the U.S. market.

In fact, the flood of Chinese imports into this market in the first three quarters of 2015 was so significant that it approached Tensar's total production for the subject product for all markets. These imports have had significant price effects, depressing and suppressing prices for biaxial integral geogrid.

U.S. prices dropped significantly from 2012 to 2014. The price collapse accelerated in 2015 as Tensar was

forced to slash prices to maintain production. Even then, unfairly traded Chinese imports continued to surge into the U.S. in ever-increasing volumes.

The data collected by the Commission provides clear evidence of under-selling by the subject imports, which have contributed to the depression and suppression of U.S. prices. Not surprisingly, the impact on the domestic industry has been dramatic and it has been devastating. From 2012 to 2014, all the key financial indicators fell dramatically, as the domestic industry suffered from the onslaught of Chinese imports.

Production, shipments, capacity utilization, hours worked and wages paid all declined. You had layoffs and shutdowns. Profits declined precipitously over the same period and Tensar suffered an operating loss in the first three quarters of 2015. The only way to stop this harm is to reach an affirmative determination in this case.

Chinese producers have the means and motive to increase shipments of biaxial integral geogrid to the United States. The massive surge of imports that occurred in the Period of Investigation shows what the Chinese are capable of, and they will have even more of an incentive to ship to this market, given the slowdown in their own economy.

In the absence of trade relief, the import surge that has already done so much harm will continue and

the results will be catastrophic. This is an industry that has done everything right. They did all the work to create and develop this product and to create the market for it in the United States.

Don't let the Chinese come in with their dumped and subsidized imports and cheat and take all that way from them. We urge the Commission to effectively enforce the trade laws and to reach an affirmative determination. Thank you.

MR. ANDERSON: Thank you Mr. Gerrish.

CLOSING REMARKS OF YOHAI BAISBURD

MR. BAISBURD: Since we have to stick to public information and we all know the statutory analysis and factors all stay away from using adjectives, and just going through stuff that we all know that you'll consider, we'll go into great detail in our post-conference brief.

I just want to talk about two important things, the like product and the way that Tensar competes with Tensar. It's so fundamental that the Commission just defines the like product first, and everything else flows from that. It's twice now that Mr. Gerrish had gone well into his presentations without addressing how the like product should be defined.

So we all know what the statutory factors are. I'll just touch on a few points. There are a few things

that don't define the like product. Standing alone, a patent does not define a like product, and you'll see in our brief when we talk about the patent. This patent actually shows why the TriAx product is a biaxially oriented integral geogrid.

So the patent supports that it's part of the continuum of biaxial integral geogrids that Tensar has produced for 30 years.

Another thing that doesn't define like product is the fact that a producer has to make some changes on a production line in order to produce either a different grade or a different size of a product. If that defined like product, every steel case that this Commission looked at would have hundreds, if not more, of different like products.

What you did hear this morning is that the products are produced at the same facility. You heard this morning they're produced on the same production lines. I'm pretty sure I understood this morning it being said that the expansion in 2012 had as much to do with TriAx as it did to BIAX because those production lines can be used to do both. I think it's warranted to ask maybe follow-up questions to Petitioner, to clarify that notion.

What else do we know? Well, we know that Tensar tells people install it the same way in the ground

when you produce a road. I mean if you're going to put, install it the same way and you're going to use it in the same place, it seems to me that that's an interchangeable product.

So once you define the like product the right way, I think it's clear that there's a continuum here, and there's no clear dividing line.

Now how does Tensar compete with Tensar? Well, they do it at least two ways, the first with TriAx. I apologize. We actually have copies of the letters. We meant to hand them out and I'm happy to do so now or we'll just include it with our brief either way.

But you know they clearly said in letters in 2009 and 2010 that their strategy was to move the entire biaxial market, all their biaxial markets to TriAx. That's what they said. We're not making it up. We're not saying that's what happened; we're saying that's what they tried to do and they failed. The market pushed back. The market said we're not going to let you go from a patented product, the biaxials at the time, to a new patented product, TriAx, and everything that that entails in terms of sole sourcing, you know, higher pricing, etcetera.

The market was getting accustomed to the square and rectangular products and wanted access to the square and rectangular products.

So is Tensar still producing square and rectangular products? Absolutely, and we're not saying otherwise. But what they did tell the market is we have the strategy to abandon it, and that was a really loud signal to the market, and the market naturally looked for alternatives when they could, when the patent on those squares and rectangles came off.

So is that a relevant condition of competition? Yeah, I think it is and I think that their preference for TriAx is, you know, is to today, because I'm pretty sure, and I didn't write the exact quote that we heard this morning, that all things being equal, they'd rather sell TriAx than biaxial.

There's as much competition between Tensar biaxial and Tensar TriAx as there is between Tensar biaxial and imported biaxial. They're choosing where to put their efforts, and this notion that they haven't kind of really wanted to push the market to TriAx is also confusing, because we also hear that they're fully supporting TriAx but not biaxial.

So they've gone to the market with decades of support, engineering support, marketing literature, testing, fully supporting BIAX and trying to expand that market, and once they had a new patented product to pivot to, they've shifted that support, according to what they said this

morning and this afternoon, to their efforts to improve their sales of TriAx.

Now I think I heard one of their distributors also say that the market is comprised of both BIAX and TriAx. So to varying degrees and pretty significantly I would say, but we can look at the data to know precisely, TriAx is an important player in the U.S. market. I don't think that's saying anything that surprises anyone, and those are sales that could otherwise have been a rectangular or square product.

The other area in which they compete with themselves is private label. It's product that they produce in the United States, they sell it in the United States, and they choose at what price that they sell those products. I mean again, it's their own decision-making as to whether to sell something that comes off their machine on the private label market or under their brand as Tensar.

They have a delta in their pricing, but that again is something that they drive, not the imports, that decision to switch between the two. So the only thought I would leave you with is that every square yard of TriAx that they sold during the POI was a square yard that could have been laid in biaxial, and I think that that says it all.

Once the like product is properly defined, everything else flows from that. The picture that was

painted this morning through charts and adjectives as to what the situation is of the domestic industry is --

I guess I can say it's fundamentally different, if you define the like product as sales of both biaxial and triaxial, which we think is the proper way and once the full record is developed before the Commission, we're confident that there's no reasonable indication of threat, of material injury or threat of material injury by reason of the Chinese imports. Thank you.

MR. ANDERSON: Thank you, Mr. Baisburd. So on behalf of the Commission and the staff here, I'd like to thank all the participants for the information and coming here today, and counsel for helping us gain a better understanding of this product and this market and the factors of competition. It's been very illuminating and very helpful.

Just a couple of notes on the investigation here. The deadlines for submissions of corrections to the transcript or post-conference briefs is Monday, February 8th, and if your briefs contain business proprietary information, a public version is due on Tuesday, February 9th.

The Commission has tentatively scheduled its vote on this investigation or these investigations for Friday, February 26th, and it will report its determinations

to the Secretary of Commerce on Monday, February 29th, and the Commission's opinions will be transmitted on Monday, March 7th.

So with that, again I thank all of you for being here and this conference is adjourned.

(Whereupon, at 2:17 p.m., the hearing was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Biaxial Integral Geogrid Products from China

INVESTIGATION NOS.: 701-TA-554 and 731-TA-1309

HEARING DATE: 2-3-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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.

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