

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
CERTAIN IRON MECHANICAL TRANSFER)
DRIVE COMPONENTS FROM CANADA)
AND CHINA) Investigation Nos.:
701-TA-550 AND
731-TA-1304-1305
(FINAL)

Pages: 1 - 179
Place: Washington, D.C.
Date: Tuesday, October 18, 2016



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THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
CERTAIN IRON MECHANICAL TRANSFER) 701-TA-550 AND
DRIVE COMPONENTS FROM CANADA) 731-TA-1304-1305
AND CHINA) (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, October 18, 2016

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Irving A.
Williamson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Irving A. Williamson (presiding)

5 Vice Chairman David S. Johanson

6 Commissioner Dean A. Pinkert

7 Commissioner Meredith M. Broadbent

8 Commissioner F. Scott Kieff

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17 Andrew David, International Trade Analyst

18 Cindy Cohen, Economist

19 Charles Yost, Accountant/Auditor

20 Mary Jane Alves, Attorney/Advisor

21 Brian Soiset, Attorney/Advisor

22 Russell Duncan, Statistician

23 Douglas Corkran, Supervisory Investigator

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25

1 Opening Remarks:

2 Petitioner (Daniel B. Pickard, Wiley Rein LLP)

3 Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)

4

5 In Support of the Imposition of Antidumping and

6 Countervailing Duty Orders:

7 Wiley Rein LLP

8 Washington, DC

9 on behalf of

10 TB Wood's Incorporated

11 Carl R. Christenson, Chairman and Chief Executive

12 Officer, Altra Industrial Motion Corp.

13 Holly M. Shields, Group Controller, Couplings, Clutches

14 & Brakes Division, Altra Industrial Motion Corp.

15 Lew Crist, General Manager, TB Wood's Incorporated

16 William R. Juergens, Commercial Castings Sale Manager,

17 TB Wood's Incorporated

18 Daniel B. Pickard, Robert E. DeFrancesco and Stephanie

19 M. Bell - Of Counsel

20

21

22

23

24

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1 In Opposition to the Imposition of Antidumping and
2 Countervailing Duty Orders:

3 Mowry & Grimson, PLLC

4 Washington, DC

5 on behalf of

6 The China Chamber of Commerce of International

7 Commerce's ad hoc Coalition of Producers

8 and Exporters of Certain Iron Mechanical

9 Transfer Drive Components from the People's

10 Republic of China; Powermach Import & Export

11 Co., Ltd. (Sichuan); Shijiazhuang CAPT Power

12 Transmission Co., Ltd.; and Yueqing Bethel Shaft

13 Collar Manufacturing Co., Ltd.

14 Jeffrey S. Grimson, Jill A. Cramer and Yuzhe PengLing -

15 Of Counsel

16

17 Closing Remarks/Rebuttal:

18 Petitioner (Daniel B. Pickard, Wiley Rein LLP)

19 Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)

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I N D E X

1		
2		Page
3	Opening Remarks:	
4	Petitioner (Daniel B. Pickard, Wiley Rein LLP)	7
5		
6	Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)	10
7		
8	William R. Juergens, Commercial Castings Sale Manager, TB	
9	Wood's Incorporated	13
10		
11	Lew Crist, General Manager, TB Wood's Incorporated	17
12		
13	Holly M. Shields, Group Controller, Couplings, Clutches &	
14	Brakes Division, Altra Industrial Motion Corp.	24
15		
16	Carl R. Christenson, Chairman and Chief Executive Officer,	
17	Altra Industrial Motion Corp.	29
18		
19	Jeffrey S. Grimson - Of Counsel	118
20		
21	Closing Remarks/Rebuttal:	
22	Petitioner (Daniel B. Pickard, Wiley Rein LLP)	168
23		
24	Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)	177
25		

1 P R O C E E D I N G S

2 9:31 a.m.

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

5 CHAIRMAN WILLIAMSON: Good morning. On behalf
6 of the U.S. International Trade Commission, I welcome you to
7 this hearing on Investigation Nos. 701-TA-550 and
8 731-TA-1304 through 1305, final, involving Iron Mechanical
9 Transfer Device, Mechanical Drive Components from Canada and
10 China.

11 The purpose of these investigations is to
12 determine whether an industry in the United States is
13 materially injured or threatened with material injury, or of
14 an establishment of an industry in the United States is
15 materially retarded by reason of imports of iron mechanical
16 transfer device, mechanical drive, transfer drive components
17 from Canada and China.

18 Schedules setting forth the presentation of
19 this hearing, notices of investigation and transcript order
20 forms are available at the public distribution table. All
21 prepared testimony should be given to the Secretary. Please
22 do not place testimony directly on the public distribution
23 table.

24 All witnesses must be sworn in by the
25 Secretary before presenting testimony. I understand that

1 parties are aware of the time allocations. Any questions
2 regarding the time allocations should be directed to the
3 Secretary. Speakers are reminded not to refer in their
4 remarks or answers to questions to business proprietary
5 information. Please speak clearly into the microphone and
6 state your name for the record for the benefit of the court
7 reporter.

8 If you will be submitting documents that
9 contain information you wish classified as business
10 confidential, your requests should comply with Commission
11 Rule 201.6. Madam Secretary, are there any preliminary
12 matters?

13 MS. BELLAMY: No, Mr. Chairman.

14 CHAIRMAN WILLIAMSON: Very well. Let us begin
15 with opening statements.

16 MS. BELLAMY: On behalf of the Petitioner
17 Daniel B. Pickard, Wiley Rein LLP.

18 CHAIRMAN WILLIAMSON: Okay. Welcome, Mr.
19 Pinkard and you may begin when you're ready.

20 OPENING STATEMENT OF DANIEL B. PICKARD

21 MR. PICKARD: Thank you Mr. Chairman,
22 Commissioners. Again for the record this is Dan Pickard of
23 Wiley Rein here today on behalf of the Petitioner TB Wood's.
24 What I'd like to do is make a very brief opening statement
25 to just review the testimony that you're about to hear this

1 morning.

2 So as an initial note, the Petitioner today is
3 TB Wood's, a U.S. manufacturer located in Chambersburg,
4 Pennsylvania, who makes for purposes of this case certain
5 iron mechanical transfer drive components, which you'll hear
6 our witnesses more commonly refer to as sheaves, and sheaves
7 are essentially just iron pulleys. Our first witness today
8 will give you an overview of the product and discuss the
9 production process.

10 Then we're going to talk about how imports
11 compete in the marketplace, and you're going to hear
12 testimony that this case is a little different than some of
13 the recent cases that have come before the Commission in
14 that the surge in imports actually took place, the first
15 surge of imports took place before the POI.

16 So by the time this record starts, imports
17 have roughly 20 percent market share already, and then our
18 witnesses will testify that imports increased over the
19 Period of Investigation when measured absolutely by value or
20 by volume, or as a percentage of the U.S. consumption or,
21 arguably most importantly, as a percentage of U.S.
22 production, where imports increased from roughly from 44 to
23 51 percent.

24 The witnesses will also talk about how imports
25 compete in the marketplace, and that because these products

1 are essentially catalogue products and the staff report has
2 found that the majority of products are catalogue sales,
3 that imports compete on the basis of price and our
4 witnesses, you'll hear testimony this morning in regard to
5 the severe price effects of the subject imports.

6 I would suggest that this record may have some
7 of the most compelling underselling data that the Commission
8 has seen in quite some time. The Commission staff
9 identified six pricing products suggested by the domestic
10 industry, which resulted in 228 price comparisons, and
11 subject imports undersold the domestically produced product
12 in 217 out of those 228 comparisons.

13 Then you'll hear testimony in regard to how
14 those imports impacted the domestic industry. Not
15 surprisingly, imports increased during a period of
16 decreasing demand that all the parties agreed to, and at low
17 prices. There were negative impacts on the domestic
18 industry's production, shipment, capacity utilization,
19 which was already low and went lower and arguably, most
20 importantly profits.

21 Operating income dropped by almost a third.
22 By the end of the Period of Investigation, the domestic
23 industry had a 1.6 percent net income, essentially
24 breakeven. Then you'll hear testimony in regard to how
25 these imports also threaten material injury to the domestic

1 industry, and there will be a considerable amount of
2 testimony in regard to how the imports have denied the
3 domestic industry adequate returns, such that it's prevented
4 adequate investment in order to stay competitive.

5 Then last but not least, you'll hear testimony
6 today in regard to the fact that TB Wood's and the domestic
7 industry remain committed to U.S. production, and they're
8 employees in the United States, and should relief be given
9 in regard to unfairly traded imports, they stand ready to
10 make the investments necessary to stay competitive. Thank
11 you.

12 CHAIRMAN WILLIAMSON: Thank you.

13 MS. BELLAMY: On behalf of Respondents,
14 Jeffrey S. Grimson, Mowry and Grimson PLLC.

15 CHAIRMAN WILLIAMSON: Welcome Mr. Grimson.
16 You may begin when you're ready.

17 OPENING STATEMENT OF JEFFREY S. GRIMSON

18 MR. GRIMSON: Thank you very much. Good
19 morning to the Commission, Commission staff and the folks in
20 the audience here today. Jeffrey Grimson with the law firm
21 Mowry and Grimson, here on behalf of the China Chamber of
22 International Commerce's Ad Hoc Coalition of Producers and
23 Exporters of certain iron mechanical transfer drives
24 components, which in our firm we just call the police case.
25 Sheaves sounds good to me too.

1 The ad hoc members are the Powermach
2 import/export Sichuan, Shijiazhuang, CAPT Power Transmission
3 Co. and Yueqing Bethel Shaft Collar Manufacturing, and for
4 the court reporter, I'll say those names are spelled out on
5 our brief.

6 The Commission struggled during the
7 preliminary phase of this case with determining from TB
8 Woods' petition and the scope changes that were occurring,
9 how do you define the subject merchandise on the domestic
10 like product really. There were data problems that the
11 Commission struggled with, which in the final phase we think
12 are pretty well addressed and resolved.

13 Now that you've gone to great lengths to
14 collect the additional data from all the members of the
15 domestic industry, we think the data belie any final
16 determination of injury, affirmative found determination by
17 reason of the subject imports. The volume of imports while
18 fluctuating doesn't present a clear picture of rising
19 imports from China at the expense of domestic production.
20 It appears more nuanced than that.

21 The pricing products that the Petitioners
22 chose to demonstrate head to head competition in fact in our
23 minds shows the opposite. It shows a lack of competition
24 and Mr. Pickard mentioned the most compelling underselling
25 data, and I would say that at some point the underselling

1 data becomes so compelling that you have to ask yourself
2 there's something else going on here, and this case begins
3 to look at little bit like the plywood case, where you have
4 two ships passing in the night of domestic prices which
5 appear to be unaffected by what look like dramatic
6 underselling margins.

7 Finally, the data do not indicate that the
8 domestic industry is suffering. The financial indicators
9 show fluctuation, which doesn't seem to correlate to the
10 subject imports. So for these reasons, the Commission
11 should reach a negative final material injury and threat of
12 injury determination. I'll add as a final note that we did
13 our best with our clients to arrange for industry witnesses
14 to attend, but we're just unfortunately not able to do so.

15 So we do look forward in our panel's
16 presentation to answering the questions that we can, and
17 taking the questions that we can and putting them to our
18 folks and getting answers for you for the post-hearing
19 brief. So thank you very much.

20 CHAIRMAN WILLIAMSON: Thank you.

21 MS. BELLAMY: Petitioners please come forward.

22 (Pause.)

23 CHAIRMAN WILLIAMSON: Okay Mr. Pinkard, you
24 may begin when you're ready.

25 STATEMENT OF WILLIAM JUERGENS

1 MR. JUERGENS: Good morning. My name is Bill
2 Juergens. I am currently responsible for casting sales at
3 TB Wood's. I started my employment with TB Wood's in 1985
4 as Director of Quality Assurance, and through the years have
5 held various positions at TB Wood's in Quality Assurance,
6 Human Resources and foundry and plant management.

7 I have spent nearly half of my employment at
8 TB Wood's having management responsibility for foundry and
9 plant operations. Today I'm going to talk to you about our
10 company's history, the production process and the product
11 under investigation. In 1857, TB Wood and Peter Housum
12 purchased Franklin Foundry and Machine Shop. In 1861, Peter
13 Housum answered President Lincoln's call to join the militia
14 and entered the militia as a captain, rose through the ranks
15 and on December 31st, 1862, he was killed at a Civil War
16 battle.

17 The company name was changed to TB Wood and
18 Son in 1884, and in 1986 the Wood family sold to a private
19 investor. In 1996, TB Wood's became a public company, and
20 in 2007 was sold to Altra Industrial Motion. As you know,
21 the product under investigation here is iron mechanical
22 drive transfer components, including sheaves, pulleys and
23 bushings, all of which are used in belted drive systems.

24 Belted drive systems transfer power from a
25 driver to a driven equipment. An example is an electric

1 motor to a pump or a fan. In these applications, power is
2 transmitted from the rotating shaft of the motor to a
3 parallel shaft on the driven equipment. Belted drives that
4 use V belts, require sheaves, which are pulleys with
5 grooves.

6 Synchronous drives use a tooth belt as do
7 timing pulleys, which are sometimes called synchronous
8 sprockets. All iron mechanical transfer drive components
9 are made in generally the same way. The raw materials for
10 iron parts are pig iron, steel scrap and recycled iron scrap
11 material such as gates, risers and scrap castings.

12 A recipe is developed every day for each iron
13 type and each furnace to be charged. Each material type is
14 weighed and processed through a pre-heater to evaporate any
15 moisture on the charged material. Each batch consists of
16 approximately 4,000 pounds of charged material. Charges are
17 added until the furnace is full. Furnaces are then skimmed
18 to remove slag.

19 Next, furnace chemistries are taken, and when
20 it has been determined that the molten iron meets chemistry
21 requirements, the furnaces is ready to be tapped for pouring
22 iron into sand molds. To make a casting mold, a pattern is
23 first made which conforms to the desired contours and
24 dimensions of the casting.

25 The pattern is then mounted on a metal or wood

1 plate. The mold is made by placing the mounted pattern in a
2 flask and then sand is added until the box is full. When
3 the pattern plate is still in the flask that is filled with
4 sand, the sand is squeezed around the pattern to make a hard
5 sand mold.

6 The pattern is then removed from the flask,
7 leaving an impression from the pattern in the sand mold.
8 The mold is now ready to receive molten iron. To transfer
9 molten iron into the mold, the pour-off operator requests
10 the iron type and quantity from the furnace operator.
11 Molten iron is poured from the melt furnace to a carrier
12 ladle.

13 The carrier ladle moves to the appropriate
14 molding line and transfers the iron to a pouring ladle. The
15 pouring operator then skims the ladle to remove any slag
16 that has formed and takes an iron temperature to ensure the
17 proper temperature is reached before pouring the iron into
18 the sand mold.

19 The molds that have received molten iron now
20 move to a cooling line, which allows the castings to cool
21 before moving to a shakeout process that removes the casting
22 from the sand mold. After the casting has been removed from
23 the sand mold, the sand, the iron risers and the iron gates
24 are recycled. The casting then moves to a clean process
25 that includes shot blasting and grinding.

1 The shot blast removes loose sand from the
2 casting, and the grinding operation removes flashing, which
3 is the parting line between two halves where the casting
4 comes together. They also remove the gate connection and
5 the riser connections. Once these operations are complete,
6 the casting is ready to move to the machining process.

7 During this process, grooves, teeth and tapped
8 holes are machined into the casting, so that it can take its
9 final form. This process includes or produces finished iron
10 mechanical transfer drive components. Now I want to discuss
11 the characteristics of some of the more common goods that
12 are part of this investigation.

13 To the most common in-scope products are
14 sheaves and timing pulleys. As I said, sheaves are pulleys
15 that have grooves. These grooves run parallel to the
16 outside diameter and typically mesh with a V belt. A timing
17 pulley, also called a circuitous shiv or synchronous
18 sprocket, has teeth that run perpendicular to the outside
19 diameter and mesh with a timing belt.

20 Another common in scope good is a bushing. A
21 bushing is used to mount a shiv or a timing pulley to the
22 shaft in a belted drive application. Finally, I'd like to
23 point out products that might seem similar but have
24 important distinctions that should not be part of these
25 investigations,

1 specifically, iron mechanical transfer drive components with
2 an outer diameter below four inches.

3 For example, iron mechanical transfer drive
4 components with an outer diameter below four inches are
5 typically made of steel, and therefore have different
6 physical characteristics and are made with different
7 production processes.

8 Additionally, iron mechanical drive components
9 with an outer diameter below four inches are generally used
10 with smaller machinery, while goods with an outer diameter
11 above four inches are used in large-scale machinery such as
12 in mining operations and oil and gas rigs.

13 Thank you for your attention, and I am happy
14 to answer any questions.

15 STATEMENT OF LEW CRIST

16 MR. CRIST: Good morning. I'm Lew Crist. I'm
17 the general manager of TB Wood's Incorporated, located in
18 Chambersburg, Pennsylvania. I have worked for TB Wood's for
19 nearly my entire career, almost 30 years. I first served in
20 various manufacturing and engineering roles before moving
21 into the company's management.

22 From 1998 to 2002, I ran TB Wood's plant in
23 Trenton, Tennessee, and then moved back to the Chambersburg
24 facility, where I became the Director of Manufacturing in
25 2005. In 2007, Altra purchased TB Wood's and I became the

1 business unit manager for our belted drives business.

2 Around 2012, my title changed to general
3 manager of TB Wood's, and I have served in this role since
4 that time. On behalf of TB Wood's and its employees, I
5 would like to thank the Commission and its staff for the
6 hard work I know they have already done on this case.

7 I'd like to first provide you with some
8 background on TB Wood's as a company. TB Wood's was founded
9 in Pennsylvania in 1857, and began as a foundry and a
10 machine shop producing primarily mill gearing. For a short
11 time, TB Wood's even produced iron components for the Civil
12 War. Our company's tradition of product innovation started
13 early.

14 We entered the power transmission industry in
15 the early 1900's with the introduction of flat belted drives
16 and line shafting, and we have consistently produced
17 mechanical power transmission components in the United
18 States ever since. I am here today because TB Wood's wants
19 to continue to do so in the future.

20 Unfortunately, however, large volumes of
21 unfairly priced imports from Canada and China have had a
22 significantly negative impact on the U.S. market and
23 specifically on our company's operations in recent years.
24 We started seeing Canadian and Chinese imports in the U.S.
25 market several years ago, first only on small-sized

1 products.

2 Now we are also seeing Canadian and Chinese
3 imports even of some of the largest, most technically
4 demanding sheaves in the market. While Chinese and Canadian
5 imports originally penetrated the market for large volume
6 goods, we now compete with them for both large and small
7 volume products.

8 Their presence has become more and more
9 problematic for U.S. producers like TB Wood's. Recently, TB
10 Wood's has lost substantial sales volumes to Canadian and
11 Chinese product, which is being sold to our former customers
12 at extremely low, unfair prices that we simply cannot
13 compete with.

14 Customers purchase our products largely on the
15 basis of price. These goods are generally priced per piece
16 and that price is the primary factor in most customers'
17 purchasing decisions. Original equipment manufacturers have
18 always been price sensitive and will therefore almost always
19 buy the lowest priced merchandise.

20 While distributors used to consider other
21 factors such as quality, brand and availability, which at
22 times provided us with an advantage, imports from Canada and
23 China have been sold at such drastically low prices that
24 other factors don't really matter to most customers anymore.

25 The flood into the U.S. market of unfairly

1 priced products has caused a collapse in market pricing. We
2 believe that prices have dropped by around 30 percent since
3 Canadian and Chinese imports entered the market. As a
4 result, even on the sales we have managed to keep, we have
5 been forced to lower our prices substantially year after
6 year, cutting into our profitability.

7 Our customers quote us the prices at which
8 they can buy subject imports, forcing us to lower our prices
9 as well. At times in the past, we have tried to resist this
10 pricing pressure and refuse to lower our prices, simply not
11 believing the Canadian and Chinese product could actually be
12 offered and sold at such drastically low prices.

13 MR. CRIST: Sadly, those price quotes were true
14 and we then lost the business or at least a substantial
15 portion of it. as an example of the price effects of
16 Subject Imports a major customer came to us and said that he
17 can buy Canadian or Chinese Imports for a drastically lower
18 price, in fact a full 50 percent lower than our prices. We
19 cut our prices as much as we possibly could in an effort to
20 compete with these imports. We lost half of our customers'
21 business anyway, a severe blow to the company.

22 In recent sales negotiations, the same customer
23 has told us that he now has quotes from Subject Imports at
24 prices that are again 50 percent below our already lowered
25 prices. If we do not cut our prices yet again, TB Wood

1 stands to lose the rest of the business from this customer.

2 Many of the sales that we are losing to Subject
3 Imports are of our most important, traditionally high volume
4 products. The orders we have been able to retain are
5 frequently smaller orders for more specialized parts. Much
6 of our current production therefore is low volume parts.
7 This prevents us from producing at maximum capacity and
8 efficiency. Because of the high fixed costs and overhead
9 involved in running a plant, not being able to run at full
10 capacity has a significantly negative impact on our costs
11 and our profits.

12 This is not a viable business model. Put simply,
13 we cannot continue to survive on the small volume the
14 Chinese and Canadians have not yet taken. These small
15 volume orders frequently have lower profit margins than our
16 catalog products. The high and increasing volume of
17 low-priced Canadian and Chinese Imports is also particularly
18 damaging over recent years because of decreases in demand.

19 We are competing with a growing number of imports
20 in a shrinking market meaning that we are forced to make
21 sales at lower and lower prices and are still making less
22 sales overall. The market for iron mechanical dry
23 components is mature and not likely to grow significantly in
24 the near future. This means that we have not been able to
25 and are not likely to make up for losses on individual sales

1 by having a larger volume of sales.

2 These are the kinds of effects that
3 unfairly-traded Canadian and Chinese Imports of mechanical
4 transfer drive components are having on the market in the
5 United States. The imports have severely affected TB Woods'
6 production operations. While many of our competitors have
7 shut down their foundries and now solely purchased Subject
8 Imports, TB Woods has so far managed to keep its
9 Chambersburg, Pennsylvania Facility up and running. This is
10 a priority for us. Our plant is a major operation.

11 In fact, we estimate the cost of replacing our
12 current facility would be upwards of 100 million dollars.
13 Production levels at our plant are currently significantly
14 curtailed as a result of competition from low price Canadian
15 and Chinese Imports. For example, in the past, our
16 moting(3:07) lines were running two shifts a day five days a
17 week. Now the lines are shut down the majority of the week,
18 running only two days.

19 Similarly due to market conditions created by
20 Subject Imports, TB Woods has been able to run only two of
21 our facilities five furnaces at any given time. We have
22 also seen significant increases in the inventories held by
23 both U.S. Producers and Importers.

24 In fact, they have reached in my mind unhealthy
25 levels. Large inventories are very detrimental to the U.S.

1 Industry. Not only do producers' inventory buildups reflect
2 our difficulties of competing in the market place and hurt
3 profitability but significant quantities of import
4 inventories create additional downward pressure on price and
5 the negative effects of these imports continue to be felt
6 today even though there has been some decrease in imports
7 since the filing of the Petition.

8 Probably the most painful effects of Subject
9 Imports have been felt by TB Woods' employees. TB Woods is
10 one of the largest employers in Chambersburg, providing good
11 paying jobs in a town that really needs them. Many of our
12 employees have worked with us for decades and they are proud
13 of the work they do. While we have tried to retain as many
14 workers as we possibly can, we have been forced to cut
15 shifts drastically which has significant effects on their
16 take-home pay.

17 TB Woods is also unable now to provide the level
18 of benefits that we think our workers deserve in which we
19 otherwise could if not for the harmful effects of Subject
20 Imports. However, despite all of the negatives we have
21 experiences over the past years, we do have reason to be
22 hopeful and that is because of this case and the possibility
23 of obtaining relief from unfairly traded imports.

24 Since the Petition was filed we have already seen
25 the influx of Canadian and Chinese Imports start to slow and

1 some stability return to the market. If these trends
2 continue we are optimistic that we will be able to increase
3 our sales and regain some of the volumes and customers we
4 have lost over the years and in fact if prices increase we
5 plan to stop importing from China and return production the
6 goods currently being imported to our Chambersburg facility.
7 But this can only happen if we are given the opportunity to
8 compete with imports on a level playing field.

9 In sum, the state of TB Woods and what remains of
10 the U.S. Industry is dire. Quite simply, the future of the
11 industry and our employees' jobs depend on this case as we
12 desperately need relief from unfairly traded Subject
13 Imports. Thank you very much and I am happy to answer any
14 questions you may have.

15 STATEMENT OF HOLLY M. SHIELDS

16 MS. SHIELDS: Good morning and thank you
17 Commissioners and Commission Staff for your time and hard
18 work on this case. I'm Holly Shields, group controller at
19 Altra Industrial Motion Corporation. I have been with Altra
20 for almost eleven years since 2005. At Altra, I report and
21 consolidate financial statements for TB Woods and oversee
22 and guide financial reporting for six other Altra
23 facilities.

24 Thank you for giving me the opportunity today to
25 explain why it is critical that orders are imposed on iron

1 mechanical transfer drive components from Canada and China.
2 TB Woods has a long and proud manufacturing history of 160
3 years since its founding in 1857. It has been home to
4 generations of workers who have grown up in manufacturing
5 and made it part of their lives. However, in recent years,
6 TB Woods iron mechanical transfer drive business has
7 suffered severely because of unfairly priced Chinese and
8 Canadian imports.

9 Starting around 2008 we saw a large increase in
10 low priced but high volume product coming in from China.
11 Initially we were forced to cut our prices because Chinese
12 prices were so low. We were observing no margins or
13 negative margins in some cases with some products selling
14 for less than what it even cost us to make them.

15 When we started investigating off-shoring
16 product, I participated in numerous meetings where the
17 decision of whether to make these products here or buy them
18 from China was front and center. Because we have foundry at
19 TB Woods we have fixed cost regardless of whether we make or
20 buy the product. Chinese prices were often 50 percent
21 cheaper than just our variable costs. Our decision was
22 unfortunately straightforward at that point.

23 As upset or angry as it made us and the many
24 workers who'd grown up around this manufacturing, we had to
25 either offshore a portion of our products or lose that part

1 of the market entirely. Even today however we constantly
2 have to decide whether to cut prices or lose business.
3 Sometimes our sales team proposes slashing prices just to
4 keep a sale while other times it's simply not worth it to
5 sell at a loss and our production volumes suffer.

6 As you heard from Lou, some of the most
7 significant sales we have lost to the Chinese and Canadian
8 Producers have been high volume sales. It is these
9 high-volume runs that help a business like ours stay alive.
10 While our foundry can make specialized parts in any given
11 quantity, we also need to be able to make high round
12 production runs of 1000 pieces or greater of catalog parts
13 in order to cut our costs.

14 Typically we priced requests for low and high
15 volume parts under the assumption that we would be making
16 and selling a whole package and would be able to offset the
17 cost of low-volume runs with high-volume sales. Yet what we
18 are seeing now are quote requests that start as a whole
19 package for quoting purposes and end as final orders that
20 consist of only high-cost, low-volume parts. The
21 high-volume sales in these orders go to Chinese and Canadian
22 producers and we are placed in a position where we have to
23 honor low prices for low-volume products which results in
24 higher average unit costs.

25 These types of orders suppress our profits

1 further. Because of low-priced Chinese and Canadian
2 products, we are essentially forced into a downward spiral
3 and cannot sustain our business this way. Subject Imports
4 have also undercut our prices at TB Woods so severely that
5 the company's profitability has dropped way below the
6 measure set by our parent company. Our industry's operating
7 income margin in 2016 as you know, is at 2.7% and our net
8 income margin is even lower at 1.6%.

9 To put these percentages into perspective, a
10 family that has roughly 2% of their wages left over after
11 costs simply will not have enough money to put away for
12 retirement, emergencies, or medical expenses, nor would a
13 bank be willing to lend them money. Such low margins
14 similarly affect our business and our ability to invest.
15 For example, an 8-12 million dollar investment into a new
16 molding line would take more than 15 years to pay back with
17 our current operating income.

18 No bank will issue a loan for that kind of sum of
19 money over such a long period of time. Moreover this is an
20 asset that within those 15 years will need to be maintained,
21 repaired and updated, adding to the cost. Rather than going
22 into any kind of investment however, any gains we make go
23 straight into repair and maintenance of our existing
24 equipment. As a result it is impossible to get sufficient
25 capital investment from a bank or anyone else.

1 Not only can we not make these investments, but
2 our Chinese competitors have this money available to them,
3 largely because of unfair subsidies that allow them to
4 further grow and expand their production. Because of
5 Subject Imports our costs of depreciation are greater than
6 our operating margins and as such we are self-cannibalizing.
7 At this rate, not only is it impossible to convince anyone
8 to lend us money for capital expenditures but the business
9 is also dangerously close to being shut down.

10 Companies that cannot invest cannot stay
11 competitive, period. If things don't change our business
12 will be consolidated and that will be it. We will be done.
13 But, if an affirmative vote is made and we obtain relief
14 from these unfairly priced Subject Imports from China and
15 Canada, our business can thrive. We can compete with the
16 normal pricing because we are incredibly cost competitive.

17 Something that sets our business model apart is
18 we have an integrated foundry which inherently has the
19 flexibility to both cast and finish product. This means
20 that we can make our product at any level that a customer
21 wants and we can make it quickly because we have our own
22 materials. We don't have to wait for castings to arrive and
23 we have an amazing workforce, one that is excited and eager
24 to make high volumes of product.

25 If we obtain relief we would be able to not only

1 restore our business but also make investments and hire more
2 employees, such as metallurgists who can make new designs
3 and innovate. Your affirmative vote would also have an
4 enormous effect on our workforce. When we announced this
5 case to our workers and the potential it has to bring back
6 sales we lost to China and Canada our employees were
7 excited. They were excited not just about the prospect of
8 new work but also about bringing back the level of
9 high-volume work we previously had.

10 Our employees' morale has improved without
11 question because of this case. Employees' morale was down
12 after seeing production of our products in almost everywhere
13 else in the world go to places like China and Canada,
14 despite feeling what we offered was as good or even better.
15 But this case is restoring our employees' pride in the
16 company and their pride once again in manufacturing American
17 products.

18 On behalf of our company and our employees, I
19 urge the Commission to find that imports from the Subject
20 Countries have injured our industry and threatened us with
21 further material injury. The future of the industry and its
22 jobs depend on your vote. Thank you very much for your time
23 today.

24 STATEMENT OF CARL R. CHRISTENSON

25 MR. CHRISTENSON: Good morning. I am Carl

1 Christenson the Chairman and Chief Executive Officer of
2 Altra Industrial Motion located in Braintree, Massachusetts.
3 I've been with Altra since 2005. Prior to that I serve for
4 approximately four years as the President of Caidon
5 Bearings, a manufacturers of custom engineered bearings.
6 Prior to Caidon, I held a number of management positions at
7 TB Woods which is the Petitioner here today and is now a
8 subsidiary of Altra. I was with TB Woods for about ten
9 years.

10 Overall, I have more than 30 years experience in
11 the mechanical transfer drives industry in the United
12 States. Altra acquired TB Woods in 2007. At that time, TB
13 Woods was in solid financial health and we felt that Altra
14 was well-positioned to help the company continue to grow and
15 prosper.

16 Since the acquisition we have made numerous
17 investments in TB Woods including to improve the company's
18 efficiency, safety and environmental protection programs.
19 However, in recent years TB Woods mechanical transfer drives
20 business has struggled severely. Because of the state of
21 the market we have been forced to reject additional
22 investment plans and unfortunately have had to discuss
23 whether we can maintain TB Woods' mechanical transfer drive
24 production at all.

25 We have performed numerous in-depth analysis of

1 the company and of the market and have concluded that TB
2 Woods' struggles are result of unfair competition in the
3 market place from imports of iron mechanical transfer drive
4 components from both Canada and China.

5 Lou has just described to you some of the
6 substantial negative effects that these unfairly traded
7 imports have had on TB Woods' business and its workers and
8 Alta's evaluation of the situation supports his statements.
9 We analyzed TB Woods' cost of production and compared them
10 with the prices for Canadian and Chinese product that we
11 have to compete with in the market and it just didn't match
12 up. We found that the prices of Canadian and Chinese
13 Imports are below in some instances their own production
14 costs.

15 In addition, Chinese Producers receive numerous
16 subsidies that distort their pricing structure. We simply
17 cannot compete with prices this low in the market place.
18 Regardless of how competitive we are we will never be able
19 to compete with companies that sell below their production
20 costs. TB Woods is a manufacturer. We are committed to
21 investing in our products and our manufacturing technology.
22 We are committed to manufacturing here in the United States.

23 We've tried to keep our U.S. Manufacturing
24 operations intact to the largest degree possible but because
25 of Subject Imports effects on the marketplace we now

1 unfortunately have been forced to purchase some of the
2 mechanical transfer drive components from China in order to
3 compete.

4 We could either buy some product from China, as
5 we did; shut down the plant and import everything; or exit
6 the mechanical drives business. Rather than close the TB
7 Woods facility or leave the industry completely we wanted to
8 try to preserve what we could of this U.S. Industry and the
9 jobs here. As you've heard, TB Woods has been manufacturing
10 in this country for a hundred and sixty years and we want to
11 keep it that way. However if imports from
12 Canada and China keep coming into the U.S. market at the
13 volume and prices that they have been in recent years, the
14 continued viability of TB Woods and the entire U.S.
15 mechanical drives industry is at stake. Without relief from
16 unfairly traded imports it is my belief that the U.S.
17 Industry will decline even more rapidly than it already has.
18 The price of the product that we import from China is
19 significantly lower than our cost to produce the same
20 product in the U.S. unless prices in the U.S. increase we
21 soon will have no option other than to stop manufacturing
22 here and then import everything we can from China.

23 This will be the only way that we can remain
24 competitive. Unfortunately, this will significantly damage
25 the industry in the U.S. by eliminating jobs and production

1 capabilities. TB Woods faces a turning point. Altra has to
2 decide whether we join some of our competitors, buy
3 everything from Canada and China and shut down our plant in
4 Pennsylvania or whether we continue to invest in the
5 facility and in the U.S. Manufacturing.

6 This decision isn't a few years down the road,
7 this is a decision that we are facing today. If there is a
8 negative determination in this case we most likely will have
9 to significantly downsize the TB Woods facility if not close
10 it completely within the next year or so. Keeping a
11 partially operating facility up and running is extremely
12 difficult. We need to have enough volume to help spread
13 some of the fixed costs like environmental compliance.

14 As a result, the very existence of the facility
15 and the middle class incomes that come along with it are
16 threatened by these unfairly-traded imports. This is not
17 what we want to happen and this is why we are here today.
18 As I mentioned, Altra and TB Woods are U.S. Manufacturers and
19 we want to continue to produce products here with U.S.
20 Workers. We believe in actually making the products we sell
21 and we want to invest heavily in the capability to do so.

22 In fact, we have existing plans ready for an
23 additional investment of approximately 10 million dollars to
24 expand and improve the TB Woods plant. Unfortunately due to
25 market conditions and the continued wave of unfairly prices

1 Subject Imports we have not moved forward with those plans.
2 It is really that simple. If orders are put in place, we
3 will make investments in the Chambersburg facility. If
4 there are no orders, we will likely have to close the plant.

5 To be clear, this can be a profitable and
6 promising industry if we obtain relief from these unfairly
7 priced imports I truly believe that the market will
8 stabilize and if so I plan to recommend to our Board of
9 Directors that we make additional substantial investments
10 into our U.S. Manufacturing operations.

11 In conclusion, we ask the Commission today to
12 make an affirmative determination in this case. We strongly
13 believe that the U.S. Industry is materially injured by
14 Subject Imports from Canada and China and threatened with
15 even further injury. The future of the industry and its
16 jobs depend on these cases. Thank you very much for your
17 time today and I am happy to answer any questions that you
18 may have.

19 MR. PICKARD: Good morning. Again, for the
20 record this is Dan Pickard from Wiley Rein. What I'd like
21 to do is just briefly run through some of the major legal
22 issues involved in this case. So in regard to the domestic
23 like product, we've argued that the domestic like product
24 should be defined coextensive with the scope.

25 Right now the only distinction between the

1 domestic like product from the prelim and the scope
2 definition is whether four inches and below are included in
3 the domestic like product definition. I would note two
4 things. One, no party appears to oppose our domestic like
5 product definition but I think more importantly regardless
6 of which definition is used the record supports material
7 injury determination with four inches in or four inches out.

8 In regard to the Domestic Industry definition, we
9 are not arguing for exclusion of any related party. We are
10 aware that Respondents have made some significant related
11 party arguments. Most of them are bracketed in the text so
12 it's going to be a little difficult to discuss in a public
13 hearing but obviously we are happy to answer any question
14 that we can here. Otherwise we will address them in the
15 post hearing brief.

16 One of the key issues obviously will have to do
17 with the extent of interchangeability between the
18 domestically produced product and Subject Imports. I think
19 arguably one of the most telling pieces of evidence from the
20 record is the fact that, and this is right out of the Staff
21 Report is that all responding producers, nearly all
22 importers and most purchasers indicated that they're
23 interchangeable. The Staff also found that the vast
24 majority of shivs are catalog products.

25 So when products are essentially interchangeable

1 not surprising that they compete on the basis of price. I
2 won't go through the entire slide but the evidence is pretty
3 rich in regard to the fact that price is an important
4 purchasing decision. As a matter of fact, approximately 80
5 percent of purchasers indicated that price was a very
6 important purchasing factor.

7 By way of condition of competition, all parties
8 seem to agree and the Staff Report confirms that demand
9 decreased during the POI and what's important and I think
10 it's going to be one of the things we are coming back to is
11 that while demand decreased by about 5 percent over the
12 period of investigation, imports increased by almost 8
13 percent and I think one of the issues that we will be
14 talking about this morning is to the extent that is what you
15 are seeing is demand driven or if it's driven by Subject
16 Imports.

17 MR. PICKARD: And you can see very quickly,
18 basically that import is going up while domestic consumption
19 is going down. But more than that--next slide, please--
20 -imports increase regardless of how you look at them.

21 Absolutely they increase by about 8 percent, 7.7,
22 when you measure them by quantity. And if you look at
23 imports relative to domestic production as the statute
24 requires, you see that imports increase over the POI, over,
25 I'm sorry, the three-year period of the POI, full three-year

1 period, from about 44 percent to 51 percent.

2 And this volume is significant especially since
3 it is pretty clear that there is under-reporting of the
4 subject imports. The staff report indicates that the data
5 that you have captures almost 40 percent of imports, but we
6 know that there are numerous other Chinese producers who
7 haven't completed questionnaires for the Commission. And
8 the way that we know this is because they participated at
9 the Department of Commerce. These companies filed separate
10 rate applications, Q&Vs, but failed to respond to ITC
11 foreign producer questionnaires.

12 But even with this under-reporting you are seeing
13 a significant increase over the three-year period. And
14 then, not surprising, shortly after the filing of the case
15 you start to see imports recede from the market. And this
16 is fully consistent with post-petition effects that the
17 Commission is supposed to factor in the effect of the actual
18 bringing of the case on import volumes.

19 Now this chart has a little bit of noise in it
20 just by way of disclaimer because it is by HTS categories,
21 because the Commission doesn't have this data specific to
22 the scope. But what you generally see for the relevant HTS
23 categories is a general increase over the period of
24 investigation, and then shortly after the filing of the case
25 imports start to recede from the marketplace, which is the

1 intended effect of bringing a case. And not surprising in
2 light of the AD and CVD margins, I would note that
3 Respondent's prehearing brief focuses almost exclusively on
4 the AD margins, but it is noteworthy that the CVD margins in
5 this case, the extent of subsidies the Chinese producers are
6 receiving, are significant.

7 So keeping in mind that imports increase during a
8 period of decreasing demand, and assuming that they're
9 fungible, then the question turns to what are the price
10 effects? And there have been some arguments in the
11 Respondent's prehearing brief that the pricing products,
12 because they're very specific, somehow show attenuation of
13 competition.

14 And I'm not sure that logically follows. And I'm
15 not sure it's entirely valid, to begin with. So a couple of
16 observations in regard to the pricing products, to begin
17 with.

18 First off, in this case, like in other cases that
19 you probably have seen recently, the domestic product
20 definitions were suggested by the domestic producers.
21 Respondents offered no domestic like--I'm sorry, pricing
22 product definitions. And it's unfortunate that you see in
23 these cases, while Respondents won't make a suggestion in
24 regard to a pricing product definition, in the 11th hour
25 they come in somewhat critical in regard to the coverage.

1 But what we have here, we have an industry that
2 has numerous SKUs. So TB Wood's alone has close to 20,000
3 SKUs. And the Commission indicated in its preliminary
4 determination it wanted to take a good, hard look at pricing
5 produce definitions.

6 So a lot of time was spent on this. The
7 Commission staff adopted six pricing product definitions.
8 And it ended up resulting in 228 comparisons, which I think
9 anybody who has reasonable familiarity with Commission
10 investigations realizes that's meaningful data: 228 data
11 points.

12 And what did it show? It showed massive
13 under-selling, 217 out of 228 comparisons, almost 95
14 percent--I'm sorry, more than 95 percent of comparisons you
15 see imports under-selling domestically produced product,
16 which then leads us into impact.

17 So not surprisingly, increased volume at low
18 prices, purchasers switched. And how do we know that
19 purchasers switch from domestically produced product to
20 subject imports? Because they told you that roughly 80
21 percent, more than 80 percent of purchasers indicated that
22 imports were lower priced than domestically produced
23 products, and close to 50 percent of those certified that
24 they switched from buying domestically produced product to
25 subject imports.

1 And then the impact of that is obvious on the
2 domestic industry. Among other indicia of injury, you see
3 product fall. You see already really low capacity
4 utilization rates fall further. U.S. shipments fall. And
5 arguably most importantly, you see profits plummet.
6 Operating income decreases by almost a third over the
7 three-year period. And as you heard the witnesses testify
8 to today, by the end of the Period of Investigation you've
9 got a domestic industry operating at 1.6 net income,
10 essentially break-even.

11 One of the things that I think is going to be
12 important for the Commission to understand in this case is
13 the extent of swollen inventories. Not surprising, when you
14 have fungible products at super-low prices, purchasers went
15 on a little bit of a feeding frenzy and both the domestic
16 industry's inventories grew, and some of that information is
17 business proprietary, but importers' inventories grew
18 significantly.

19 And those inventories still exist and still
20 overhang the market. And even today are pulling down
21 prices, which explains why you see continuing deterioration
22 of the performance of the domestic industry, and it's
23 obviously also relevant in regard to your threat
24 determination.

25 I would like to talk a little bit about Mexican

1 imports because it's an issue that Respondents tee up in
2 their prehearing brief. And to the extent that you would
3 have the Respondent's prehearing brief in front of you, or
4 if you want to take a look at it later, I would point you to
5 page 18. Because there's a little issue in regard to
6 over-bracketing. And because some of the characterizations
7 are bracketed, we're going to have to be careful in regard
8 to how we discuss those characterizations.

9 I would also suggest that this is going to clear
10 over-bracketing. If you look at page 18, it's really kind
11 of the last two things in brackets. There's no way that it
12 could reasonably be considered to be a company's business
13 proprietary information. That's characterization. But
14 nonetheless, I would point--we do know that they say
15 publicly that one of the most significant factors affecting
16 the domestic industry is the presence of imports from
17 Mexico. That's the first sentence unbracketed in that
18 section.

19 So they're saying Mexican imports are
20 significant. Well what do we know about Mexican imports
21 vis-a-vis subject imports?

22 Well subject imports undersell the domestically
23 produced product much more frequently than Mexican imports.
24 We also know that Mexican imports are undersold by the
25 subject imports. And we also know that the volume of

1 imports from China and Canada are considerably greater than
2 imports from Mexico.

3 So to the extent that Respondents are willing to
4 concede that Mexican imports are having a significant effect
5 on the marketplace, I would say that it logically then
6 follows that imports that are lower priced undersell more
7 frequently and are larger in volume must therefore have a
8 larger impact.

9 That's an incredibly busy slide. I'm not going
10 to talk through every bullet point. We go through the
11 various indicia, indicators of threats in our prehearing
12 brief. I would suggest that this is just as strong a threat
13 case as it is a material injury case. There are numerous
14 indicators of threat.

15 So in conclusion, basically we know subject
16 imports increased over the POI, absolutely, relative to
17 consumption. And again relative to U.S. production. We
18 know there is massive underselling. And that the domestic
19 industry's performance deteriorated over the Period of
20 Investigation as seen in production shipments, capacity
21 utilization, and arguably most importantly, profits.

22 And with that, that concludes our direct
23 presentation and we'll be happy to answer any questions that
24 you have.

25 CHAIRMAN WILLIAMSON: Thank you. I want to

1 express my appreciation to the witnesses for coming today
2 and taking time out of their business to be with us today.

3 And this morning actually I'm going to start the
4 questioning.

5 Mr. Pickard, this is for you. Are you aware of
6 any other original investigations, as opposed to five-year
7 reviews, where the only known producer in a subject company
8 permanently shuttered its operations prior to the
9 Commission's vote? And does the Commission have the
10 authority to make an affirmative material injury
11 determination in such a situation?

12 MR. PICKARD: Thank you, Mr. Chairman.

13 Off the top of my head, I'm not aware of a
14 scenario where we're talking about a foreign producer, the
15 only foreign producer, shuttered its production during the
16 Period of Investigation. I can tell you that we'll be
17 addressing that in our post-hearing brief.

18 But more than that, if we're talking about
19 Canada--

20 CHAIRMAN WILLIAMSON: Yes.

21 MR. PICKARD: --while Baldor moved its finishing
22 operations from Canada to the United States, it's certainly
23 not the only Canadian producer. And I would just draw your
24 attention to a couple of things, if I could.

25 First off, Baldor's finishing operations shifted

1 from Canada to the United States. That doesn't affect any
2 casting capacity. All of that original casting capacity is
3 still in China.

4 Moreover--

5 CHAIRMAN WILLIAMSON: In China?

6 MR. PICKARD: I'm sorry, in Canada. Thank you,
7 Commissioner.

8 CHAIRMAN WILLIAMSON: In this case, that's
9 relevant.

10 (Laughter.)

11 MR. PICKARD: Yes, thank you.

12 On top of that, Baldor wasn't the only finisher
13 of Canadian product. The staff report makes clear that they
14 are a significant finisher, but they were not the only one.

15 And then I would point out two other things for
16 your consideration. Baldor obviously moved its facilities
17 to the United States shortly after this case was filed.
18 Should there be a negative determination? It could move its
19 machinery back to Canada just as quickly as it moved it
20 here.

21 I think maybe even more important for purposes of
22 this case is there's a massive inventory overhang here.
23 There was large inventory to begin with, and it has
24 increased significantly.

25 So there are Canadian sheaves still in inventory,

1 and I think that can easily constitute still continuing
2 injury on vote day, and it is probative of your threat
3 determination.

4 CHAIRMAN WILLIAMSON: I guess you might have to
5 address this post-hearing about inventory in Canada or here,
6 to what extent--

7 MR. PICKARD: So that's--we'll address it further
8 in the post-hearing brief, but it's here. We'll address the
9 issue of inventories in Canada perhaps in the post-hearing
10 brief, but the staff report makes clear that domestic
11 producers' inventory is up. But on top of that, importers'
12 inventories are also up. And they're up significantly.

13 CHAIRMAN WILLIAMSON: Okay. The question is, if
14 you had an Order would that affect those that they're
15 already here and cleared Customs, and also that's why I
16 raised that question.

17 MR. PICKARD: And, yes, and we'll address it,
18 especially because, if I recall correctly, the issue of
19 Canadian versus Chinese inventories is business proprietary
20 for APL in the staff report.

21 CHAIRMAN WILLIAMSON: I understand, so you can
22 address it post-hearing.

23 MR. PICKARD: We'll be happy to do so.

24 CHAIRMAN WILLIAMSON: Is there anything about the
25 industry that's still in Canada that could be there that

1 should make us particularly concerned about that?

2 MR. PICKARD: I think one of the most important
3 things is the fact that none of the casting capacity has
4 changed in Canada. All that Baldor moved to the United
5 States was finishing operations. And castings are covered
6 merchandise here.

7 So obviously that is relevant to the issue of
8 future exports. The fact that there is another finisher, at
9 least one other finisher in Canada is relevant, the
10 inventory issues. But rather than repeat that, we'll break
11 it out with more of the confidential information in our
12 post-hearing brief.

13 CHAIRMAN WILLIAMSON: Okay. Thank you.

14 Actually this is another question for you. The
15 scope of the investigation has been changed several times,
16 both during and after our preliminary investigation. Given
17 that you control the content and timing of the Petition, why
18 have there been so many amendments? And how many additional
19 scope changes are there still before Commerce?

20 MR. PICKARD: Ah, so we certainly control the
21 timing and the filing of the Petitions. We do not control
22 your sister agency's requests to us to make amendments to
23 the scope, just to be perfectly clear about that.

24 And I know there's been some concern in regard to
25 the changing of the scope in this case. I would

1 respectfully suggest, actually this is what you want to see
2 out of petitioner's counsel. And this is what you want to
3 see out of domestic industries.

4 Domestic industries draft the scope to cover the
5 merchandise they're most interested in. And when they
6 become aware that there are products that may have
7 inadvertently been captured by the scope but that the
8 domestic industry isn't currently making, or didn't intend
9 to be involved in the case, you want a domestic industry
10 being reasonable to say--being reasonable, and to say we
11 don't want to be greedy. We don't want to cover products
12 that we're not interested in making. We don't want to be
13 overly aggressive. And that's what the Petitioner did in
14 this case.

15 CHAIRMAN WILLIAMSON: Okay, I appreciate that, but
16 during the most recent scope changes, and maybe after the
17 questionnaires went out, that calls into question the data
18 we have collected.

19 So, you know, while you want that restraint,
20 doesn't that call into question the data and what we make of
21 the data that we have?

22 MR. PICKARD: It makes things more difficult.
23 And, frankly, hats off to the Commission staff who had their
24 hands full with some data issues during this case.

25 I would also suggest new products are tough cases

1 to do, because it's--one of my partners currently has a
2 rebar case I believe in front of you. There have been rebar
3 cases for several decades. That's a scope and a domestic
4 like product that the Commission has addressed numerous,
5 numerous times. That makes that at least one less challenge
6 in the case.

7 Whenever you bring a new case, it is difficult to
8 expect all of the questions and all of the possible avenues.
9 But the Department and, frankly, the Commission might want
10 to go down. And this might be a little bit of a tangent,
11 but I was talking to Department staff in regard to a
12 different case as far as well why is it so difficult to
13 distinguish one industry from another? And part of that
14 answer is, an industry doesn't know what they don't know, so
15 they know their product and they define a scope that covers
16 their product as best as they can.

17 But if there are other unrelated products that
18 somewhat--not "somewhat"--inadvertently get sucked into a
19 case, the vast majority of the times that that happens is
20 because the domestic industry itself wasn't aware of this
21 different industry, but which may have some contact with the
22 scope.

23 That being said, I realize that's a little bit of
24 a tangent, the staff as usual has done a phenomenal job.
25 And if you have, and the record that they've collected is

1 certainly adequate to support an affirmative determination.

2 CHAIRMAN WILLIAMSON: We've got great staff, I
3 know, but I don't want to push them too far.

4 (Laughter.)

5 MR. PICKARD: Agreed.

6 CHAIRMAN WILLIAMSON: So this has been a
7 challenge. So in terms of the coverage of our data, you
8 know, in regard to imports, the domestic industry and the
9 foreign industries, any particular guidance on how we're
10 supposed to deal with these data issues? You know, what
11 we're supposed to make of all this as we do our assessment?

12 MR. PICKARD: Well I think in regard to the
13 statutory factors that you're obligated to consider, well
14 there's always some noise in data collection--I'm not sure
15 of any Commissioner record that's necessarily perfect--but
16 you see an absolute increase in imports. And you know that
17 even when it's under-reported your pricing product data is
18 spot on. You've got six very specific definitions through
19 two different channels of communication that you end up
20 getting 228 comparisons. I don't think any of that's been
21 called into question. That's rock solid.

22 And you've got the health of the domestic
23 industry. And as you saw in our brief, and some of this is
24 business proprietary, that there are still some questions in
25 that data. But even with any possible noise in that data

1 collection, you still have a domestic industry with its
2 major financial indicators declining over the Period of
3 Investigation. And essentially at break-even speed.

4 And then on top of that, obviously you've got the
5 supporting and corroborating testimony of the witnesses here
6 before you.

7 CHAIRMAN WILLIAMSON: Okay. Thank you.

8 I apologize to the members of the industry. I'm
9 usually the last one to spend all my time talking to
10 lawyers, but I do have a lot of questions for you, but these
11 were the questions I wanted to address first.

12 And, let's see, Vice Chairman Johanson?

13 VICE CHAIRMAN JOHANSON: Thank you, Chairman
14 Williamson. And I would like to thank all the witnesses and
15 the Council for appearing here today.

16 I am going to stick with the issue of data
17 coverage. Respondents have characterized the coverage of
18 the pricing data on this record as minuscule. Is this a
19 fair characterization? And, Mr. Pickard, you spoke earlier
20 on why you see the Commission is not having perhaps
21 sufficient data. Could you discuss that a bit more as to
22 why that is the case?

23 MR. PICKARD: Sure. So, two questions there.

24 In regard to adequacy of the pricing product
25 data, no, I wouldn't describe it as minuscule or necessarily

1 aberrational. There are plenty of investigations where the
2 Commission's pricing products represent a small, a small
3 amount of the overall industry. That's what the pricing
4 products are supposed to do, right? So you get away from
5 average-unit-values that have product mix issues.

6 It gives you very specific products that you can
7 take a look at to see what's happening in the industry,
8 especially to take a look at the extent of underselling.

9 So when you have a domestic industry that
10 literally has tens of thousands of SKUs, it's not surprising
11 that pricing products aren't going to be broad; they're
12 representative. They're examples of what's going on.

13 So in this case, while it might not be broad, you
14 have six very specific pricing product definitions that have
15 essentially consistent results throughout; that you get 228
16 data points, and you see subject imports undersell
17 throughout.

18 So their basic argument that pricing products
19 that don't have broad coverage is akin to attenuation of
20 competition, I don't believe actually logically follows. So
21 that's just one point.

22 And then your second question was in regard to
23 coverage for subject imports. This happens, you know,
24 especially in regard to a lot of China cases that the staff
25 report indicates that the data that you have probably covers

1 about 40 percent of Chinese imports. And we know that
2 you've got a decent amount of Chinese exporters who didn't
3 file questions with the Commission. And again we know that-
4 -and we know that they're exporting to the United States
5 because they participated in the Department of Commerce
6 proceedings and made submissions along those lines.

7 So what would your sister agency do? They would
8 apply adverse facts available. Somebody refuses to comply
9 with an investigation, and they would apply AFA. The
10 Commission traditionally has been more resistant to apply
11 AFA kind under the thinking, and as I'm sure you're well
12 aware, that you don't penalize people who did participate
13 for the actions of those who didn't.

14 So in regard to coming around to your second
15 question, I think what the Commission can safely do is
16 you've got to make your decision on best information
17 available. And you know that subject imports are
18 under-stated. So to the extent that you've got an increase
19 in absolute values and an increase relative, you know it's
20 under-stated and that these are conservative figures.

21 VICE CHAIRMAN JOHANSON: All right. Thanks
22 for your response. And how relevant are data concerning
23 capacity utilization in an industry such as this, where
24 manufacturers produce thousands of different SKUs and where
25 they use the same equipment to manufacture other products?

1 MR. PINCKARD: I'll start off and then perhaps
2 it might make more sense to have somebody from industry talk
3 about it. But I would say particularly relevant, just like
4 other industries. The idea that regardless of the fact that
5 you've got numerous SKUs, when you've got a domestic
6 industry that's operating at almost 50 percent capacity
7 utilization, that's an indicia of --

8 That's an indicator of an industry in trouble,
9 and I think as Mr. Crist might want to throw a little bit
10 more meat on this bone, if you've got five furnaces and
11 you're only operating two of them, and you've got fixed
12 costs, that low capacity utilization number is real, and
13 it's an indicator of injury. So but I don't know if Carl or
14 Lew wanted to follow up on that.

15 MR. CHRISTENSON: So the, you know, the low
16 capacity utilization is a huge issue because, you know, part
17 of -- you have fixed costs in the business. You can only
18 take the fixed costs down so low. We have environmental
19 compliance we have to abide by. We have safety concerns
20 that we have to abide by, and you have to have a fixed
21 structure and enough volume going through the plant that you
22 can cover those fixed costs.

23 And the other thing is you have to have the
24 skill set required. We have to have metallurgists, we have
25 to have supervisors that are skilled. We have to have -- I

1 mean this is a dangerous environment to operate in if you
2 saw some of the pictures of hot molten metal being poured,
3 and then the equipment that we have has extremely high fixed
4 cost.

5 So the capacity utilization, you can -- once
6 you get below a certain level we just have to shutter the
7 plant and say we're going to close it and get out and it's
8 you know, I think that's what I'd like to add.

9 VICE CHAIRMAN JOHANSON: All right. Thanks
10 for your responses, and by adding the various product
11 exclusions to the scope, did the Petitioners intend to
12 exclude particular industries or producers? For example, we
13 received public letters from Caterpillar, General Motors and
14 DMax, indicating that additional scope modifications to
15 exclude certain items now mean that they are no longer
16 importers of the subject items.

17 Are all automotive applications now excluded
18 from the scope?

19 MR. CHRISTENSON: The vast majority of the
20 automotive volume that would be a different production
21 process really, so would most likely be out of the scope. I
22 don't think we would be particularly concerned about it. We
23 make industrial components that are going into industrial
24 machinery and not automotive.

25 MR. PINCKARD: So I think maybe in direct

1 response to your question Commissioner, so I wouldn't phrase
2 it that the scope exclusions were done to exclude certain
3 industries. Scope exclusions resulted when products that
4 the domestic industry doesn't make could have accidentally
5 got involved in the scope, and then in regard to your
6 question, does that mean as a practical matter a lot of the
7 shivs that would go into auto are probably not covered by
8 this current scope? Yeah, I think that's safe to say.

9 VICE CHAIRMAN JOHANSON: How about truck
10 applications and tractor, tractors as well?

11 MR. CHRISTENSON: I think there would be some
12 of those that would probably fall within the scope and some
13 that may not, because we do serve some of the farm
14 equipment, but some of it, some of the smaller, certainly
15 the less than four inch size range that would be -- that's
16 out of scope by definition.

17 MR. PINCKARD: I think he's asking the
18 difference, not farm equipment but --

19 VICE CHAIRMAN JOHANSON: Farm and truck
20 equipment.

21 MR. CHRISTENSON: Oh okay, truck. You said
22 farm and truck.

23 MR. PINCKARD: So some add --

24 MR. CHRISTENSON: So I would think it would be
25 the same, some kind of application on a diesel engine.

1 VICE CHAIRMAN JOHANSON: Okay, and I'm going
2 to get back to the Canada issue just quickly here. The
3 staff report notes at page 3-5 that Baldor Canada closed its
4 Quebec facility in 2016, and relocated its Canadian
5 finishing operation to facilities in North Carolina. Also,
6 Baldor Maska permanently closed its Chinese facility in 2014
7 and disposed of all the production equipment there. To your
8 knowledge, why did Baldor shut down its production
9 facilities in China and Canada?

10 MR. PINCKARD: I don't personally have inside
11 information in regard to why Baldor moved its facility. I
12 think it's a logical assumption that since it happened
13 shortly after the filing of this case that that must have
14 been at least a factor in their decision to move.

15 VICE CHAIRMAN JOHANSON: Okay. Well thank
16 you. Yes, Mr. Christenson?

17 MR. CHRISTENSON: I don't think that they
18 closed any facilities in China. I think we know that they
19 closed their facility in Canada, and I don't --

20 MR. PINCKARD: And the staff report confirmed
21 it.

22 MR. CHRISTENSON: They did, okay. That's --

23 VICE CHAIRMAN JOHANSON: All right. Well
24 thanks for your time. The yellow light is on, so I need to
25 end now. Thank you.

1 CHAIRMAN WILLIAMSON: Thank you. Commissioner
2 Pinkert.

3 COMMISSIONER PINKERT: Thank you Mr. Chairman.
4 I thank all of you for being here today. I want to begin
5 with you, Mr. Christenson. You talked about the acquisition
6 of TBW in 2007. Did your company prepare a business plan
7 that reflects the assumptions about profits and
8 profitability for TBW that you made at that time in 2007?

9 MR. CHRISTENSON: Yes absolutely we did, and
10 our board of directors likes to measure us on that
11 periodically as we're executing the acquisition. There's
12 been substantial changes from the business plan. The most
13 notable is the continued price reduction from the imports
14 coming in from China and from Canada, and particularly some
15 of the Canadian product through the industrial distribution
16 channel was extremely surprising.

17 The industrial distribution channel typically
18 has very stable pricing, and that the importer from Canada
19 and China reduced the prices by more than 30 percent in that
20 channel, which was historically very stable, rationally
21 priced. I personally don't understand the rationale behind
22 that change, other than predation and being a predator,
23 trying to just take market share at ridiculously low prices.
24 That was part of the largest change to our business plan.

25 COMMISSIONER PINKERT: If you could include in

1 the post-hearing a discussion of the business plan as it
2 evolved from 2007 to the Period of Investigation, I think
3 that would be useful.

4 MR. PINCKARD: We'll do so Commissioner.

5 COMMISSIONER PINKERT: Thank you. Now there
6 was also some discussion in the testimony about inability to
7 obtain financing for capital expenditures. Is there some
8 documentation of efforts to obtain financing during the
9 Period of Investigation that were rebuffed by banks or
10 financial institutions?

11 MR. CHRISTENSON: No. So the buck stops here.
12 So they were presented to my CFO and myself, and said we
13 need to invest in the foundry where the equipment is now
14 getting to the point where it needs to be replaced, and we
15 said time out. You need, you know, we need to understand
16 what the profitability of business is, what the
17 profitability of the business can be.

18 When they did the analysis is when we came
19 back and said this makes no sense, you know. The product
20 being sold by the people importing from Canada and from
21 China is being sold less than our cost, less than our
22 variable cost in many cases and, you know, there was some
23 discussion about the price, the components that we used for
24 pricing analysis.

25 And those components that we used for the

1 pricing analysis cover a wide range of the size of product
2 that we make. If you look at the pricing of all the
3 components that we could make, it is absolutely
4 representative. The exact same thing happened to the entire
5 product line. So that is a red herring that's thrown out
6 there in my opinion.

7 So when they did that analysis, we said this
8 is crazy. This cannot -- this just doesn't make any sense.
9 It's not that we can improve our cost enough to be able to
10 compete and make money. So we said we need to make a
11 decision. That's when we embarked on this process, and said
12 we need to make sure that the industry can support the
13 investments.

14 And so it wasn't the financial institutions.
15 We have plenty of cash. I could go invest \$10 million
16 tomorrow into its business if it will support that
17 investment. The other sad thing is we had 400 employees in
18 the Chambersburg, Pennsylvania facility oh probably before
19 we bought it, because there's been some efficiency
20 improvements. But we're down to 180 employees, and
21 personally that kills me.

22 I'd much rather be investing in equipment,
23 hiring and training and developing the skill sets, hiring
24 the engineers to go develop the new products that we think
25 we can produce in this industry. But I said I'm not going

1 to throw good money after bad. So it wasn't a financial
2 institution. It was me that said we can't, we can't do
3 this.

4 COMMISSIONER PINKERT: Okay. So the testimony
5 I heard that financial institutions wouldn't lend to the
6 industry under these circumstances, that was just an
7 assumption?

8 MR. CHRISTENSON: No, it is -- so we do have
9 relationships with banks and with financial institutions,
10 and if I took a business like the TB Wood's business and
11 said here is a business that makes one percent net income,
12 three percent operating income and here's the investment we
13 need to make, I can't even take it to a financial
14 institution. They'd laugh me out of the room.

15 They'd say what are you crazy? We aren't
16 going to give you money to go do that. So that's an
17 absolutely true statement. There isn't a financial
18 institution in the world that would invest in -- that would
19 give us the money to go do that.

20 COMMISSIONER PINKERT: Okay.

21 MR. CHRISTENSON: So I think it was just
22 reflective of what we could do in the financial marketplace
23 if we had to go borrow money, that you couldn't do it.

24 COMMISSIONER PINKERT: So it was -- it's not a
25 documented thing. It's more based on your understanding of

1 what's out there in the financial?

2 MR. CHRISTENSON: Correct. I deal with the
3 financial world every day, and it's my -- it's my knowledge
4 of what that world would do for us if we needed to get the
5 money to invest in this business.

6 COMMISSIONER PINKERT: Okay, thank you. Now
7 when was the industry, the domestic industry last healthy on
8 a financial level?

9 MR. CHRISTENSON: When we bought the business
10 in 2007, and we went through the Great Recession of 2009 and
11 coming out of that, probably we probably started getting to
12 where the imports started getting enough market share in
13 probably 2011-12 Lew?

14 Probably 2011-12 is when we started to see
15 that, and then we embarked on the analysis of how could we
16 produce these products at a better cost? What could we do
17 to be the world's most cost effective producer? When we did
18 that, we said even if we do that we can't compete with these
19 guys, and that's when I said this makes no sense. This is
20 just nonsensical predatory pricing on the part of the
21 Canadian and Chinese importers.

22 COMMISSIONER PINKERT: So I'm trying to
23 understand your testimony. Are you saying that say in 2010
24 or 2011 it was healthy?

25 MR. CHRISTENSON: I think '12, but when 2012

1 came around, it started to really deteriorate, the financial
2 performance of the TB Wood's business.

3 COMMISSIONER PINKERT: Okay. So then perhaps
4 for the post-hearing, if you could give us some information
5 about the condition of the finances of the industry in 2010,
6 I think that would be helpful.

7 MR. PINCKARD: Certainly Commissioner.

8 COMMISSIONER PINKERT: Thank you.

9 MR. CHRISTENSON: And that's to the best of my
10 knowledge. That's trying to -- we have 25 businesses, and
11 I'm trying to remember when this one started to really
12 underperform. Right now, it is our worse performing
13 business.

14 COMMISSIONER PINKERT: Thank you. Now there's
15 also talk and I think this came mainly from Mr. Pickard,
16 about the petition effects in this case and you had a chart
17 that dealt with imports. But I'm interested in knowing
18 whether it's your view that the petition effects show up in
19 our profitability data or in our market share data?

20 MR. PINCKARD: I would say more in your market
21 share data, because I don't think you see the post-petition
22 and I think Mr. Crist can talk more kind of anecdotal
23 evidence in regard to what they've started to see in the
24 marketplace after the petitioners were filed. But I think
25 you see the imports start to recede from the market after

1 the petition is filed.

2 But you don't see the post-petition effects
3 drop to the bottom line as much because of the inventory
4 issue, and I think because you've got such large inventories
5 both by the domestic industry and by the importers, that
6 they haven't seen those beneficial effects really affect the
7 profit line as much.

8 MR. CRIST: This is Mr. Crist. Yeah. I mean
9 the effects of the petition, I mean we're starting to see
10 some of those impacts in both opportunities to bid packages
11 in addition to some pricing being changed in the market. So
12 it's the things that you would expect to happen if a
13 favorable ruling would occur.

14 In addition personally for our company, it's
15 giving us the ability to, you know, bring work back, all of
16 the product that's in scope that I was purchasing from China
17 is now back in our factory. So you know, it's also
18 preserved wages and employment in our work. So it's
19 working.

20 COMMISSIONER PINKERT: Any more testimony
21 about current conditions? Yes, in the back. No, okay.
22 Well thank you.

23 CHAIRMAN WILLIAMSON: Thank you. Commissioner
24 Broadbent.

25 COMMISSIONER BROADBENT: Great. Thanks, Mr.

1 Chairman. I want to thank all the witnesses for being with
2 us today. Mr. Pickard, you mentioned that Commerce kept
3 asking you to revise the scope. Our staff report, and I'm
4 just not familiar with how the process with our sister
5 agency works, and we're feeling dependent on it and a lot of
6 times don't get a lot of information.

7 But if you look at the staff report, it talks
8 about, and you filed the petition on October 28th and then
9 you all made a revised scope request on November 5th, 17th,
10 March 30th, June 27th, August 4th, August 17th, August 22nd.
11 So seven or eight times you went back with a new scope
12 request. Is that something you initiated or something the
13 Commerce Department initiated?

14 MR. PINCKARD: Why don't I start it off, and
15 then I'm actually going to defer to my colleague, who was
16 more involved in it. I was making the observation generally
17 that changes to the scope are not exclusively within the
18 hands of the Petitioner, that frequently it's in response to
19 requests by the Department, and sometimes it's in response
20 to requests by Respondents.

21 But in regard to scope clarifications, I'm
22 actually going to defer to Mr. DeFrancesco, who was more
23 involved with that than I.

24 COMMISSIONER BROADBENT: Okay, Mr.
25 DeFrancesco. Can you respond to this?

1 MR. DeFRANCESCO: Yes. So those scope
2 clarifications are an iterative process, where an exporter
3 may come to the Department and comment about a particular
4 product that they're producing, that they don't believe
5 should be covered, that TB Wood's doesn't make that was
6 inadvertently included, that we would then go back and
7 examine is there a way to structure the scope to take that
8 product out, because it's not something that they make and
9 that's not something that they were interested in making.

10 But we weren't aware of that until the
11 producer came forward, either directly to the Department,
12 which would then reach out to us. So like I think Mr.
13 Pickard was saying, it is a process whereby we're trying to
14 cover only what we're making and may inadvertently cover
15 things that we didn't intend to make and don't make, and
16 we're willing to work with those parties to craft a scope
17 in a way that covers exactly what the domestic producer is
18 making.

19 COMMISSIONER BROADBENT: Well inadvertent is
20 one thing, but seven different revisions?

21 MR. DeFRANCESCO: Well these are -- there's
22 20,000 SKUs. So there are -- it's a large product range,
23 where there's lots of different types of products that may
24 be covered, and there are various industries that the
25 products will be included in and they've worked very hard to

1 try to craft a scope that covers only what they make, and
2 like I think Mr. Pickard said before, they know what they
3 make. They don't know what other people are making or what
4 may have been inadvertently included.

5 When people came to us with revisions or
6 proposed revisions and said, you know, this is too broad.
7 You're being overly-inclusive, we were willing to work with
8 people to make sure that we covered something narrowly, so
9 that they -- only what they were making.

10 COMMISSIONER BROADBENT: Okay. I mean like
11 -- I guess we all as an agency have just a bit of a
12 reputational issue with the companies that we deal with when
13 we're revising our petitions, I mean our questionnaires four
14 or five times based on this changing picture of what you
15 guys think you have.

16 And I guess fundamentally this is your
17 industry and we all kind of rely on a best effort
18 credibility to start the process, and we need to rely on you
19 folks to tell us kind of where the injury is occurring and
20 what imports are causing it to your production.

21 You know, as I think as I've gotten this
22 record and I may not have a huge complete grip on this, but
23 your premise that the U.S. finishing operations of
24 competitors were being faulted by imported castings has not
25 been corroborated by the record. Your share of the industry

1 needs to support as a whole has been called into question
2 over the course of the proceeding. Your assessment
3 definition of unfairly traded injuries reports has changed
4 markedly, including eliminating all small diameter product,
5 and you have since continued to request changes in the scope
6 of the investigation corresponding with your definition of
7 unfairly traded injurious imports is changing, just as we're
8 trying to collect our data.

9 I'm just wondering, is this maybe a case that
10 you should have waited to file? Was there a reason you had
11 to rush to file it?

12 MR. PICKARD: If you look at the financial
13 performance of the Petitioner here before you, you could see
14 why there would be time sensitivity and a sense of urgency
15 here. That is not to say that best efforts weren't
16 employed, and going back to the comment, the exchange I had
17 with the Chairman, I think it's a reasonable concern when
18 you see scope modifications and wanting to know what's going
19 on.

20 The fundamentals in the scope haven't changed,
21 and again I would suggest that this type of behavior is what
22 you want to see when there are legitimate questions asked
23 about minor scope exclusions, that you want to see a
24 domestic industry being reasonable and willing to work with
25 people so that the scope isn't unnecessarily large.

1 COMMISSIONER BROADBENT: Okay. Mr. Pickard,
2 you say that our data is subject imports and domestic like
3 product. Are those illustrative as well, as you see them?

4 MR. PINCKARD: So the entirety of the pricing
5 product data is bracketed in the staff report. So I want to
6 be fairly careful as far as how we characterize this. I
7 think you could say it's mixed, and I think consistent with
8 what you have heard from the witnesses and what they would
9 tell you further, if asked, is -- and I think Ms. Shields
10 spoke to this directly, there are certain instances where
11 the domestic industry made a decision that they were going
12 to compete on the basis of price, and which led to price
13 deterioration, and I think you see some of that in the
14 pricing product data.

15 I think there are also instances, consistent
16 with how Ms. Shields testified, there are instances where
17 prices are too low and the domestic industry decided that
18 they would rather lose volume than compete on those low
19 prices. I think there's support in the pricing products for
20 that contention as well.

21 COMMISSIONER BROADBENT: Okay. Other than
22 relying on average, can identify why there is not a large
23 degree of similarity between the IATDCs that are, for
24 example, three and a half inches in diameter and those that
25 are four and a half inches in diameter?

1 MR. PINCKARD: Sure, and we run through part
2 of this in our domestic like product section as Exhibit 1 in
3 our prehearing brief. But if you wanted to very quickly
4 kind of tick through some of this traditional six factor
5 test, one I would say that the Commission has traditionally
6 recognized a bright line by a diameter measurement and the
7 one that springs to mind is wire rod, where a decision was
8 made 5.0 was the line.

9 That's where the scope is strong and the
10 domestic like product was made coextensive with that.
11 You've got different production processes as the staff
12 report makes clear and as we've indicated, that under four
13 inches are generally made with a production process that
14 involves steel rod or steel bar rather than -- rather than
15 iron.

16 So you have different machinery, you have
17 different production process, you have different employees.
18 We can also provide more kind of proprietary information in
19 regard to the distinction for TB Wood's in our post-hearing
20 brief.

21 COMMISSIONER BROADBENT: Okay. The
22 Commission stated in footnote 133 of its preliminary reviews
23 the following: We rely primarily on value-based indicators
24 as the best measure for product investigations such as these
25 that involve a large grouping of items differing greatly in

1 size, characteristics, applications and price.

2 "We're mindful of limitations in the use of
3 value measures rather than quantity measures, such as the
4 difficulty in determining whether changes in value totals
5 are caused by changes in product mix or price. Therefore,
6 we also considered quantity data where appropriate." Then
7 there is the citation to the Diamond Sawblades review, where
8 the Commission followed a similar approach.

9 Do you agree that the primary methodology for
10 considering the volume of imports to consumption and
11 shipments should be value as opposed to quantity?

12 MR. PINCKARD: I think consistent with the
13 statute, it's a good question and I'm going to have to give
14 it a little further thought. What I would say is I'm
15 assuming the Commission's got to evaluate both. When you
16 have a wide range in products, then units become somewhat
17 distortive.

18 When you have an investigation that's premised
19 on unfair prices, then there are going to be distortions in
20 the value data. Some of the -- there's a middle ground, and
21 I'm not sure if the record, how fulsome the record is. Is
22 it in between just a unit-based evaluation and a
23 quality-based evaluation would be a weight-based evaluation
24 because obviously shivs go from very small to very large.

25 So I think at the end, when you're looking at

1 imports, you see the both trends, you see the same trends
2 when measured on a value or a volume basis, or that they're
3 increasing absolutely and especially on a quantity basis by
4 share. But it's a good question, Commissioner. We'll
5 certainly address it in our post-hearing brief.

6 COMMISSIONER BROADBENT: Okay. Thank you.

7 CHAIRMAN WILLIAMSON: Thank you. Before
8 turning to Commissioner Kieff, I would like to acknowledge
9 that there's a large group of students from American
10 University in the back, and since they've been at this for
11 an hour and a half, I particularly thought it was worthy to
12 acknowledge them and sort of welcome them to the
13 nitty-gritty of international trade. So thank you for
14 coming, and we'll now turn to Commissioner Kieff.

15 COMMISSIONER KIEFF: Thank you very much, and
16 I join my colleagues in thanking the witnesses and the
17 counsel for coming and the students. I just want to, you
18 know, make sure we give them a chance to tell us what the
19 holding was in the Smith v. Jones case assigned last night
20 and you in the red shirt, no cold calling. We appreciate
21 you coming.

22 Let me just, if I could for the fact
23 witnesses, just ask a factual question, and recognize before
24 asking it that if you don't want to answer it here because
25 of proprietary information that that's perfectly okay. You

1 could then answer it in the post-hearing. But the question
2 is for you, for Wood's itself as an enterprise, is there
3 something materially different about the production process
4 you use for your four inch and below product line and your
5 four inch above product line?

6 MR. CRIST: This is Mr. Crist. You know, I
7 mean in general terms, there's definitely differences in
8 processes between the smaller and the larger, and you know,
9 there's specific skill sets and what-not that are different
10 in addition to the processes between the smaller and the
11 larger.

12 COMMISSIONER KIEFF: All right. So then in
13 the post-hearing if you could just elaborate on that, so
14 that we can get a good understanding of that difference, and
15 then get a good understanding of why that difference should
16 drive some of the analysis, because that seems to be
17 important to what you're telling us. And so in order to
18 keep that in mind as we do our analysis, we just need more
19 data.

20 MR. PINCKARD: We'll be happy to do so
21 Commissioner, and again, I think our position has been
22 regardless of the domestic like product definition that
23 results in four inches being in or four inches being out,
24 you are ultimately going to have a very similar picture of
25 the industry.

1 COMMISSIONER KIEFF: Okay. Well that's useful
2 to the next question I was going to ask, which again you
3 might want to elaborate on in the post-hearing. But it --
4 let me just ask it, because it weighs on me. How do we --
5 how should we think about, how should we conceptualize
6 shifts in scope over time?

7 So you've had a number of exchanges with my
8 colleagues, where you have explained good reasons for the
9 shifts. We could easily imagine strategic reasons for the
10 shift in other cases. I'm not, I have no particular view as
11 to whether good or bad is happening here, but I am
12 recognizing that whatever we do here will inform what others
13 do in other cases.

14 So I want to be mindful that there could be,
15 let's call it modesty, cooperative, collaborative approaches
16 to shift scope. But there could also be shifting in scope
17 in a way that might particularly accommodate your production
18 systems, in a way that might not accommodate production
19 systems from other domestic or other out of scope foreign
20 competitors.

21 So it might in fact be to your -- be to a
22 Petitioner's competitive advantage to be shifting scope.
23 That might be a freebie. I mean that actually might be
24 legal and appropriate. There's nothing wrong with helping
25 yourself in a way that complies with the law.

1 I'm just asking you to inform us, either now
2 or later, whether our statute allows us to think about those
3 pluses and minuses, let's call it good story and bad story,
4 and then if we're supposed to think about those stories, how
5 should they inform our thinking, or are they just
6 atmospherics and not really important to our thinking, even
7 if they end up being the bad story.

8 I mean it might be they sound bad, but they're
9 irrelevant to our legal analysis.

10 MR. PINCKARD: Frankly Commissioner, that is a
11 big question. So we will certainly respond in the
12 post-hearing brief after giving it some thoughts. I'll tell
13 you my initial thoughts. You phrased the question regarding
14 whether changes in the scope are relevant to the Commission
15 under its governing statute.

16 CHAIRMAN WILLIAMSON: Do you remember the last
17 question?

18 MR. PICKARD: I do. It was a great question. I
19 think there's -- as I understand your question,
20 Commissioner, I think there's two parts to it. One, our
21 scope changes, which you didn't use these words exactly, but
22 if they were kind of "bad faith" scope changes, is that
23 relevant under the governing statute?

24 COMMISSIONER KIEFF: And "bad faith" might be
25 too strong. What if it just turns out they are helpful to

1 you?

2 MR. PICKARD: Okay. I'm not familiar with
3 anywhere in the statute that directly ties to that. That
4 being said, if there are questions regarding -- going back
5 to "bad faith", it's got to be within the Commission's
6 authority to maintain the integrity of its investigative
7 process.

8 COMMISSIONER KIEFF: Yeah, and again, I'm not --
9 "bad faith" is such a strong term. Let's just simply
10 conceptualize -- just the idea that it could be especially
11 helpful to you, to a petitioner -- I don't mean to saddle
12 you with it -- to a petitioner.

13 And especially challenging for the Commission,
14 so it's challenging for the Commission because it costs more
15 in resources to gather the data as things change. It's
16 harder on the staff, but it's also harder on me as a
17 decision-maker at least, because I like to have confidence
18 in my decisions and the less information I have, the less
19 confidence I have in my decision, so it imposes costs on
20 the decision-making process, staff and Commissioner, while
21 potentially benefitting a private party.

22 Even if done in the best of faith, it could
23 still have those effects and the question then is, should we
24 evaluate that in either our procedural rules for how we
25 channel behavior. So for example, in complicated litigation

1 proceedings, there are notions of estoppel and waiver and
2 presumptions and things like that.

3 Should we apply similar notions of those things
4 to our procedures in the Title VII side of the docket as a
5 way to channel behavior? Again, not -- not to case
6 dispersions, just for all the same reason courts and
7 agencies use channeling legal rules, should we have
8 channeling legal rules?

9 MR. PICKARD: Again, it's a great question and
10 we'll address it further. I would think clearly there's got
11 to be some awareness and factoring into your decision-making
12 process. And just because I wasn't particularly involved in
13 the scope process, I'm actually going to ask my colleagues
14 to correct me if I'm wrong, but just to give one example.

15 In this case, our products, as we -- and again,
16 to my two colleagues, correct me if I'm wrong -- discoveries
17 we drafted it, I believe, was never intended to cover ring
18 gear. I believe respondents then filed an inquiry with the
19 Department of Commerce asking, "Will you confirm ring gear
20 is not included?" And I believe that we then put in another
21 submission saying, yes, to confirm ring gear was never meant
22 to be included, is not covered by this scope and there may
23 have been actually follow-up submissions? Rather than me
24 speculating --

25 COMMISSIONER KIEFF: Well, you can provide it in

1 the post -- again, I don't want to -- I'm not trying to
2 "gotcha" -- I'm trying to provide you with an opportunity to
3 just, in the post-hearing, provide two things:

4 One is the factual answers to the dialogue that
5 my colleagues have had with you. But then the other is,
6 hopefully to shape all of our thinking about whether that
7 even would matter. It may turn out that just doesn't matter
8 or it might matter a lot or a little. You can inform us of
9 that in the post-hearing, and then that will -- we don't
10 have to hash it out. It will be what it is, and you can
11 provide it.

12 MR. PICKARD: That makes perfect sense,
13 Commissioner. We'll do so. It's just kind of to close the
14 loop on that, where I was intending to go, we're saying that
15 there are going to be some circumstances where I think it
16 might not matter that much, where something we don't believe
17 is covered by the scope, there is a series of filings
18 confirming from both sides, that it's not covered, that
19 probably doesn't touch on the Commission's analysis, but
20 your point's well taken. We'll address it in the
21 post-hearing.

22 COMMISSIONER KIEFF: That's great. And if I
23 could, just one quick question for the post-hearing. Can
24 you please provide in the post-hearing as much evidence as
25 possible of the Canadian business as it stands? Who are, or

1 what are the other businesses in Canada, other than the one
2 that has moved to the U.S. that you have already discussed,
3 and to the extent you can educate us about them, can you
4 educate us about their extent and their nature?

5 Are they raw production or are they importing
6 from China and then finishing, importing into Canada and
7 then finishing or both? How many of them are there?
8 Etcetera, etcetera. The more information you can give us
9 about the rest of the Canadian industry, the more we can
10 understand the import of the one entity that's already been
11 discussed and its move of its business to the U.S.?

12 MR. PICKARD: We'll do so.

13 COMMISSIONER KIEFF: Thanks.

14 CHAIRMAN WILLIAMSON: Thank you. Commissioner
15 Schmidtlein?

16 COMMISSIONER SCHMIDTLEIN: All right, thank you.
17 Good morning. And I'd like to thank the witnesses for
18 traveling to be with us today. I am going to ask some
19 questions about the pricing producers, so these are probably
20 best directed to you, Mr. Pickard.

21 You made the point in your presentation that
22 price is an important purchasing factor, and that the
23 domestic product and subject imports are interchangeable.
24 And I would note that the staff report also -- the staff
25 finds in the staff report that there is a high degree of

1 substitutability between domestic and subject import.

2 So given the frequency and the large margins of
3 underselling that we see in the pricing products, in your
4 view, why were subject imports only able to gain 1.4% in
5 market share? If price is so important, they're
6 interchangeable, there's massive underselling at huge
7 margins, why aren't they gaining more market share?

8 MR. PICKARD: To be fair, it might be a better
9 question for industry -- or that I asked a similar question
10 that was along with lines of the question that you just
11 posed as far as -- if there's this massive underselling,
12 it's kind of amazing that you would be in business at all.
13 And yeah, sure, maybe I'll turn it over. And the response
14 that we received was, now it's at a point that you can't
15 sell the sheaves profitably. And the data supports that.

16 There are some disconnects in the data, that one
17 would imagine in, with such significant underselling you
18 would imagine that you would see a larger share shift. You
19 certainly see it relative to domestic production, that
20 production falls down and imports relative to production
21 increases. But in regard to why maybe they haven't grabbed
22 more share in the market place, I would actually defer to
23 the industry witnesses.

24 COMMISSIONER SCHMIDTLEIN: Okay.

25 MR. CHRISTENSON: I'll let Lew chime in, but

1 there's two channels to the market. One is to the original
2 equipment manufacturers that produce machinery, and then
3 there's the industrial distribution channel. And until,
4 maybe just two years ago, the industrial distribution
5 channel was very loyal to domestic manufacturers.

6 And then they started to see pricing at their
7 customers being deteriorated by some of these coming direct.
8 And so, and then one of the companies that imports through
9 Canada was bringing product in through Canada, actually
10 significantly lower, the prices in the distribution channel.
11 So in my opinion, the distribution channel is about to
12 crater and there's going to be significant market share
13 change because of the change in how they've approached that
14 market.

15 And it's actually coming in through one of the
16 importers sold only domestic-made product through that
17 channel, and now they're bringing in product and trying to
18 get it through that channel at very, very low prices.

19 And on the OEM side, they already have 20%
20 market share. I'm not sure how all the data works that
21 you're seeing, but I am under the assumption that there's a
22 lot of product that isn't reported into the reported figures
23 that would change the market share significantly. I mean,
24 we know huge OEM accounts that have now shifted over to
25 bringing in imported product.

1 So it's, you know, the anecdotal data and the
2 internal data that we would have, would say that there has
3 been tremendous market share shifts as a result of this
4 pricing, for the predatory pricing.

5 COMMISSIONER SCHMIDTLEIN: So in your
6 experience, does the price in the OEM market affect the
7 price in the distributor market? Or vice versa? So if
8 there's subject imports coming in to one, is that going to
9 pull down the price in the other? If the price is falling
10 faster in one, does that pull down the price in the other?

11 MR. CHRISTENSON: No, so the pricing in the OEM
12 market deteriorated much faster and the distribution channel
13 in North America was fairly well protected until more
14 recently. So the OEM market, you know, and the other
15 critical factor was that early on, when the Chinese first
16 went after the market, they went after the higher volume
17 components, as you could imagine, you get to transport them
18 across the ocean.

19 And then we started to see it at some of our
20 OEMs that make, like, rock-crushing equipment where you've
21 got ductile iron is a very specific type of iron, very large
22 products, big fly-wheel sheaves that weigh thousands and
23 thousands of pounds and they're, you know, sixty, seventy,
24 eighty inches in diameter, we started seeing that product
25 starting to come in, and that was a real shock to us.

1 Because that was where we had kind of migrated
2 to as they had come in and taken the share on the
3 higher-volume, lower-cost product. We had to migrate our
4 business up to the larger, more engineered product and now
5 they're coming after that. So it's at the point where
6 there's nothing that's untouched by them.

7 I don't think they've -- and I would imagine
8 that the reporting of the data, it's not accurate, and not
9 all the Chinese suppliers are reporting data, that it fairly
10 reflects what the real market share is. Because it is a
11 huge issue for us in the market place. And we get it from
12 -- I don't think there's an OEM that hasn't brought now
13 Chinese pricing to the table and said, here's the price from
14 the Chinese, see you can match it or you can lose at least a
15 portion of the business. It goes from guys who make
16 industrial washing machines, guys who make rock-crushing
17 equipment, guys who make food processing equipment. It is
18 now so prevalent that it is killing us.

19 COMMISSIONER SCHMIDTLEIN: Okay. And I know you
20 don't have access to the pricing product information, but
21 Mr. Pickard, where we see underselling across these pricing
22 products, and again at such huge margins, why are we seeing
23 price increases in some of them? In U.S. prices? Why isn't
24 the underselling affecting those particular -- of the
25 twelve, if you divide the six products between the two

1 channels? There's at least four, I think that increase.

2 MR. PICKARD: So all of the data is APO in the
3 staff reports. And we address parts of this in our
4 pre-hearing brief, under the pricing product section. So I
5 just want to be careful as far as how we characterize it. I
6 think we see volume effects and price effects in the
7 evidence of record. And this goes back to -- I think some
8 previous comments -- and I think to talk about general
9 trends information, so none of this is --

10 COMMISSIONER SCHMIDTLEIN: Yeah, I haven't named
11 the pricing products. I mean it's, you know, some of them
12 the prices are -- they increased over the POI. And there's
13 underselling in those products, so why would we see, in a
14 product that's interchangeable, highly substitutable,
15 purchasing decisions come down to price, there's massive
16 underselling -- why are U.S. prices not going down in all of
17 those pricing products?

18 MR. PICKARD: I think the majority of the data
19 shows something different. I just want to make sure that we
20 stay on the rates without inadvertently discussing APO
21 information --

22 COMMISSIONER SCHMIDTLEIN: Maybe it would be
23 easier if you'd like to answer it in a post-hearing, that's
24 fine.

25 MR. PICKARD: Yeah, so why don't I say it just

1 in generally, I think what we see -- there were some data
2 hiccups -- but I think we certainly see price depressions in
3 some of the pricing data sections, and then I think in other
4 parts of the record, you clearly just see it come at the
5 cost of production.

6 COMMISSIONER SCHMIDTLEIN: Okay. And in the
7 post-hearing then, or if you can, you can address it right
8 now then, if not, in the post-hearing. When you say, we see
9 price depression, is that because you see a correlation
10 between subject import prices and domestic prices in that
11 pricing product data? So is it the underselling that's
12 pulling down the prices or is it price movements of subject
13 imports that's pulling down U.S. prices? And if it's price
14 movements, do you see correlation in those pricing products?

15 MR. PICKARD: So I can talk about it in a more
16 fulsome way, we'll certainly put it in the post-hearing
17 brief, but again I think you're seeing two different
18 aspects. You see the price depressing of certain
19 underselling, and then you see a volume effect for other
20 parts of the market, but in order to actually be able to
21 discuss it in more detail, we'll put it in the post-hearing
22 brief.

23 COMMISSIONER SCHMIDTLEIN: Okay. That would be
24 helpful. Well, my time is almost up. But the one last
25 question I had is, in the staff report it points out that

1 the price of iron and scrap prices, as well as natural gas,
2 started declining in 2014 and then through 2015. How should
3 we consider that in terms of analyzing the price effects?

4 MR. PICKARD: Sure. So real quickly, and then I
5 don't know if the industry witnesses want to go ahead --
6 obviously when raw materials costs decrease, the domestic
7 industry hopes to make, to increase their profit margins.
8 At best, or second best, would be that at least with raw
9 material prices decreasing, the prices would decrease
10 commensurate so that you would maintain your margins.

11 What we see in this record, however, is that
12 even with raw material prices decreasing, the operating and
13 net income for the domestic industry deteriorates throughout
14 the POI. But I didn't know if you wanted --

15 MR. CRIST: I can elaborate a little bit on
16 that. I mean I'm involved in pricing decisions nearly every
17 day. And what I have found in the last couple of years,
18 whether it's demand down, demand up, raw material down, raw
19 material up, pricing continues to go down. I mean there are
20 no boundaries anymore. Even the channels are less of a
21 boundary these days.

22 There are numerous times where we think we're in
23 pricing agreements, only to find out a month later that, if
24 we intend to keep the business, we have to lower our price.
25 And it's an ongoing thing. And as we have said earlier, I

1 mean we're to the point where we just can't handle this
2 anymore and it's spread across all of our products, whether
3 it's small, big, complicated, things that we thought in the
4 past were specific to things we could be good at, the
5 pricing is completely just gone. So there's no correlation
6 in raw material up or down to pricing.

7 COMMISSIONER SCHMIDTLEIN: Okay. I appreciate
8 it. And I apologize for going over.

9 CHAIRMAN WILLIAMSON: No, that's fine. Because
10 I want to continue on this.

11 MR. CHRISTENSON: I might add one thing too --

12 CHAIRMAN WILLIAMSON: Oh, sure, go ahead. No,
13 go ahead because they -- I'm on the same subject.

14 MR. CHRISTENSON: -- pricing products too. I
15 think this might clarify this -- it used to be a fairly
16 structured industry where you had list and discount
17 structures and particularly through the distribution
18 channel, you would have, you know, standardized pricing and
19 that has gone out the window.

20 It is every time you have to negotiate a price.
21 And so in the pricing data that you might be looking at for
22 those individual components, we might've been fortunate
23 enough where there was one item that we had in inventory,
24 somebody else didn't, and we were able to get a little more
25 money for it than we were at another time. So where it used

1 to be very structured and very rational and with the OEM
2 customers you could put a package together and count on
3 having that same price for a year, is what we typically
4 would enter into an agreement with a customer for, it's
5 gone.

6 It's now even a month later, as Lew said,
7 they'll come back and say, "Hey, the Chinese just came in
8 and said, 'Here's a better price,' the Canadians came in and
9 said, 'Here's a better price.'" You got to match it or
10 you're gonna lose the business.

11 But occasionally we do get a reasonable price
12 for the product. It's just nowhere near enough to make the
13 profitability of a business worthwhile.

14 COMMISSIONER SCHMIDTLEIN: All right. Thank you
15 very much for that answer.

16 CHAIRMAN WILLIAMSON: So Mr. Crist, you sort of
17 saying there's no correlation between, I guess, the raw
18 material price decline and declining price of the product.
19 What about -- how do we distinguish the impact of subject
20 imports versus a declining demand and also the impact of
21 nonsubject imports? So what role does declining demand play
22 in price of the product?

23 MR. CRIST: I mean it's a very similar answer.
24 I have found whether the demand is going down or whether
25 demand is going up, prices continue to plummet. And again,

1 that's why we're here. We cannot continue to play those
2 price games continually to decline. And there's no
3 correlation on the demand side.

4 CHAIRMAN WILLIAMSON: What about nonsubject
5 imports? The role they played in the decline in the price?

6 MR. CRIST: We rarely see nonsubject imports
7 playing any role in the U.S. market. It's heavily dominated
8 by Canadian and Chinese imports.

9 MR. PICKARD: Commissioner Williamson, just a
10 follow-up on two of those issues. In regard to whether --
11 this is really kind of a demand story -- I would take you
12 back to my direct presentation where we've documented, or
13 the Commission staff has found that demand decreases by 5.2%
14 over the period of investigation, but imports don't
15 decrease. Imports don't stay flat. They actually increase
16 on an absolute basis by, roughly 8%. So that tells you
17 they're not, that's not a demand function.

18 And then in regard to your question,
19 specifically in regard to whether nonsubject imports are
20 having significant price effects, as compared to the subject
21 imports. What the Commission staff has documented is that
22 Mexico, one of the only significant nonsubject sources,
23 undersells the domestically produced product less often than
24 the Chinese and the Canadian product.

25 CHAIRMAN WILLIAMSON: You made that point

1 earlier.

2 MR. PICKARD: Right.

3 CHAIRMAN WILLIAMSON: Okay.

4 MR. PICKARD: And it's generally being sold at
5 higher prices.

6 CHAIRMAN WILLIAMSON: Okay.

7 MR. PICKARD: So that would lead one to think
8 that's -- to the extent that nonsubject imports would have
9 price effects, the price effects of subject imports would be
10 much greater.

11 CHAIRMAN WILLIAMSON: Okay, okay, thank you. I
12 just wanted -- when you were addressing Commissioner
13 Schmidtlein's question about the price depression, could you
14 also address the question of how do you explain the rising
15 AUVs for the domestic industry's shipments and net sales?

16 MR. PICKARD: We could certainly address parts
17 of that publicly. That's easier than the completely
18 bracketed pricing products. I think when you have AUVs, the
19 AUV issue here -- you're really looking at a product mix
20 issue.

21 And consistent with the testimony, maybe the
22 industry witnesses might want to follow up on this. What I
23 saw was, they were losing more and more of the smaller
24 sheaves, which was forcing them higher up. They're losing
25 key volume, but the remaining sales are of the larger

1 products. So I don't think -- you're not seeing increasing
2 prices, you're seeing the change in the AUV as a function of
3 the change in product mix, but I didn't know if you wanted
4 to talk more about that.

5 MR. CRIST: I agree with his product mix, as I
6 think what's driving that.

7 CHAIRMAN WILLIAMSON: Okay, thank you.

8 Mr. Christenson, you've talked several times about this,
9 what's happening in the industrial distribution channel.
10 Could we get a better understanding of what that channel is
11 versus the OEM, if someone has to replace a component or can
12 place a pulley set, is that the industrial distribution
13 market or is --

14 MR. CHRISTENSON: Yeah, so the industrial
15 distribution channel for us would serve smaller original
16 equipment manufacturers and the replacement parts business.
17 So it would serve both, where we would serve the larger
18 original equipment manufacturers directly. So they would
19 serve both at both spaces.

20 CHAIRMAN WILLIAMSON: Okay, and so significant
21 is that replacement business? And are we talking about
22 saying maybe a particular pulley or sheave or bushing? Or
23 is it, you really replace the whole system?

24 MR. CHRISTENSON: In most cases they would
25 replace both pulleys or sheaves and the belts. They replace

1 the belts more frequently, but occasionally they do replace
2 the pulleys, and it's significant on average about 30% of
3 our business is replacement parts, because they do wear out
4 over time. And at the TB Wood's business is probably a
5 little bit higher than that on the replacement parts --

6 CHAIRMAN WILLIAMSON: Into the mike again? I'm
7 sorry.

8 MR. CHRISTENSON: For the TB Wood's business, it
9 would probably be closer to 40%. For the entire company,
10 it's around 30% as replacement parts.

11 CHAIRMAN WILLIAMSON: Okay. Thank you. This
12 was another question -- you know, you're all from one
13 company basically. And you've told a compelling story about
14 the history of the company and what's happened to it. Are
15 other members of the industry different? Or a lot of them
16 newer or -- is there any differences between TB Wood's and
17 your, I guess, domestic competitors. Not getting into
18 business proprietary, but you know, we have a full industry
19 here and as said, we're only hearing from one company, so I
20 wanted to say what's the basis for our generalizing on some
21 of your comments?

22 MR. CHRISTENSON: My knowledge of what our
23 competitors do is very similar for some of the larger
24 competitors. They use similar manufacturing equipment,
25 similar skill sets, and design products, basically

1 interchangeably. I think the case is a little bit
2 different. There are some companies that -- like the
3 importer from Canada and China -- they may subcontract some
4 of the foundry sources, but there are several competitors in
5 domestically that manufacture very similar to how we do,
6 with the foundry, machine shop and very similar equipment.

7 CHAIRMAN WILLIAMSON: Okay. Is the TB Wood's
8 factory, is that unionized and how about the other factories
9 in the country?

10 MR. CHRISTENSON: The TB Wood's factory is not
11 unionized and we do have three union factories in our
12 business.

13 CHAIRMAN WILLIAMSON: Okay. Thank you. Some
14 specific questions. What are the main applications for the
15 light duty sheaves excluded from the scope of the
16 investigation? Can IMTDCs covered by the scope also be used
17 in these applications?

18 CHAIRMAN WILLIAMSON: Is this referring to
19 light-duty sheaves? The majority of the profits--

20 MR. CRIST: Can you repeat that question?

21 CHAIRMAN WILLIAMSON: I said, what are the main
22 applications for the light-duty sheaves that are excluded
23 from the scope of the investigation? And can products that
24 aren't within the scope also be used in these applications?
25 And if you want to do it post-hearing, that's okay.

1 MR. CRIST: Yeah. I mean the applications are
2 pretty straightforward. I mean fractional horsepower
3 generally represents a smaller motor, so it's a smaller
4 application that it's involved in. So typical would be
5 maybe HVAC or small fans. Those would be typical fractional
6 horsepower application.

7 And your second question was what, again?

8 CHAIRMAN WILLIAMSON: Can products that are
9 covered by the scope also be used in these applications?

10 MR. CRIST: --not. I mean they're obviously
11 bigger and heavier and would be over-designed for the small
12 motor. So, no.

13 CHAIRMAN WILLIAMSON: Okay, thank you.

14 MR. CHRISTENSON: And the manufacturing process is
15 slightly--would be different, also, a little different.

16 CHAIRMAN WILLIAMSON: Okay. What are the main
17 applications of tapered bushings, which are also excluded
18 from the scope?

19 MR. CRIST: The bushing is used to connect the
20 shiv to the shaft of the motor. But the distinction of
21 being out-of-scope is strictly on the diameter. So there
22 are some bushings that are tapered bushings that are
23 in-scope. It all depends on the diameter.

24 CHAIRMAN WILLIAMSON: Oh, okay. So it's not the
25 fact that they're tapered? It's just the size of it?

1 MR. CRIST: Yeah.

2 CHAIRMAN WILLIAMSON: And one other question on
3 the same line. What is the main application of torsional
4 vibrational dampeners? Because they're also excluded from
5 the scope.

6 MR. DeFRANCESCO: Commissioner, this is Robert
7 DeFrancesco.

8 CHAIRMAN WILLIAMSON: Yes?

9 MR. DeFRANCESCO: So a torsional vibration damper
10 is actually used in a different application than these
11 IMTDCs are used in. It's made in a different facility on
12 different production processes. There's actually an
13 internal rubber ring that goes inside the component, and
14 that's not true of any of these products.

15 CHAIRMAN WILLIAMSON: Okay. Thank you. Thank you
16 for those answers.

17 Vice Chairman Johanson?

18 VICE CHAIRMAN JOHANSON: Thank you, Chairman
19 Williamson. And before I begin my questions, I would like
20 to welcome the students from American University here today.
21 When I was in college I knew that I wanted to be an
22 international trade lawyer, but I never attended an ITC
23 hearing. Maybe it's good that I didn't do so, as I assume I
24 would have found it quite dull.

25

1 VICE CHAIRMAN JOHANSON: I might have made a
2 different career choice. So on the premise that you all are
3 still in the room, that being said, international trade is a
4 very interesting field. You get to know the world economy
5 well. You get to learn about many interesting products like
6 iron mechanical transfer drive components. And every now
7 and then you get to travel to an interesting place.

8 And for those of you from foreign countries,
9 welcome to the United States. What you are observing today
10 is an important feature of the U.S. Government. Our system
11 tends to be quite transparent. Our hearings are open to the
12 world--open to the public, and we welcome you here today.

13 Now on to my questions. Baldor was formerly a
14 Respondent and now supports the Petition. In Baldor's
15 prehearing brief at pages 19 to 20--I'm sorry. Let me back
16 up here.

17 In their prehearing brief at pages 19 to 20, the
18 Chinese Respondents quoted extensively from the Baldor
19 witness at the preliminary conference in these
20 investigations who indicated that demand and prices in oil
21 and gas were impacting the IMTDC market and industry.

22 For example, Mr. McCartney stated at pages 79 to
23 80 of the transcript, and Mr. McCartney is with Baldor, he
24 said: Definitely oil is a big user of the heavy-duty sheave
25 industry. In fact, you know with the decline in oil price I

1 know we have seen, and I would expect that TB Wood's has
2 seen the same, a pretty major decline in the use of
3 heavy-duty sheave industry when you compare 2014 to 2015.
4 So I think you may see a decline in our sales from 2014 to
5 '15 has nothing to do with imports. It strictly has to do
6 with the fact that the consumption of heavy-duty sheave in
7 the oil market is lower this year in general than 2014. Oil
8 specifically has been off fairly dramatically.

9 How do you all respond to this testimony from the
10 conference?

11 MR. CHRISTENSON: I can start. So, yeah, we've
12 seen a decline in the oil industry. I think we have two
13 businesses in Texas that do a lot of business in the oil
14 industry. And we've seen a decline there.

15 I think what we've seen, though, is that the
16 prices have declined even further than what the oil industry
17 market would indicate. And we've seen the market in China
18 decline, and we've seen the market in Canada decline.
19 There's a lot of energy usage, even a higher percentage of
20 the economy in Canada is dependent upon energy than it is in
21 the U.S. So our observation is that the product from Canada
22 was being pushed down into the U.S. in further
23 deteriorating prices here into some other end markets other
24 than oil and gas. So, yeah, that's one industry.

25 But we serve hundreds of industries. That would

1 certainly have an impact on the volume for that piece, but
2 the pricing in the other industries we serve has
3 deteriorated an incredible amount.

4 MR. PICKARD: I guess maybe just to follow up very
5 quickly, Commissioner, I think all parties agree that demand
6 decreased over the Period of Investigation. And the staff
7 report quantifies it.

8 Our suggestion has been that, while demand was
9 decreasing subject imports are increasing, and are
10 dramatically underselling. It is that increase imports and
11 instances of underselling that are even more injurious in a
12 down market.

13 MR. CHRISTENSON: I would add that in our other
14 businesses, so we have other businesses that serve oil and
15 gas, we have seen nowhere near the price reductions where
16 they may be more dependent than this product range is on oil
17 and gas. So it is not a function of what's going on in the
18 oil and gas industry. It is, in my opinion, predatory
19 pricing.

20 MR. CRIST: This is Mr. Crist. I would like to
21 add, you know, I think this is clear evidence where as
22 demand is down, and there's obvious over-capacity in Canada
23 and China, and that results in the dumping of the product
24 into the market rather than the demand is up or down. The
25 over-capacity is there, and when demand is down they dump it

1 into the market.

2 VICE CHAIRMAN JOHANSON: Okay, thanks for your
3 responses there.

4 I am now going to turn to the issue of threat.
5 And regarding threat, Petitioners arguments regarding threat
6 of material injury do not appear to address subject imports
7 from Canada.

8 Do you all believe that such imports are
9 threatening the domestic industry with material injury?
10 Especially in light of Baldor's closing in Canada?

11 MR. PICKARD: I'll start off. Yeah, we absolutely
12 believe that the Canadian imports pose a threat to the
13 domestic industry. And that was going back through our
14 previous comments that, even with Baldor shifting its
15 finishing operations to the United States that doesn't
16 decrease the massive capacity in Canada in regard to
17 casting.

18 On top of that, Baldor, while it was a
19 significant finisher, wasn't responsible for 100 percent of
20 exports to the United States. There are other finishing
21 operations in Canada. And on top of that--this goes back t
22 our conversations in regard to inventory--the large increase
23 in imports that have been found to be unfairly priced loom
24 over the marketplace. And they continue to have, and will
25 continue to have, price-depressing effects.

1 All of that is supportive of an affirmative
2 threat determination.

3 VICE CHAIRMAN JOHANSON: Do you all have any
4 evidence to support a finding that any Canadian producer
5 that you can identify at this time is currently filling the
6 export gap created by Baldor Canada's departure?

7 MR. CRIST: At this point, you know, there's no
8 Canadian--no Canadian example that would be bringing product
9 in because of the significant preliminary duties that were
10 put in place.

11 MR. PICKARD: And I guess that's a point well
12 taken, that currently there are very high antidumping duties
13 for any Canadian producer exporting. But I would imagine
14 your question goes to, Commissioner, in the absence of these
15 duties do we have information in regard to Canadians who
16 could step into that gap? We'll be happy to do so, and I
17 think Commissioner Kieff also asked us to put some
18 additional information on the record in regard to what we
19 know about Canadian producers and capacity.

20 VICE CHAIRMAN JOHANSON: Alright, thank you.

21 And getting back to the issue of threat, Chinese
22 Respondents note at page one of their brief that the
23 expanding focus of China's imports to third country markets
24 undermines any threat from this industry.

25 What is your position on China's market

1 orientation? And how does this, in your view, support the
2 case for an affirmative threat determination?

3 MR. PICKARD: I'll start, again. So what the data
4 shows is that the Chinese have large capacity; that they are
5 export-oriented. So in traditional ITC terms, not only do
6 they have large amounts of excess capacity, but they've got
7 large amounts of divertable capacity, both of which have
8 been traditionally factors that weighed in support of an
9 affirmative threat determination.

10 On top of that, you've got the general slowdown
11 that is going on in China, which would further seem to
12 support the idea that their export dependency would grow,
13 which means that they would be further motivated to export
14 to the United States.

15 And to the extent that the U.S. is one of the
16 bright spots in the global economy, that makes the U.S. all
17 the more attractive for exports to come. But I don't know
18 if you wanted to follow up?

19 MR. CHRISTENSON: The only thing I would add is
20 that over the years we've also seen more and more Chinese
21 coming into the market. So there's been--you know, it
22 started off with probably one company that was started by an
23 American that started importing product from a Chinese and
24 didn't seem like a significant threat. And now there's
25 probably five or six major players. And there's probably 25

1 or 30 that are, you know, trying to get here and on the
2 fringes trying to get in.

3 And Lew has been, oh, I don't know how many,
4 foundries in China that you've been in--

5 MR. CRIST: I've been in close to 20 foundries in
6 China. I see it first-hand. I mean there's whole towns
7 with small family foundries on every street corner. And so
8 the over-capacity is clearly there and I've seen it
9 first-hand.

10 MR. CHRISTENSON: And what we've seen is you'll
11 have somebody in China kind of pool together their resources
12 there and bring the product into the U.S. So it's gone from
13 one to, and it's now really starting to escalate.

14 VICE CHAIRMAN JOHANSON: Alright, thank you for
15 your responses. My time has expired.

16 CHAIRMAN WILLIAMSON: Okay. Commissioner Pinkert?

17 COMMISSIONER PINKERT: Thank you.

18 Now here, and in the prehearing brief that you
19 filed, you emphasize that there's still casting capacity in
20 Canada. Do we know what is being done with that capacity?

21 MR. PICKARD: I'm sorry? Just to clarify your
22 question, Commissioner, you're asking what are the casters
23 casting in Canada?

24 COMMISSIONER PINKERT: No. In other words, you
25 say that there is this capacity. Is there production? And

1 where is the production going?

2 MR. CRIST: You know, obviously I don't know
3 everything about the Canadian caster, but what I can tell
4 you is they were actively involved in supplying castings
5 into the United States of IMTDCs. And they have lots of
6 capacity available. And if I had to speculate, I'm assuming
7 that they are waiting for this determination to get back
8 into supplying those and/or converting their process to
9 something else to survive. But that would be speculation on
10 my part.

11 MR. CHRISTENSON: They have a significant
12 investment in tooling and in equipment, and so right now we
13 don't believe that that product is coming into the U.S. But
14 that capacity is sitting there idle, waiting.

15 MR. PICKARD: Commissioner, we'll try and provide
16 you more details and specifics as far as what we know and
17 what we can gather in regard to ongoing Canadian operations,
18 and what we know in regard to their production.

19 COMMISSIONER PINKERT: Thank you. And there's a
20 discussion in the prehearing brief of a close supply
21 relationship with Laforo Iron Foundry. Do we have any
22 specific information about how that relationship is being
23 used? Or what effect it is having in terms of exporting
24 subject merchandise to the United States?

25 MS. BELL: Thank you, Commissioner. This is

1 Stephanie Bell. Just with respect to Laforo, the
2 information we have, as you mentioned, shows what appears to
3 be a very close relationship between the caster and the
4 finisher in Canada. And while at this point we'll certainly
5 look and provide it post-hearing, but we don't have any
6 information at this point regarding whether that
7 relationship has continued in terms of the castings now
8 coming into the United States, but it would certainly seem
9 not unreasonable to think that, given a close supply
10 relationship they may continue to serve as a casting
11 supplier where they're now just exporting to the United
12 States for finishing, as opposed to having it finished in
13 Canada first.

14 COMMISSIONER PINKERT: Thank you. And also for
15 the posthearing, although you can certainly address this
16 here if it doesn't get into business proprietary
17 information, can you respond to Respondent's argument on
18 page 22 of their prehearing brief regarding U.S. production
19 trends for scope versus nonscope merchandise?

20 MR. PICKARD: Sure, Commissioner. We'll do it in
21 the posthearing brief.

22 COMMISSIONER PINKERT: Thank you, very much.
23 Thank you.

24 CHAIRMAN WILLIAMSON: Thank you.

25 Commissioner Broadbent?

1 COMMISSIONER BROADBENT: Okay, I'm looking at
2 title--I mean at Table 6-1, which is public. It deals with
3 the industry's financial data.

4 This shows no change in the cost of goods sold to
5 net sales ratio over the POI, and no real change in gross
6 income. So I don't see evidence of a cost price squeeze for
7 the industry.

8 You can see that the ratio of SG&A expense
9 increased relative to net sales, which drove the changes in
10 operating and net income that you argue are evidence of
11 industry--excuse me, that you argue are evidence of injury.

12 Are you linking your causation analysis to these
13 changes in SG&A?

14 MR. PICKARD: I'll start, if you don't mind. It
15 certainly has something to do with it. Obviously producers
16 in a tougher market who are facing increased competition,
17 it's certainly a standard practice that you're going to have
18 to dedicate more resources to your sales teams, to more
19 promotions for products. That kind of as a market gets more
20 competitive, that your SG&A can increase. But maybe it
21 would be more helpful to have the industry witnesses talk to
22 it without getting into proprietary--Posthearing? We'll
23 address that in our posthearing brief.

24 COMMISSIONER BROADBENT: Okay. Let's see. Table
25 4-2 demonstrates a substantial decrease in the valuer of

1 nonsubject imports of all sizes during the POI, but a
2 substantial increase in the quantity of these nonsubject
3 imports.

4 Can you explain what caused this? Does it
5 demonstrate a shift toward smaller diameter nonsubject
6 imports? Or is this a result of a decrease in the value of
7 nonsubject imports?

8 MR. PICKARD: We'll have to investigate that,
9 Commissioner. We'll answer in the posthearing brief.

10 COMMISSIONER BROADBENT: Okay. I think, Mr.
11 Chairman, that's all the questions I have right now.

12 CHAIRMAN WILLIAMSON: Thank you.

13 Commissioner Kieff?

14 COMMISSIONER KIEFF: I guess for me I'm still
15 trying to understand the big picture. Is your sense that
16 this afternoon the story we're going to hear from the other
17 side is one in which in essence they are going to say
18 absolutely we totally get and largely agree with the facts
19 as described, but we think their legal significance is
20 different?

21 Or do you think they're going to tell us, oh, my
22 gosh, we see the world totally differently?

23 Is this a disagreement of fact? Or of law? Or
24 both?

25 MR. PICKARD: Assuming that the arguments this

1 afternoon are consistent with what we saw in their
2 prehearing brief, my expectation would be that they're not
3 going to differ with the facts, but rather with the
4 importance of the facts.

5 So as one example, one of the facts that we have
6 indicated that might be most probative of injurious effects
7 are the high instances of underselling. And I think what
8 we're going to most likely hear from counsel in the
9 afternoon is that that underselling data isn't probative of
10 injury, and consistent with their arguments actually that's
11 supportive of attenuation of competition. Is that helpful?

12 COMMISSIONER KIEFF: Yes, absolutely. And I take
13 it you think they're wrong?

14 MR. PICKARD: Yes.

15 COMMISSIONER KIEFF: Okay.

16 MR. PICKARD: And I think long-established
17 Commission practice supports our position. The idea that
18 pricing products have to cover broad parts of the market in
19 order to be probative I think is just incorrect and
20 unsupported by Commission practice.

21 The whole point of pricing products are to have
22 specific examples in order to determine whether there's
23 underselling.

24 So, yes, I think they are incorrect as a matter
25 of law.

1 COMMISSIONER KIEFF: Do you think there are any
2 other major--I'm just trying to, in effect, summarize--what
3 are the other major points of departure you have with your
4 opponent?

5 MR. PICKARD: Sure. I think one of the other
6 major ones is consistent with a respondent counsel's
7 approach to a case, would be to find an alternative cause of
8 injury and try and lay any injury at the feet of that
9 alternative cause.

10 COMMISSIONER KIEFF: Right.

11 MR. PICKARD: And I think what a respondent's
12 counsel--not I think, what they have indicated is that you
13 should pay attention to Mexico. And there are some
14 bracketed parts, but there are unbracketed parts where they
15 say the Mexican imports are having a significant effect on
16 the market.

17 What we would say is, that essentially concedes
18 that subject imports must also be having a significant
19 effect on the market.

20 COMMISSIONER KIEFF: Why is that?

21 MR. PICKARD: Because subject imports undersell
22 the domestically produced product more often than Mexican
23 imports do. Mexican imports undersell--I'm sorry, Chinese
24 and Canadian imports undersell Mexican imports. And Mexican
25 volumes are smaller than Chinese volumes--Chinese and

1 Canadian volumes.

2 So if A is significant and B is greater than A--

3 COMMISSIONER KIEFF: Gotcha. And then is there
4 something--and again, this is a big-picture question, but it
5 is--China, as a political economy, is big and different from
6 the U.S. political economy. Canada, not so much. It's not
7 rare for us, in fact it's very common for us to have a lot
8 of discussion about what's happening in China.

9 We have certainly had cases involving Canada. I'm
10 not suggesting that that's off the table. But I wonder if
11 you could just take a moment and, at a high level, try to
12 help me understand should I--why I should keep those two
13 together in my mind at the same time, or whether they are
14 very different but just happen to both be injuring your
15 client?

16 I mean, they might both be causing material
17 injury of the type that our statute is designed to target,
18 even though they're very different. Or they might actually
19 be the same.

20 I'm trying to figure out in essence what you're
21 saying.

22 MR. PICKARD: Sure. So beyond the standard
23 cumulation factors, and really kind of thinking big picture,
24 it's true the Commission doesn't generally think of Canada
25 and China kind of in the same breath. But there are certain

1 similar macro issues which might not be immediately
2 apparent, and we will certainly brief this further, but one
3 for your consideration, if I could, Commissioner, the idea
4 of Chinese overcapacity in pretty much any industry is I
5 think pretty well accepted by the Commission at this stage
6 of the game, especially in regard to steel cases, and thus
7 kind of an export dependence, or an export focus.

8 I think from, again just really a big picture
9 step, the Canadian economy is certainly more dependent on
10 energy markets than I think you would say the United States
11 is. And as we continue to see certain deterioration in
12 energy markets, you have a similar dynamic, certainly
13 probably not to the same scale as you do with the Chinese,
14 but you have a significant weakening of demand which would
15 likely lead to an increased need to export.

16 COMMISSIONER KIEFF: I see. Alright, --

17 MR. PICKARD: But we could flesh that out more.

18 COMMISSIONER KIEFF: And again with respect to
19 Canada, is this need to export largely a product that is
20 cast in Canada in the first instance? Or a product that is
21 cast outside of Canada, sometimes perhaps in China, and then
22 finished in Canada?

23 MR. PICKARD: So for purposes of this
24 investigation, and especially at your sister agency, maybe
25 two observations, if I could.

1 Country-of-casting establishes country-of-origin.
2 So for their purposes, and I believe what would be likely
3 that the Commission would adopt, is that Chinese-cast
4 product finished in Canada would still be Chinese product.

5 But maybe more specific to your question, maybe
6 we could do this quickly, is it is not uncommon that this
7 Commission hears testimony of kind of, quote/unquote
8 "irrational Chinese prices." Selling below cost of
9 production. They're not uncommon allegations.

10 It is considerably less common to hear that about
11 the Canadians. And I was surprised by some of kind of the
12 anecdotal evidence told to us by our clients as far as the
13 Canadians frequently being kind of price leaders down, and
14 sometimes being more aggressive than the Chinese. And I
15 didn't know if you wanted to add on with regard to any
16 examples?

17 COMMISSIONER KIEFF: And again, you don't have to
18 do it now, but in the posthearing if you could give us as
19 much evidence as possible that that is happening, that would
20 be great. And then, in addition to the evidence, it is
21 always hard to look into someone else's business and make
22 inferences, but if you could try to explain why that might
23 be happening, that would be helpful.

24 I recognize that it's not your business, it's
25 their business, but to the extent we can make some sense of

1 it, that helps us believe the credibility of the evidence.

2 MR. PICKARD: And that particular issue is
3 actually something that I think we can shed a decent amount
4 of light on in regard to what was the business objective--

5 COMMISSIONER KIEFF: Exactly.

6 MR. PICKARD: --exactly. So we'll be happy to do
7 that in the posthearing brief.

8 COMMISSIONER KIEFF: That's great. And, you know,
9 that gives you time and space to do it, and of course it's
10 confidential, or easy to mark as confidential. So it is not
11 clumsy, I hope.

12 Great. Thanks a lot. I have no further
13 questions.

14 CHAIRMAN WILLIAMSON: Thank you.

15 Commissioner Schmidtlein?

16 COMMISSIONER SCHMIDTLEIN: Thank you. I just had
17 one last question.

18 Are you arguing that there's price suppression in
19 this case? And if so, what's your evidence for that?

20 MR. PICKARD: Yes. The short answer is, we're
21 arguing price effects both in underselling, price
22 suppression. Price suppression. I think some of the price
23 suppression is more anecdotal evidence that you're receiving
24 under sworn testimony from the witnesses in regard to an
25 inability to increase prices as much as they want.

1 I think you heard testimony from Mr. Crist today
2 in regard to the price depressing and suppressing effects of
3 imports. I thought it was an interesting response. He
4 said, regardless of if demand was going up or if demand was
5 going down, and regardless of periods when raw material
6 costs were going up or raw material prices were going down,
7 there was downward pressure as a result of subject imports.

8 And that would amount to both price depression
9 and price suppression.

10 COMMISSIONER SCHMIDTLEIN: So does the fact that
11 demand declined over the POI and the COGS ratio was
12 relatively stable over the POI undercut that argument?

13 MR. PICKARD: I think traditionally the Commission
14 has looked at price depression, one of its strongest
15 indicators has been taking a look at COGS as a percentage of
16 net sales. Even when there have been instances where COGS
17 as a percentage of net sales have increased, the Commission
18 has not always found that to mean that it's necessarily
19 evidence of price suppression.

20 But you're right. There is a little disconnect
21 in the data there, that the price suppression would be more
22 obvious with those facts, but it doesn't mean that it's not
23 occurring. And we'll try and put some--flesh that out a
24 little bit more in the posthearing brief, as well.

25 COMMISSIONER SCHMIDTLEIN: Okay. Alright, I have

1 no further questions. Thank you.

2 CHAIRMAN WILLIAMSON: Thank you.

3 In your posthearing brief, please respond to
4 Respondents' Related Parties' argument?

5 MR. PICKARD: I'm sorry, Commissioner? One more
6 time?

7 CHAIRMAN WILLIAMSON: In your posthearing brief,
8 could you please respond to the Respondents' Related
9 Parties' arguments?

10 MR. PICKARD: Certainly. We'll be happy to do so.

11 CHAIRMAN WILLIAMSON: Okay. How important is
12 branding in this market? And does the existence of branding
13 cut against your argument that IMDTCs are highly
14 subsidizable products sold mainly on the basis of price?

15 MR. CRIST: You know, maybe a decade ago branding
16 meant something, but at this point it's all about price.
17 The brand is not important.

18 CHAIRMAN WILLIAMSON: Why has that changed? Is
19 that bad marketing, or what's happening?

20 MR. CRIST: No, I would say low prices is what
21 changed that, and the immense pressure that the purchasers
22 in this country are under to get cost reductions. It's
23 turned into price. Products are interchangeable, and it's
24 been driven down.

25 MR. CHRISTENSON: It used to be that there was a

1 quality, you could say that there was a quality difference
2 between what was produced in China and what was produced in
3 the U.S. And over the years, the quality level may not
4 quite be as tightly controlled and as good as it is in the
5 U.S., but it meets the customer's requirements. And they've
6 gone through a lot of work to test them and make sure that
7 they do. And so it is a fungible product now. It's seen as
8 equivalent by the customers, where it didn't used to be.

9 MR. PICKARD: And, Commissioner, I think there are
10 parts of the staff report that support that, where the
11 purchasers have indicated in the majority of comparisons
12 that the subject imports always or usually meet the minimum
13 quality requirements.

14 So if quality is perceived to be equal, then it
15 comes down to price.

16 CHAIRMAN WILLIAMSON: Okay. And so, then last,
17 people expect it to last just as long as the domestic
18 product?

19 MR. CHRISTENSON: They do now. But I'll have fun
20 with my marketing guy when I go back. I'll tell him it's
21 his fault.

22 (Laughter.)

23 CHAIRMAN WILLIAMSON: Okay, thank you.

24 Mr. Pickard, you had--a question was raised
25 earlier about measures we should look at. You mentioned,

1 you briefly referred to weight measure, that maybe we should
2 look at that it might be a more appropriate measure.

3 I don't think you've sort of expanded on that,

4 MR. PICKARD: And I'm not completely sure that the
5 staff report has a--the questionnaires requested weight from
6 certain market participants, but not others. What I was
7 discussing was, Commissioner Broadbent had asked the
8 question in regard to, well, is it value or units that's
9 more helpful? And she alluded to the Diamond Saw Blade
10 case. And one of the factors in the Diamond Saw Blades
11 case, and similar to here, is that in that case it was the
12 Chinese and the Koreans. They took the smallest part of the
13 market, and then they started moving up the value-added
14 ladder.

15 So there were questions in regard to units
16 because we were actually going to bring in an example, a
17 four-inch sheave, you can make an argument, is different--
18 that the import data maybe should not treat a four-inch
19 sheave to be synonymous with a 50-inch sheave.

20 So there are issues with units based on product
21 mix. Similarly, there are questions in regard to measuring
22 imports on the basis of value. And the fundamental
23 allegation is that they're being sold at unnaturally low
24 prices.

25 So there may be some probative value in taking a

1 look at, as imports increase--the testimony you heard is
2 that they took over really kind of the smaller sheaves and
3 have continued to move up and up. Which means--that's not
4 necessarily going to be fully captured on a unit basis, or
5 necessarily a value basis. So I'm just pointing out for the
6 Commission's consideration that there could be some value in
7 taking a look at it on a weight basis.

8 And to the extent that there is an interest by
9 the Commission, we would be happy to brief that a little
10 further.

11 CHAIRMAN WILLIAMSON: Would you expect to see the
12 same kind of results or trends?

13 MR. PICKARD: I think you would see magnified
14 trends. That if you were looking at it on a weight basis,
15 and kind of the consistent testimony that we've heard is
16 that the Chinese and the Canadians have moved into heavier
17 and heavier product, that would seem to me to necessarily
18 demonstrate increased market penetration.

19 CHAIRMAN WILLIAMSON: Okay. Thank you.

20 Posthearing, please respond to Respondent's
21 arguments regarding the performance of particular domestic
22 products, particularly the arguments on pages 24 to 26 of
23 their prehearing brief.

24 MR. PICKARD: Yes, we will.

25 CHAIRMAN WILLIAMSON: Thank you.

1 And that's all the questions I have.

2 Vice Chairman Johanson? No questions? Let's
3 see. Commissioner Pinkert, are you finished? Any other
4 questions from Commissioners?

5 (No response.)

6 CHAIRMAN WILLIAMSON: Since there are no questions
7 from Commissioners, does staff have any questions for this
8 panel?

9 MR. CORKRAN: Douglas Corkran, Office of
10 Investigations. Thank you, Mr. Chairman. Staff has no
11 additional questions.

12 CHAIRMAN WILLIAMSON: Okay. Do Respondents have
13 any questions for this panel?

14 MR. GRIMSON: No, Mr. Chairman.

15 CHAIRMAN WILLIAMSON: Okay, well I want to thank
16 the panelists for their presentations this morning. It is
17 now time for a lunch break, and we will resume at 1:25.

18 And I want to remind everyone that this room is
19 not secure so please take any business proprietary or
20 business confidential information that you have with you.
21 So we will see you at 1:25.

22 Thank you.

23 (Whereupon, at 12:22 p.m., the hearing was
24 recessed, to reconvene at 1:25 p.m., this same day.)

25

1 AFTERNOON SESSION (1:27 p.m.)

2 MS. BELLAMY: Will the room please come to order.

3 CHAIRMAN WILLIAMSON: Okay. Good afternoon,
4 welcome. Mr. Grimson you may begin when you're ready.

5 STATEMENT OF JEFFREY S. GRIMONS

6 MR. GRIMSON: Thank you, Mr. Chairman. Once
7 again, Jeffrey Grimson from the Law firm Moy and Grimson
8 joined here today by my colleagues Joe Cramer and Yuzhe
9 Pengling. Again, our clients are the China Chamber of
10 international Commerce and its ad hoc coalition of producers
11 of this product including Powermach, the mandatory
12 Respondent at the Commerce Department. Shijiazhuang CAPT
13 Power and Yueqing Bethel and these three companies together
14 represent a pretty large share of exports in the United
15 States.

16 So our clients have remained puzzled that this
17 case was filed for reasons both big and small and the
18 preliminary phase the Commission had substantial questions
19 about whether this really was a case of rising import
20 volumes and price underselling and depression and a Domestic
21 Industry in crisis as the Petitioners alleged. So now we
22 are here in the final phase. You addressed the data
23 problems that were extremely troublesome in the preliminary
24 phase and have before you data which we think in the end is
25 pretty good.

1 So I know there was a lot of questions about the
2 scope and the data but we don't identify any huge data
3 issues related to scope in this final phase. Not the case
4 with the prelim however. I apologize again that we're
5 unable to have any company witnesses, maybe one fringe
6 benefit is that we will move quickly through the questions
7 but we will take the questions that you have seriously and
8 take them back to our clients and try to get factual
9 responses in our post-hearing brief.

10 So our testimony today will really relate to the
11 big issues identified in our brief. I'll start with volume.
12 So the volume data collected by the Commission do not paint
13 a picture of causation or injury by reason of Subject
14 Imports and when we refer to volume data today in and as
15 well in our post-hearing brief we're going to be talking
16 about data in terms of the value measured in dollars, just
17 because I think we heard additional testimony today that
18 indicates that there is some significant product mix changes
19 that are going on in this market between large and small
20 pieces and all you need to do is look at the piece counts in
21 Table C1 of the Staff Report as when you break out large and
22 small in the non-Subject Countries/Subject Countries, you
23 see huge differences in the number of pieces so you can see
24 that there's a definite relationship between the piece size
25 and the quantities, so we're going to focus on volume.

1 In terms of on value, in terms of volume measured
2 by dollars imports were 4.6 percent lower during the
3 three-year POI with a significant decline in the 2016
4 post-Petition period. As a share of total imports there was
5 no significant increase either and no clear pattern that
6 could point to the decline in the Domestic Industry if there
7 is one. Subject Imports exhibited only slight increase in
8 value as a percent of the market share and here the public
9 data on page C1 show the market share really going only from
10 about right around, let's say roughly around 19 percent
11 during the three year period.

12 The Petitioners, the Domestic Producers; excuse
13 me. There's a big difference there. The Domestic Producers
14 share of U.S. Consumption by value was higher mid-2016 than
15 it was in 2013 at 51 percent at 2013 versus 54.6 percent in
16 the interim 2016 period and again as I mentioned already
17 Subject Imports showed the opposite trend. In short, there
18 is no consistent picture even of increasing Subject Imports
19 which is kind of one of those things that petitioners take
20 as a given but in terms of value and impact on the market
21 measured by consumption we don't see a lot there.

22 On to underselling, as I mentioned in my opening
23 remarks and several Commissioners picked up on that okay,
24 there's multiple instances of price underselling but at some
25 point when you think about what the Petitioners are arguing

1 the price data cuts in the other direction. The circle
2 comes so far around the underselling progression that it
3 gets back to a point where you can't have these things
4 existing in the marketplace with rational buyers making a
5 choice based on price alone which is what the Petitioners
6 are saying, where you have underselling that's consistent
7 throughout the period. It just doesn't make sense.

8 The Petitioners chose these products to
9 demonstrate head-to-head price competition and they here
10 today say that they were representative of the market as a
11 whole. I think that also cuts both ways. In terms of being
12 representative the percentage of the overall consumption is
13 tiny, we use the word minuscule so in terms of being
14 representative of competition, it sure doesn't show too much
15 of it going on.

16 The second point I make about the pricing data
17 and again all the pricing graphs are confidential but look
18 at the Y axis of what we are talking about before you draw
19 too many conclusions about dramatic underselling causing
20 anything when we're talking about onesies and twosies here
21 when we're talking about the pricing products and the
22 quarters that we are talking about. This is proprietary but
23 the point remains that the pricing data although it shows
24 underselling the statute doesn't tell you to look at
25 underselling and make an affirmative decision.

1 It says look at underselling to determine whether
2 the Subject Imports are causing any injury and we say the
3 data shows that it does not, cannot. Petitioners blame
4 imports alone for a lot of other things that are probably
5 going on in this market. This morning we heard Baldor, our
6 old friend from the prelim who has now rejoined the
7 struggling Domestic Industry and is now a new domestic
8 competitor I guess of TB Woods telling us from the prelim,
9 reminding us that the oil and gas segment is important to
10 this whole market and we certainly agree that there is a
11 decline in the oil/gas segment but for reasons mentioned in
12 our brief we think that has a significantly larger impact on
13 the Domestic Producers than on Subject Imports.

14 In terms of the Mexican data, the Petitioners
15 again their slide from the PowerPoint this morning was
16 cherry-picked from the pricing products data to make broad
17 conclusions about the impact of Mexican imports. I guess my
18 main point there is take a look at Table III-1 in the Staff
19 Report. Some of the footnotes in there which are
20 proprietary, there's a lot of unusual things going on with
21 Mexico and Table C1 of the Staff Report, when you have the
22 breakouts of larger versus small diameter, the Mexican Data
23 is very interesting and it cannot be denied that this is a
24 significant portion of this market even though it happens to
25 fall maybe just below an arbitrary cutoff that the

1 Petitioners established at the 4-inch level.

2 So when you look at all the factors and look at
3 the condition of the Domestic Industry and when things are
4 happening in relation to the imports, you just don't see the
5 story and the data corroborating what the Petitioners are
6 telling you today. Mr. Pickard when speaking of scope
7 changes says sometimes the industry knows what the industry
8 knows. Here before you today you had one player and a
9 12-member Domestic Industry giving you its view of what's
10 happening in its market. They didn't really know what was
11 happening in Canada, a country they think causes imminent
12 and real threat to them. They had no idea what's happening
13 with the casting business up there but it must be bad.

14 Price suppression, you can't see it but it's
15 there. It's not that visible but it must be there. TB
16 Woods I think sees what it knows, what its salesman know.
17 I'm sure this is the picture that they see of the market but
18 they do not represent the Domestic Industry and I will refer
19 you again to Table III-1 of the Staff Report where you can
20 see the percentage of the Domestic Industry that TB Woods
21 actually does represent. So I will leave it at that
22 and say that their story today may very well be what they
23 are experiencing but the broader data that you gather that
24 you always gather and they had to anticipate you would
25 gather doesn't really show the cause and effect that are

1 saying. So with that I think we'll close and take the
2 questions that you may have and go from there.

3 CHAIRMAN WILLIAMSON: Thank you. I'm sorry.
4 Thank you for presenting your testimony. We will begin the
5 questioning this afternoon with Vice Chairman Johanson.

6 VICE CHAIRMAN JOHANSON: Thank you Chairman
7 Williamson and thank you to all three of you for appearing
8 here today to help us understand this investigation better.
9 The Petitioner states in his brief at Page 23 that the
10 volume of Subject Imports reached 51.25 percent of U.S.
11 Production in 2015 and as a share of apparent U.S.
12 Consumption grew by 7.8 percent. Why doesn't this record
13 demonstrate a significant volume and increase in volume of
14 Subject Imports in your view.

15 MR. GRIMSON: Subject Imports are present in the
16 market. But that's not enough. You frequently have
17 Petitioners come before the Commission and say there's lots
18 of Chinese Imports and in this case even our friends to the
19 North, the Canadians are dumping and subsidized product and
20 it's present in the market and therefore that leads to a
21 conclusion that those imports are that significant. We
22 think that a more appropriate measure of market shares is
23 really based on the value data and those numbers are
24 slightly different than what the Petitioners were talking
25 about today in terms of the percentages of the market.

1 Really, I've got to be careful here but the
2 subject choices had a very stable share of the market,
3 represent a very stable share. I'm not entirely sure where
4 the Petitioners got the figures that you just mentioned but
5 it is certainly something that we will be hitting again in
6 our post-hearing brief.

7 VICE CHAIRMAN JOHANSON: Thank you, Mr. Grimson.
8 Were the overall increases in cumulative Subject Imports
9 including those from China significant given that they
10 occurred during the period of overall declines in apparent
11 U.S. Consumption?

12 MR. GRIMSON: Here again I think we may have a
13 situation of bouncing around between pieces and dollars so
14 I'm looking at dollars now in Table C-1 in figures that are
15 not bracketed and I see Subject, large diameter bopping
16 right around in the upper 18 and 19 percent range with a 1.1
17 percent increase between 2013 and 2015. The Domestic
18 Industry share grew at a larger rate, 2.9 percent increase
19 over that same period. It grew.

20 This isn't a market which we agree, the big pie
21 has shrunk a little bit in terms of declines in demand from
22 the beginning to the end. We think that anecdotally relates
23 to oil and gas as one of the segments that declined but we
24 just don't agree with that characterization of the market.

25 VICE CHAIRMAN JOHANSON: Thank you Mr. Grimson.

1 Why has the Domestic Industry's share of the market declined
2 overall since 2013 if any decline was not related to Subject
3 Imports?

4 MR. GRIMSON: Maybe I'm going to sound like a
5 broken record but the Domestic Industry market share
6 increased by 2.9% from 2013 to 2015, increased, not
7 decreased. We do have and this again I think we have
8 product mix effect at play in this case where there maybe is
9 a movement from larger pieces to smaller pieces in the home
10 market and that would make it look like there is a volume
11 contraction if you just count by pieces.

12 But in terms of value, what is the economic value
13 of this market and what's the Petitioner's share of it.
14 They grew, and they grew at a faster rate than the Subject
15 Imports grew. So we just disagree with that way of looking
16 at this market.

17 VICE CHAIRMAN JOHANSON: If affirmative
18 determination is warranted and Subject Imports were able to
19 maintain a large presence in the U.S. Market through
20 pervasive underselling?

21 MR. GRIMSON: If that were demonstrated to be the
22 case then I guess with the statutory legal standard the
23 answer would be yes, an affirmative determination would be
24 warranted but we don't not think that the data shoes what
25 you just said, the threshold of your question. We do not

1 see there is underselling in the six pricing product datas
2 broken up by end user versus distributor but it is
3 underselling that doesn't lead to the conclusion that
4 imports are having any causal effect on the Domestic
5 Industry.

6 We said the opposite conclusion that you would
7 think of if you were going to be just looking at
8 underselling tables and counting up the quarters robotically
9 and saying "ah-ha." This is basically the thrust of
10 Petitioners causation case, one of their first slides was
11 "count the quarters, the number of comparisons, it's a big
12 number, looks big, 228" but what does it really mean in
13 terms of causation and in our minds it means, it actually
14 confirms that imports are really not competing with the
15 Domestic Industry in a way that's causing injury.

16 Mr. Pickard said "Okay, maybe prices didn't come
17 down or didn't fall to meet and maybe there is price
18 suppression occurring even though you can't see it but you
19 can see it in the volume. Even in the pricing products and
20 this is something that we will go into detail because it is
21 APO but you do not see volume changes within each pricing
22 product on a quarterly basis that confirm that story. You
23 see volume changes that are going up or down regardless of
24 where the Chinese, the Canadians or the Mexicans are, the
25 story that prices are always going down, which you heard

1 today just is not present in the data that you collected or
2 the Industry as a whole.

3 Again, TB Woods is seeing what they're seeing but
4 you have to make your decision based on the data as a whole.

5
6 VICE CHAIRMAN JOHANSON: Respondents state in
7 their brief that since non-Subject imports from Mexico also
8 show price underselling, any price depression cannot be
9 attributed to Subject Imports. Isn't it true however that
10 Mexican prices are higher than Subject Imports prices in
11 more than 80 percent of instances?

12 MR. GRIMSON: Yes, that is what the data showed.
13 Mexican pricing data came from two importers, got to just
14 double check that that's a public number and look at the
15 volumes that you're talking about from Mexico and I would
16 make the same point and I'm talking about in a pricing
17 product data tables, you can't make too much out of that in
18 terms of being representative of the market as a whole but
19 when you gather data for the whole country's imports from
20 Mexico and other non-subject sources you see that their
21 country or non-subject sources are significant player in
22 this market and have been a significant player throughout
23 the course of the case and not always higher than Subject
24 Imports when looked at overall.

25 VICE CHAIRMAN JOHANSON: Thank you. Beyond the

1 price differential shown in the pricing data that you
2 highlight, can you identify any evidence of attenuated
3 competition between Subject Imports and the domestic like
4 product.

5 MR. GRIMSON: Well, we did discuss in our brief
6 the issue of sales into certain market segments being more
7 heavily weighted toward the Domestic Industry and I'm
8 speaking of the oil and gas market. That was based on
9 questionnaire data and I'll just not go into it any further
10 other than to say that in our brief we did discuss at least
11 one other piece of data that talks about market attenuation
12 but our major point on that is simply the economic one of
13 how these products can be coexisting if price is the only
14 consideration and when we really believe this it starts to
15 get similarly postured as the plywood case, which was a 6-0
16 5-0 prelim and a 5-0 affirmative prelim and a 5-0 negative
17 final because you say very similar pattern of price
18 underselling that actually demonstrated attenuated
19 competition not causation.

20 VICE CHAIRMAN JOHANSON: Alright, thank you Mr.
21 Grimson. I appreciate your responses.

22 CHAIRMAN WILLIAMSON: Thank you. Commissioner
23 Pinkert?

24 COMMISSIONER PINKERT: Thank you Mr. Chairman and
25 I think all of you for being here this afternoon. I'm going

1 to paraphrase Mr. Pikard as the lead in for this first
2 question. If A -- by which I mean non-Subject imports is
3 significantly impacting the market and B -- by which I mean
4 Subject Imports is more dynamic than A then what follows
5 from that?

6 MR. GRIMSON: I got his point and, you know,
7 it is something that we're going to go into greater detail
8 in our post-hearing brief. But I'd look at the non-subject
9 source's small diameter number, and I know that's below the
10 four inch arbitrary cutoff here. But I just see huge
11 volumes, okay, and at low prices, \$9.52. That's in the
12 interim 2016 period. That's per piece. That's from
13 non-subject. That's far lower than subject sources.

14 That is having an effect on this market as a
15 whole. It has to, and it's a massive number of quantity by
16 piece terms coming in from Mexico and other countries. So I
17 don't think that it's as simple as A less than B and B less
18 than C, therefore A less than C. I understand the logic and
19 we will certainly address it in a more fulsome way.

20 But I think that the answer is that there is
21 simply a lot going on in this market. Subject imports are
22 not a big share and haven't been, and they're not a growing
23 share in any meaningful way.

24 COMMISSIONER PINKERT: Thank you. Now I know
25 that the Vice Chairman asked you a question about the

1 attenuation of competition, and you're going to address
2 that. But can we reach an affirmative determination in this
3 case, even if there is some merit to your attenuated
4 competition argument?

5 MR. GRIMSON: I wish the law students were
6 here and heard you ask one more to make the other lawyer's
7 case, but they're not. I mean certainly you can, but you
8 might be reversed by the CIT. So I'll say that first. But
9 I think that you have to look at the record as a whole, and
10 these cases are not clear-cut. They're not black and white.
11 You can't point to one thing and say that's it. It's an
12 affirmative or negative.

13 Looking at the data as a whole, what is the
14 overall picture? Is there substantial evidence for it, and
15 you know, if you focus on one data point and say can you
16 make an affirmative or negative determination based on that,
17 I would say probably not. That's not a fair weighing of the
18 total record.

19 COMMISSIONER PINKERT: Thank you. Now you may
20 recall that there was a lot of discussion with the earlier
21 panel about post-petition trends and possible effects of the
22 petition. So I want to give you an opportunity to address
23 that point, and just first ask you in very general terms do
24 you think that the evidence that we have on the record shows
25 that the petition affected the market in such a way as to

1 suggest that there was injury prior to that by reason of the
2 subject imports?

3 MR. GRIMSON: Right, and imply what was the
4 photo negative argument I think was how it was referred. I
5 guess what I heard from the Petitioners this morning was
6 yeah, the Petitioner scared subject imports out of the
7 market, and we would be doing even better than the data
8 shows if there weren't this big inventory still of dumped
9 and subsidized imports sitting here casting a pall over the
10 whole market.

11 So two parts to respond to that. First is we
12 don't see any significant change in the domestic industry's
13 condition in the interim period, in the post-petition
14 period. So that would suggest that whatever things were
15 affecting the market before the filing of the petition, they
16 still are and it's not subject imports. That is kind of the
17 photo negative, you know.

18 Take subject imports out, what are you left
19 with? Pretty much the same thing. The second is on the
20 inventory and I return to my favorite page C-1. The
21 Petitioners talked about a big increase in inventory levels,
22 and I'm not going to give any numbers here because some are
23 proprietary. But about one-third of the way down the page,
24 when you see subject imports ending inventory quantities,
25 they are numbers that appear very consistent from 2013 all

1 the way to the interim period 2016.

2 Yes, there was an increase in the 2016 interim
3 period, but focusing on the percentage of increase over the
4 prior year makes it look like this is really a big deal.
5 But look at the volume increase that we're talking about in
6 the inventory compared to a seven million piece market. It
7 is nothing.

8 The volume increase can't -- in inventory
9 can't be a means of importers ramping up stock of injurious
10 imports that they're going to loose on this market any
11 moment. The data just doesn't support that at all. So the
12 explanation that big inventories of dumped product are
13 keeping things down, it's restraining our ability to come
14 here and show you that we're doing well since we filed this
15 petition.

16 No, the data just doesn't show that. It's the
17 tail wagging the dog if you look at the inventory quantity
18 figures. One thing I would say to be careful about, because
19 I was doing this before today, but in the interim periods
20 when looking at inventory quantities, just a reminder that
21 that's a snapshot in time of inventory levels. It's not an
22 accumulation of volume during only a six month period. That
23 needs to be annualized to a one year.

24 Those are all snapshots of time on that row,
25 and they don't show any significant increase that could

1 suggest that those inventories are keeping the post-petition
2 good effects of filing a case from being visible. So long
3 answer, coming back to there is -- there are factors
4 affecting this market other than subject imports, and the
5 way we know it is we don't see any big change since the
6 filing of this petition.

7 Petitioners relying on the inventory levels
8 just doesn't fly when you look at the data and the volumes
9 involved.

10 COMMISSIONER PINKERT: Now you may recall that
11 the Petitioner also had a graph of imports, and attempted to
12 show that imports have dropped since the filing of the
13 petition. What do you make of that?

14 MR. GRIMSON: Well, Commerce came out with the
15 CVD. First of all importers are smart, and when this case
16 is filed at the end of 2015, importers realized that you're
17 now entering somewhat of a fantasy land of calculation of
18 duties when you're talking about China, where numbers can be
19 pulled for surrogate sources that nobody can anticipate.

20 If you're an importer with retroactive
21 liability, that's a very scary proposition. So just filing
22 the case or even talking about the case, filing the case,
23 you the Commission has said that's enough to lay down a
24 critical circumstances marker. So I mean if it's enough to
25 inform an industry's activity to talk about a case,

1 certainly filing a case had an effect on the market and it
2 resulted in retraction of Chinese and Canadian imports.

3 There's a fear factor, and then April comes
4 along and Commerce announces countervailing duties that
5 affected the second quarter of 2016, and any importers who
6 were around before then -- I won't say any because there are
7 some importers who continued buying product from our client
8 Powermach, but importers who were left saw a 33 percent CVD
9 prelim and headed for the hills.

10 So I think that it's to be expected. It's one
11 of the fringe benefits of being a petitioner and filing a
12 case is smart importers are going to be looking elsewhere
13 and apparently that's exactly what they did.

14 COMMISSIONER PINKERT: Thank you.

15 CHAIRMAN WILLIAMSON: Thank you. Commissioner
16 Broadbent.

17 COMMISSIONER BROADBENT: Thank you, Mr.
18 Grimson. Could you -- what's your position on the domestic
19 like products definition?

20 MR. GRIMSON: We didn't dispute the definition
21 in our prehearing brief. That's because we think kind of
22 like the Petitioners do, that the data show no injury
23 regardless of how you look at this data. There's no
24 causation. That's just not satisfied.

25 But hearing the questions today and, you know,

1 it certainly makes us attune to the fact that this four inch
2 is an arbitrary dividing line, and it just can't be the case
3 that you should look at four inch but not at 3.95 inch
4 shivs. It is not -- and it's not -- maybe TB Wood's, for TB
5 Wood's this is true, but it's not the case that those
6 products are produced in different manufacturing facilities,
7 at least not what I've seen with my own eyes in China. It's
8 all the same.

9 So I think that when taking the Petitioners'
10 case in a light most favorable in terms of the like product
11 definition, domestic industry definition that they propose,
12 we see no case there. If it's expanded to look at all
13 diameters, we think that we have a significant new
14 consideration with Mexico that comes into play, based on the
15 proprietary record.

16 But in the end, we still see that the Chinese
17 and Canadian imports just, regardless of what price they are
18 selling at, are not -- the data are not proving a
19 correlation to the domestic industry's condition.

20 COMMISSIONER BROADBENT: Okay. But in terms
21 of the absence of responses from identified significant
22 importers, do you think that the import volumes are likely
23 understated?

24 MR. GRIMSON: Well, I don't know. I don't
25 know if the import volumes are understated. I think that

1 the percentages that the Commission sees in this case are
2 not very different from the percent coverage that you get in
3 many cases. I think that where you have a contraction of
4 import activity from the subject countries like you had and
5 see in this case, it tends to discourage importers from the
6 burden of filling out a questionnaire in the final phase.

7 They think I gave up that market. I'm not
8 buying. I'm not buying from China anymore. So I think
9 there could be something of that. But like I said earlier,
10 we don't see any big data hole here in the final phase.
11 Whether you consider the small diameter data that you have
12 on top of or in addition to the large diameter, that's
13 something I guess you're going to have to struggle with, and
14 we will address it in the post-hearing brief, whether we
15 have a more precise position on that part of the domestic
16 industry definition.

17 COMMISSIONER BROADBENT: Okay. The Petitioner
18 argues on page 25-26 of their brief that had importers of
19 Chinese product fully complied with the Commission's
20 investigation, the record would likely show even greater
21 increases in subject imports, both on an absolute basis and
22 a relative basis. I mean this is something we're going to
23 have to struggle with, and I guess I would appreciate your
24 further comments in post-hearing.

25 MR. GRIMSON: Will do and, you know, typically

1 the Commission likes to do some comparing with the HTS data,
2 but that's quite difficult with the scope changes that have
3 occurred in this case. So I would say you can't really
4 blame that entirely on the Respondents' side, where there
5 have been changes that have happened throughout the life of
6 the case.

7 Some people maybe got discouraged, like I
8 said, with the number of revisions to the instructions and
9 the scope language that occurred. In preliminary phase for
10 sure there was a big issue there, and in the final phase I
11 think less so. But the effect is there. The idea that
12 making an adverse inference that what's behind Door No. 3
13 that we can't see must be really bad. You know that's,
14 okay, that's speculative.

15 COMMISSIONER BROADBENT: How do you respond to
16 arguments raised by the Petitioners that price effects are
17 proven by producer statements that they reduced prices or
18 were forced to roll back price increases due to subject
19 imports?

20 MR. GRIMSON: Well, I mean a producer said
21 that and may have done it in some instances. I think the
22 overall data just don't show it there. But if we take the
23 pricing products with the importance that the Petitioners
24 put on them, that certainly doesn't show price drops by the
25 domestic producers. I'm talking all of them who responded,

1 not just TB Wood's who testified today but all of them. You
2 don't see that being borne out by the data.

3 COMMISSIONER BROADBENT: Do you consider our
4 data on lost sales and revenue, including purchaser
5 responses to provide evidence of adverse price effects,
6 including market share losses?

7 MR. GRIMSON: Well, that's a -- if I recall is
8 totally proprietary, that part of the staff report. I'll
9 just say this. I can't remember a case where price hasn't
10 always been one of the important three factors that real
11 businesses say is important to them. So price is important.

12 And secondly, if there were some purchasers
13 that shifted some volume to imports, that same purchaser
14 might have shifted back. But your questionnaire doesn't ask
15 that. It's designed to gather little pieces of data that
16 you pile up in one category of negative effects.

17 I just, I don't think that there have been too
18 many Commission cases that had as the linchpin responses to
19 loss sales or lost revenue allegations, because of those
20 concerns.

21 COMMISSIONER BROADBENT: Okay, and I assume
22 that because we've got so many SKUs here that our present
23 data may be, I guess, less reliable than in other cases.

24 MR. GRIMSON: I mean who chose those products?
25 I heard we took some criticism this morning for not

1 proposing other products that would show, I don't know what.
2 Would we propose products that show no competition? If we
3 did, TB Wood's will be saying well of course they picked,
4 cherry-picked some SKUs out of 20,000. That was their
5 number today so I'll use that.

6 Out of 20,000 and those aren't products that
7 we sell. So what can you make of that? But they are
8 responsible for bringing you a case for their best case, for
9 you to decide on behalf of an entire industry should you
10 erect import barriers that are going to last for maybe
11 decades, okay.

12 So I'd say the burden is on them to pick
13 products that actually show, that actually prove their case
14 and that did not happen. You don't know what you're going
15 to get when you propose pricing products in a petition.

16 The Petitioners don't know. Sometimes they're
17 surprised and sometimes it matters, and it mattered in
18 plywood and I think it matters here, that the pricing data
19 that they said would show evidence of injury in fact shows,
20 like I said before, you know, one line up here of domestics
21 and all the imports are down below it, in a way that just
22 can't happen if there's the kind of head to head pricing
23 competition that they claim those pricing series would show.

24 COMMISSIONER BROADBENT: Okay. Mr. Grimson,
25 you noted that Table 3-1 was one of your favorite tables of

1 the staff report. Why do you think it's only TB Wood's
2 that's really participating actively in this investigation?

3 MR. GRIMSON: I don't know. They are a
4 complicated company. They're one of a portfolio, I think we
5 heard today, of 25 companies owned by an equity group who
6 has targeted this investment as a particularly bad one, and
7 has concluded that the reason it's bad is not because of
8 their SG&A ratio let's say. No, it can't be that. It's got
9 to be imports that started -- did they start at the
10 beginning of our period and get worse?

11 No, they started before the period. So I
12 think that I can't speak for them. They are telling you
13 that they are being injured, and that's what they see, and
14 I'm not saying that they are making that up. But I just
15 think that what they see from their one asset in their broad
16 portfolio is we need a solution here to our company's own
17 experience.

18 But you have to look at the industry as a
19 whole, and the other folks on here, we're not sitting here
20 today testifying. The other people at Table 3-1, including
21 huge ones.

22 COMMISSIONER BROADBENT: Great. Thank you,
23 Mr. Chairman.

24 CHAIRMAN WILLIAMSON: Okay, thank you.
25 Commissioner Kieff.

1 COMMISSIONER KIEFF: So I join my colleagues
2 in thanking you for coming, and I'm trying to get my mind
3 around the touch points where you and your opponent might
4 agree or disagree. So I am aware that you make reference a
5 lot to the plywood case, and I get that there are some
6 similarities in that case to what you're arguing here in
7 terms of what you said was the parallel pricing data.

8 But I thought that in the plywood case, there
9 was an immense amount of evidence that there was an
10 important qualitative difference between the two products,
11 that the plywood was -- one type was being used for the
12 backs of cabinets, the structural components or flooring,
13 underlayment, whereas the other plywood was being used for
14 the parts of the cabinetry that you see, that there was a
15 qualitative difference.

16 I guess I'm trying to then understand how that
17 case really is relevant to this case at all. Are you saying
18 that your product is actually qualitatively different from
19 their product in this case?

20 MR. GRIMSON: No. We're not saying that.
21 Plywood, the difference was the domestic plywood had very
22 thick-faced veneer on it, and the imported plywood did not.
23 It had very thin and that led to different ways that the
24 product was used in different end use applications like you
25 say.

1 We don't have purchasers for example in this
2 case saying that there's significant differences between the
3 subject imports and the domestic product, in terms of a
4 physical difference which is -- I mean that's -- plywood was
5 the gold standard of physical difference. It's something
6 you could measure with a micrometer.

7 COMMISSIONER KIEFF: And there was testimony
8 that it made a difference in how it entered the chain of
9 commerce?

10 MR. GRIMSON: That's right, but when -- and if
11 I remember from the hearing, Commissioner Pinkert was, had
12 in mind that the pricing series and just asked the question
13 how could these prices co-exist in the market if one is
14 causing injury to the other, or is a choice being made to
15 buy one or the other, which is what the Petitioners are
16 saying here today.

17 I can't tell you why the competition is not
18 occurring in this case based on a physical difference, like
19 was apparent from the data in plywood. But I think that the
20 pricing data shows that the competition nevertheless is not
21 occurring in a way that is pulling down domestic prices.

22 COMMISSIONER KIEFF: I mean so I'll ask them
23 later. But I didn't take him to be making a categorical
24 statement that when the pricing -- when you see two pricing
25 series, that you then must always assume two different

1 qualities of product.

2 I thought he was asking in effect the opposite
3 question, which is when you have a lot of evidence that
4 there are two different qualities of product and two
5 different pricing patterns or two parallel tracks of
6 pricing, don't the parallel tracks of pricing lend some
7 credence to the other evidence in the record that these
8 really are qualitatively different products?

9 MR. GRIMSON: Fair enough, and I wasn't saying
10 that was the only thing that drove the unanimous negative in
11 that case.

12 COMMISSIONER KIEFF: Okay.

13 MR. GRIMSON: But that I would just say that I
14 don't know that we have to explain why the competition is
15 not occurring, other than to point to the data that shows
16 that it's not, and that data is the data that the
17 Petitioners asked you to gather, that would show that
18 there's head to head competition that's driving down prices,
19 and the data just don't show that.

20 COMMISSIONER KIEFF: So let me make sure that
21 I'm following. Let's assume plywood lumber is -- let's
22 assume we're novices and we're just doing a gee whiz
23 intuitive discussion. Why would the pricing patterns lead
24 to the inference in this case that there's not a negative
25 impact on the domestic industry, that they're in fact

1 different products?

2 MR. GRIMSON: Now, I don't think they're
3 different products. I'm saying -- assume they're identical,
4 which is what the petitioners say, and we don't have a
5 physical difference --

6 COMMISSIONER KIEFF: I'm sorry. I didn't mean
7 --

8 MR. GRIMSON: So, if they're identical
9 physically, then where's the evidence that the subject
10 imports pulled down prices in head-to-head competition from
11 the pricing series? And I would say to you that it's not
12 there. It doesn't show it.

13 COMMISSIONER KIEFF: Why is that?

14 MR. GRIMSON: Because these are products that
15 are being sold in different places in the country, I don't
16 know. We do not have a clean explanation like the face
17 veneer that was in plywood. But this is a big market. The
18 subject imports have a relatively small share of the market.

19 COMMISSIONER KIEFF: I'm just asking, like in a
20 -- let me try this again. You don't have to prove the
21 reason, but can you give me a hypothesis of a reason. Are
22 you saying they have failed to offer even prima facie set of
23 evidence and argument?

24 MR. GRIMSON: I think the pricing series just
25 simply cuts totally against them.

1 COMMISSIONER KIEFF: Okay. Explain that. How
2 does it cut against them?

3 MR. GRIMSON: How does it cut against them? If
4 the pricing data is supposed to show the impact of
5 underselling, pulling down domestic prices, the data doesn't
6 show that. The data does not show volume changes like
7 petitioners talked about on a given product in response to
8 subject imports. So these are products that are co-existing
9 in the market place and the idea that the subject imports
10 are causing changes in the prices of the domestic imports is
11 simply not proven by the pricing, the price underselling
12 data itself. It's not there.

13 COMMISSIONER KIEFF: And I'm sorry I'm not
14 following why -- would even kind of a trade remedy skeptic
15 have to give them at least a, at first blush, gosh there's a
16 there there to what you're saying? To their argument? Or
17 you're saying even the first glance, it's a laughable case?
18 It's just totally upside-down behavior?

19 MR. GRIMSON: Well, I don't like to speak in --

20 COMMISSIONER KIEFF: I'm not asking you to
21 slander them. I'm trying to get what you're saying. What's
22 the intuition by which low price imports would be irrelevant
23 to them?

24 MR. GRIMSON: Would be irrelevant to them?
25 Their volume as a percent of the total market went up, not

1 down. So where's the price impact of subject imports there?
2 It's not there, so that's one. Number two, if things were
3 as bad as the picture that they're painting, I would think
4 we would see one of the eleven other domestic industry
5 members here testifying to the same thing. But we're seeing
6 a real snapshot of the industry from the perspective of one
7 company that doesn't explain the data that you've gathered.

8 So I'm really not going to say they have no
9 case, no prima facie case. They had a case at the prelim,
10 you voted unanimously to pass it. We have a problem with
11 the way that the scope changes might have impacted that
12 decision. But I think that in the final phase, you all have
13 to struggle with what the data shows. And I do not think
14 that the underselling data shows a causal link between
15 subject imports and whatever condition they're facing.

16 And the post-petition period also, same thing.
17 Doesn't show that when you take those imports out, things
18 get any better or any different at all. So I think that
19 there are more signs pointing in the direction at other
20 things going on, and I can't measure them with a micrometer,
21 but it's not our obligation to disprove every possible
22 theory of the case. It's to take what they're saying and
23 test it, and to ask what the data supported. And in terms
24 of the pricing data, I think it does not.

25 COMMISSIONER KIEFF: Thank you. And although I

1 have to leave early this afternoon, I will look forward to
2 reading the rest of the transcript and I appreciate your
3 testimony, as well as your post-hearing submission. Thank
4 you.

5 MR. GRIMSON: Yeah, thanks.

6 CHAIRMAN WILLIAMSON: Thank you. Commissioner
7 Schmidtlein?

8 COMMISSIONER SCHMIDTLEIN: Thank you,
9 Mr. Grimson, and your colleagues for being here today. I
10 guess I'll follow up on your last statement to Commissioner
11 Kieff. You said the underselling doesn't show any causal
12 link to -- and what was the last part? To --

13 MR. GRIMSON: To the changes and condition of
14 the domestic industry.

15 COMMISSIONER SCHMIDTLEIN: Okay. So I guess my
16 question is, in your view, what accounts for the loss in
17 market share on a quantity basis? I know you were focused
18 on the value, so they lost -- you know, the domestics lost
19 2.6%, right?

20 MR. GRIMSON: Yes.

21 COMMISSIONER SCHMIDTLEIN: And subject gained
22 1.4%, so part of that loss went to subject imports.

23 MR. GRIMSON: Yes. In our brief, we cited to
24 the testimony of Baldor's witness regarding the oil and gas
25 industry decline in demand. And we made an argument that's

1 in the proprietary portion of our brief that, in a nutshell,
2 is that that would tend to impact the domestic industry more
3 than subject imports. The decline in demand in oil and gas.

4 COMMISSIONER SCHMIDTLEIN: I thought that was
5 more in the impact section in terms of their financial
6 position. I'm talking about -- so on a quantity basis,
7 though, that subject imports picked up 1.4%, so an absolute
8 where you look at, the absolute quantities coming in,
9 there's an increasing amount from one of the countries. And
10 it seems like you agree this product is sold primarily based
11 on price?

12 MR. GRIMSON: Price was one of the top three
13 considerations and the petitioners are right about that.
14 And I think that's always the case. That's not a big
15 surprise.

16 COMMISSIONER SCHMIDTLEIN: So are these pieces
17 then that the domestics lost over the POI that the subject
18 imports gained --

19 MR. GRIMSON: Yeah. I'm not sure that the way
20 to look at it is that they gained rather than they lost
21 less. Because the market was declining. I'm saying that
22 the overall consumption was declining. And the domestics
23 lost a little bit more of their share of that.

24 We think, and based on the questionnaire
25 response that I think we discussed in our brief, that could

1 be due to the fact that oil and gas declined hit the
2 domestics bigger. So you see, it's not that the subject
3 merchandise picked up those sales. Those sales went away
4 and they went away from the -- the domestics had them before
5 and they don't have them anymore.

6 So it makes it look like the subject imports
7 gained market share at their expense, but we're talking
8 about a contracting market, demand list declining and our
9 belief is that that decline in piece terms can somewhat be
10 explained by a greater impact of decline in the oil/gas
11 sector on the domestic versus subject imports.

12 COMMISSIONER SCHMIDTLEIN: Okay. Maybe you can
13 follow up -- because I, honestly, I'm not quite sure I
14 follow the connection there. But maybe you can spell it out
15 in your post-hearing brief.

16 MR. GRIMSON: If you look at Table C-1 again.
17 The top line there is overall consumption quantity and that
18 went down for everybody. That whole pie has shrunk. All
19 right? But it shrunk a little bit more for the domestic
20 producers, 2.6%. Subject imports during that period, in
21 terms of their share, looking for the raw number here --
22 well, rather than hunt and peck here for it in this Table,
23 we will deal with it in our post-hearing brief.

24 But our main point is that subject imports
25 didn't necessarily gain share of sales that moved from a

1 buyer in the domestic market to subject imports and away
2 from the domestics. The whole market was going down, but it
3 was going down a little bit faster in the oil and gas
4 segment for the domestics. That's what --

5 COMMISSIONER SCHMIDTLEIN: And subject imports
6 don't compete at all in the oil and gas sector?

7 MR. GRIMSON: We didn't say they don't compete
8 at all, but we identified one questionnaire response that
9 indicated that there's reason to think that the oil and gas
10 contraction would have affected the domestic producers more
11 than subject imports. So I can't follow a certain quantity
12 through to Table C-1 to explain that that share is the
13 reason for the domestic industry's decline.

14 But I would just say, right off the bat, where
15 you have a declining market, it -- you have to be a little
16 bit careful when you see increases or decreases in a
17 declining market to say that that percentage of change took
18 it from this one or this one shifted over to that -- it may
19 be more of a factor of one part of the market declined a
20 little bit faster. And that was the part the domestics sold
21 then.

22 COMMISSIONER SCHMIDTLEIN: So do you think the
23 decline in apparent consumption is wholly explained by oil
24 and gas?

25 MR. GRIMSON: No.

1 COMMISSIONER SCHMIDTLEIN: No?

2 MR. GRIMSON: No, no. And I think TB Wood's
3 testified about the declines across the board. But there is
4 a segment and I think it, in the preliminary phase, the
5 conference, it is a 10-ish% portion of the market was the
6 oil and gas. So it's important. And if that went down and
7 if that hasn't outsized impact on the domestic industry,
8 that is where the piece count way of measuring things can
9 lead to some problems, or maybe some distortions. That's
10 why we, you know, we're focusing on the economic impact in
11 terms of --

12 COMMISSIONER SCHMIDTLEIN: So if the market
13 overall is declining, what explains the growth in imports
14 then over this period? Like, why do we see more subject
15 product coming into the U.S. market if the overall market is
16 declining?

17 MR. GRIMSON: Are you talking about pieces now?

18 COMMISSIONER SCHMIDTLEIN: Yeah, I guess on a
19 quantity basis, but --

20 MR. GRIMSON: So quantities went up for subject
21 sources on a piece basis from 2013 to 2015, a pretty modest
22 increase. And then fell off in the interim 2016 period. I
23 haven't heard that there is a movement away from the larger
24 pieces, in general, to smaller pieces, and I think you heard
25 a little bit of that testimony today. And perhaps it's the

1 case that the subject imports are just picking up a higher
2 volume of the smaller piece market.

3 COMMISSIONER SCHMIDTLEIN: I'm sorry. Say that
4 again? That you've heard from your witnesses, or --

5 MR. GRIMSON: Yeah, we've heard that there is,
6 you know -- now that we have an arbitrary cutoff at 4".
7 Everything below 4" is nonsubject merchandise in terms of
8 Chinese and Canadian. And what that is leaving, in terms of
9 the product that's subject to the case now, is 4" and above,
10 and within that pool, there is less of the big pieces being
11 sold and perhaps more of the little pieces. So this is --

12 COMMISSIONER SCHMIDTLEIN: But are you saying
13 that the domestic industry doesn't produce those little
14 pieces or --

15 I mean, what's pulling imports into the market?

16 MR. GRIMSON: I think that we'll hit this in the
17 post-hearing, but I just refer you back to Table 3-1 for who
18 is doing what in terms of big and little pieces and it is
19 something that I think I'd like to save for the
20 post-hearing.

21 COMMISSIONER SCHMIDTLEIN: Okay. So do you have
22 a view on how the Commission should consider the purchaser
23 questionnaires that indicated some purchasers shifted to
24 subject imports from domestic producers? Do you think, is
25 that evidence of material injury? Is it evidence of price

1 depression? As the petitioners argued?

2 MR. GRIMSON: I don't think it's evidence of
3 price depression. I think for that it's normally something
4 you view based on the aggregate data, but the purchasers'
5 questionnaires represent one category of data for you to
6 consider, sure. I don't think that leads to an affirmative
7 determination necessarily because the question that you
8 don't ask on those is, "Have you shifted product from
9 subject imports to domestic, based on low prices?" That's
10 not --

11 COMMISSIONER SCHMIDTLEIN: Well, they do ask
12 that question, I thought. I thought there was a subset of
13 them that answered in the affirmative.

14 MR. GRIMSON: From subject sources to domestic.

15 COMMISSIONER SCHMIDTLEIN: Oh, from subject to
16 domestic. Sorry.

17 MR. GRIMSON: Right. So I guess, I'm saying
18 when the data gathering is designed to elicit information to
19 show purchaser changes based on low prices to subject
20 imports, that's kind of the way those questions usually
21 read. The contrary data is not always there. I mean they
22 can answer no, but what you don't see is, that they shifted
23 from Chinese to domestics because there was a lower price
24 somewhere. That's not data that you gather.

25 COMMISSIONER SCHMIDTLEIN: Okay.

1 MR. GRIMSON: The statute says look for evidence
2 of injury, and sometimes the questionnaires ask the
3 questions that are limited to that. But it is one category
4 of information in the whole picture.

5 COMMISSIONER SCHMIDTLEIN: All right. Thank
6 you. My time is up.

7 CHAIRMAN WILLIAMSON: Thank you. Mr. Grimson, I
8 think the petitioners this morning made a point of saying
9 that they thought the imports were particularly seizing
10 share in the OEM market and that these were larger quantity
11 contracts and that was -- now they're saying they're also
12 moving into the industrial side. But I was wondering, do
13 you agree with that or have any information on that
14 statement? Or do you agree or disagree with their
15 characterization of how the market has shifted?

16 MR. GRIMSON: Well, just to make the initial
17 observation again, at TB Wood's is telling you what they see
18 in their share of the market as a domestic producer, which
19 is on Table 3-1. What's --

20 CHAIRMAN WILLIAMSON: But I don't think they
21 were saying there was just -- I mean this is what they
22 observed in the market, which means they probably have some
23 idea of what's going on in the market general. But --

24 MR. GRIMSON: Yeah. And I'm not saying that
25 they're wrong. I just don't know that the data supports

1 that and if you look at the pricing data and the volumes
2 that are apparent and the breakouts between end-user, OEM
3 and distributor, I'm not sure that that story is borne out.
4 That is something I think, if we could expand on it in
5 post-hearing, we'd like to do that.

6 CHAIRMAN WILLIAMSON: Okay. I wish you would
7 because you also, in response to Commissioner Schmidtlein,
8 was talking about, I guess, change in the subject share, you
9 talked about larger, I think, larger volumes of contracts or
10 was it more of the small business, small sizes. There was
11 something that sort of resonated with me. They said, hey,
12 that's similar to what they were saying this morning.

13 MR. GRIMSON: We were talking about the oil and
14 gas sector contraction having a perhaps greater impact on
15 the domestic industry sales.

16 CHAIRMAN WILLIAMSON: Yeah, but I thought after
17 that, you also seemed to be talking about --

18 MR. GRIMSON: Product exchange --

19 CHAIRMAN WILLIAMSON: Yeah, and --

20 MR. GRIMSON: -- and smaller pieces from larger.

21 CHAIRMAN WILLIAMSON: Okay. Ours is running in
22 terms of sizes of contracts, or number of pieces of volume.
23 That there was a shift that sort of seemed to imply that you
24 were getting a large contract there because they were coming
25 from the OEMs.

1 MR. GRIMSON: I'm sorry if I referred to the
2 OEMs. I didn't mean to --

3 CHAIRMAN WILLIAMSON: I don't think you said
4 OEMs. You didn't say OEMs. I put that word in there. But
5 if you could take a look at that question --

6 MR. GRIMSON: Will do.

7 CHAIRMAN WILLIAMSON: -- and shed whatever light
8 you can on it.

9 MR. GRIMSON: Certainly.

10 CHAIRMAN WILLIAMSON: Thank you. Are you aware
11 of any other original investigations as opposed to reviews,
12 this is a question I asked this morning, were there any
13 known producers in the subject country permanently shuttered
14 its operations prior to the Commission vote? And does the
15 Commission have authority making their affirmative material
16 injury determination such as this situation? Same question
17 I asked the petitioners this morning.

18 MR GRIMSON: I'm not aware of another case on
19 point. I don't think the statutory language precludes or
20 prohibits a finding on Canada. When you consider the whole
21 period, we don't represent the Canadians. Also don't wish
22 them any ill will.

23 But I would just say that Canada dropping out,
24 the Canadian industry, Baldor pulling the plug, I think
25 becomes a consideration when you get to threat. And when

1 you get to threat, if you have a country's entire industry,
2 if not terminated permanently, significantly curtailed, I
3 think that you can consider that and have to say that where
4 is the real and imminent threat.

5 I don't think we heard it today from the people
6 that are supposedly feeling the threat from Canada. They
7 had no idea what was happening with the casting foundry up
8 there. I mean it's easy to say the Canadians can still
9 restart at any moment, but you need more than mere
10 speculation when it comes to threat, and with respect to
11 Canada, I think there's no data that I heard that you have a
12 real threat coming from them.

13 CHAIRMAN WILLIAMSON: Well, post-hearing, I
14 would extend to you the same request that was made to
15 petitioners this morning that --

16 MR. GRIMSON: That would be industry's cases, or
17 one company industry's --

18 CHAIRMAN WILLIAMSON: Even that as a question
19 that was raised this morning. Is there only one industry?
20 Are there other producers up there? So if there's any
21 information that you have that you can provide post-hearing
22 to shed additional light on that, that would be welcomed.
23 Thank you. The records indicate a decline in demand over
24 the POI. What factors caused this decline? And we've
25 already talked about oil and gas. Is there anything else?

1 MR. GRIMSON: Yeah, I think overall
2 manufacturing activity may have plateaued or worse. I don't
3 have an explanation for the decline in demand. I didn't
4 hear one from the petitioners' side this morning either. It
5 is a topic that we'll do our best to address in
6 post-hearing. I may focus on the decline in demand was oil
7 and gas, because that's kind of an easy target. It makes a
8 lot of sense, and with oil prices at \$40 or below, people
9 are not pumping and they're not replacing sheaves that they
10 need for their oil field, so that's a significant --

11 CHAIRMAN WILLIAMSON: But I think, did you say
12 there's, in the prelim is 10%, the market was --

13 MR. GRIMSON: Yeah, that number is coming back
14 to me as an estimate from, I think, one of the Baldor
15 witnesses at the preliminary snap conference. I can only
16 get the precise number for our post-hearing.

17 CHAIRMAN WILLIAMSON: Or if you have any other
18 information on what other factors may be causing -- that
19 will be welcome. And how should we assess cumulation given
20 the closure, Baldor's closing Canada. And can we find a
21 reasonable lack of competition under these circumstances?

22 MR. GRIMSON: Well, um, there -- I guess I would
23 say there may be a difference in terms of material injury
24 versus threat. The data that you gathered, certainly
25 indicated that the domestic product and the Chinese and the

1 Canadian product were similar and present in the market
2 place.

3 I think that the factors for cumulation for
4 material injury are there with China and Canada, but for
5 threat, I think you have the ability to take into
6 consideration other factors. And one of them maybe that the
7 main target of the case has shut down and relocated to the
8 United States.

9 Like, for threat, if this case gets to the
10 threat step, you know, there's probably a decumulation case
11 to be made. The Canadians aren't here. I'll send them a
12 bill for this, but that would be something that, if there
13 were anybody standing in that industry, the mysterious
14 people that are still producing and threatening would be
15 here, because they've got a great argument to make that they
16 shouldn't be thrown in the same boat with the Chinese. In
17 this case where they have this paradigm change in their
18 market.

19 CHAIRMAN WILLIAMSON: Good luck on collecting
20 that.

21 MR. GRIMSON: Yeah, thank you.

22 CHAIRMAN WILLIAMSON: You've already mentioned,
23 I guess questions about number of pieces, what was the
24 discussion about? Number of pieces versus value, and the
25 petitioners had thrown in the -- added that maybe we should

1 be looking at weight. And I was wondering if you had any
2 thoughts on that? And their point was that everything was
3 going the same way, whether you look at it piece, value or
4 weight.

5 MR. GRIMSON: Yeah, well, in pieces and value, I
6 don't think that's true at all, just looking at Table C-1, I
7 think that you see a different trend by value. The economic
8 value of this market, when counted by dollars, is different
9 apparently then when counted by number of pieces, and so I
10 think that if you are talking about the condition of an
11 industry, measuring it on a dollar basis in a case like
12 this, like in saw blades, I guess, as well, when you have
13 potential product mix issues with 20,000 SKUs, value's
14 probably a safer way to go. Everybody knows how to present
15 data in dollars, but sometimes piece data or pound data or
16 other quantity data can get mixed up.

17 CHAIRMAN WILLIAMSON: Are you saying you don't
18 find weight any more a factor than pieces?

19 MR. GRIMSON: We'll look at the weight data in
20 our post-hearing brief. We'll look at it.

21 CHAIRMAN WILLIAMSON: Okay, thank you.

22 VICE-CHAIRMAN JOHANSON: Thank you, Chairman
23 Williamson. And sticking to the issue of threat, the staff
24 report at Page 712 indicates that Chinese home market sales
25 declined from 2013 to 2015. When it declines in the home

1 market tend to support finding a threat determination that
2 Chinese supplies were direct increasing shipments to the
3 United States?

4 MR. GRIMSON: Well, in isolation, looking at a
5 decline in the Chinese market and saying does that mean that
6 they're going to have to sell elsewhere, I suppose yes is
7 the answer.

8 However, there's no suggestion that that
9 excess capacity is going to be directed at the United States
10 necessarily. So just because the market's declining in
11 China doesn't lead you to needing to automatically conclude
12 that there's threat in China, and just speaking of threat on
13 the Chinese market, I wish we had an industry witness here
14 who could speak to this.

15 But it does get a little bit old in the cases
16 on China to hear about all of the mom and pop family-owned
17 businesses that 10,000 of them or whatever the number is,
18 from one case to the next, that have a foundry or make
19 plywood or whatever it is. We heard the testimony about
20 that this morning.

21 The fact of the matter is there are relatively
22 few export quality players in this market in China. Our
23 clients here today are probably half of those, if not more
24 and so I would not be -- I would take with a grain of salt
25 the idea that there's little huts with a foundry in it,

1 that's going to be competing with one of the 25 investments
2 of Altra here in the United States.

3 It is not the same kind of product. It is not
4 quality product that -- and you heard TB Woods itself say
5 they buy from China. They're not buying from the people
6 that are making it in the village hut foundry. They want to
7 have qualified product that they can sell to a buyer who's
8 going to use it in some application and that takes
9 traceability and it takes good quality control and you don't
10 have that in the huts and home industries that we kind of
11 hear about in all the cases on China, that there's this
12 massive unreported set of producers out there.

13 Now that's not what we have going on here.
14 There's few export quality companies.

15 COMMISSIONER JOHANSON: Could you all please
16 discuss the Chinese, the current Chinese home market demand
17 trends and how they factor into a threat analysis?

18 MR. GRIMSON: We'll take that for our
19 post-hearing brief and try to get you some data on that
20 point.

21 COMMISSIONER JOHANSON: Okay. That would be
22 helpful, thank you. How should the Commission evaluate
23 inventories of subject merchandise in the United States,
24 which Petitioner urges at page two of its brief are massive?

25 MR. GRIMSON: Okay. I would analyze that

1 inventory in -- with respect to two other touch points. One
2 is what's the historical level of quantity of inventory for
3 subject imports, and I think if you look at Table C-1, the
4 numbers are proprietary. But about one-third, 40 percent of
5 the way down the page under Subject Imports Ending Inventory
6 Quantity, you did not gather inventory data in dollars
7 unfortunately, so we're stuck with the quantity data for
8 this purpose.

9 What you see is inventories that have always
10 been present by the importers. You see similar levels of
11 inventory for non-subject, all sizes. But are those
12 massive? Well compare the quantity of those inventories to
13 the consumption number at the top of the page, and again I
14 wish that we could speak about these numbers.

15 But percentage-wise, subject inventories have
16 been a relatively consistent share of the overall market,
17 and that's the way to look at them as do they have the
18 potential to move the market, this quantity of inventory
19 that Petitioners -- that's what they're saying, is that
20 quantity of inventory is really important and it's hanging
21 there, and it's keeping prices down.

22 That quantity of inventory has always ben in
23 the market. It's a historical amount. It's not any surge
24 of inventory. It's nothing new and it's also pretty darn
25 small in terms of the total market size, and that increase

1 in inventory, if you look at percentages, the increase
2 appears to be high.

3 But look at the pieces difference between the
4 end of 2015 and the interim period 2016. Measuring
5 inventory from an interim period, like what was our
6 inventory at this point in July of 2016 versus July of 2015.
7 That doesn't show you the time continuum of the inventory
8 level. So the better way is to look at the end of 2015 and
9 see where you left off, and there's a number there which I
10 can't read but it's proprietary.

11 And then continue on in time until the end of
12 July, January or June 2016, and you see a number that is
13 really unchanged in subject inventory. So there is no big
14 increase in inventory levels. The inventory amount that's
15 there is a historical amount. Why didn't that inventory
16 hold prices down in the earlier periods when domestic prices
17 went up? Just because it's too small to have any impact.

18 COMMISSIONER JOHANSON: Thank you. I have
19 just one more question. Petitioners argue that appropriate
20 circumstances do not exist for the exclusion of any related
21 party from the domestic industry. Chinese respondents for
22 the exclusion of a related party. Insofar as the data are
23 largely confidential, please respond to the fully
24 Petitioner's positions post-hearing, and explain further
25 your support for your requested exclusion.

1 MR. GRIMSON: Happy to do so.

2 COMMISSIONER JOHANSON: All right, thank you.
3 That concludes my questions for today. Thank you for
4 appearing here.

5 MR. GRIMSON: Thank you.

6 CHAIRMAN WILLIAMSON: Thank you. Let's see,
7 further questions?

8 COMMISSIONER PINKERT: I have nothing further
9 for this panel, but I thank you for testifying today and I
10 look forward to the post-hearing. Thank you.

11 CHAIRMAN WILLIAMSON: Commissioner Broadbent.

12 COMMISSIONER BROADBENT: Okay. Let's see.
13 Just one request for the post-hearing. I'd ask you to focus
14 on Table 7-10 in your response to the relevance of subject
15 import inventories as opposed to inventories in Table C-1,
16 which are the U.S. producers' inventories.

17 MR. GRIMSON: I will do that.

18 COMMISSIONER BROADBENT: And I think that
19 concludes my questions. Thank you, Mr. Chair.

20 MR. GRIMSON: Could I just ask -- I'm sorry
21 Commissioner Broadbent. Can I just ask that one follow-up.
22 So the inventory quantities that I've been talking about are
23 those listed under Subject Sources. I wasn't -- if I
24 referred to inventories as the domestic producers, then I
25 definitely misspoke. But I was referring to the line under

1 Subject Sources, Ending Inventory Quantities.

2 COMMISSIONER BROADBENT: Okay, our mistake.

3 Yeah, we misunderstood that.

4 MR. GRIMSON: Okay.

5 COMMISSIONER BROADBENT: Yeah. I retract
6 that, thanks.

7 MR. GRIMSON: No problem.

8 CHAIRMAN WILLIAMSON: Okay. Commissioner
9 Schmidtlein.

10 COMMISSIONER SCHMIDTLEIN: Thank you. I just
11 have one question for the post-hearing, and I would ask that
12 both sides respond to this. Both the Petitioner and the
13 Chinese respondents appear to question the inclusion of
14 Wapka in the domestic industry. Given this, should the
15 Commission exclude Wapka's data from its analysis?

16 MR. GRIMSON: Okay. We'll address that.

17 COMMISSIONER SCHMIDTLEIN: Thank you.

18 MR. GRIMSON: Thank you.

19 CHAIRMAN WILLIAMSON: Okay. Let's see, I just
20 have one question too. Either here or post-hearing, please
21 respond to the assertion in Petitioner's brief, page 43 of
22 44 about possible misreporting of capacity data by Chinese
23 producers.

24 MR. GRIMSON: Yes, we'll do that.

25 CHAIRMAN WILLIAMSON: Okay. Does any

1 Commissioner have any further questions? If not, do the
2 staff have any questions for this panel?

3 MR. CORKRAN: Douglas Corkran, Office of
4 Investigations. Thank you Mr. Chairman. Staff has no
5 additional questions.

6 CHAIRMAN WILLIAMSON: Okay. Do Petitioners
7 have any question for this panel?

8 MR. PICKARD: No, Mr. Chairman.

9 CHAIRMAN WILLIAMSON: Okay, thank you. Well
10 it looks -- I want to thank the panel for your testimony.
11 It's now time for closing statements, and the Petitioners
12 have 16 minutes from direct and five minutes for closing for
13 a total of 21 minutes, and Respondents have 48 minutes from
14 direct and five minutes for closing for a total of 53
15 minutes, and we'll combine those times and I'll remind
16 everyone that you don't have to use all the time that's
17 given you. And with that, I want to thank you for your
18 testimony.

19 (Pause.)

20 CHAIRMAN WILLIAMSON: Okay. Mr. Pinkard, any
21 time you're ready.

22 CLOSING STATEMENT OF PETITIONERS

23 MR. PICKARD: Thank you, Mr. Chairman. Again
24 for the record this is Dan Pinkard, and it's my intention
25 not to use all my time. So what I'd like to do is maybe

1 follow-up quickly on some open issues, touch briefly on some
2 concessions from the other side and then very, very briefly
3 summarize our case.

4 So first, as always, our thanks to the
5 Commission staff. As has been discussed on numerous
6 occasions, this was a fairly difficult case. This is a
7 first investigation of a new industry and it can be
8 particularly complicated, and the staff report has presented
9 the data in a variety of different ways. As always on
10 behalf of the domestic industry, we're very appreciative of
11 their efforts.

12 So with that being said, I wanted to follow-up
13 on just a couple of open issues, one of which and we'll
14 certainly address this more fully in the post-hearing brief,
15 but Commissioner Schmidtlein asked a very interesting
16 question in regard to COGS relative to net sales, and I'll
17 explain this more fully in the post-hearing brief.

18 But I think I answered your question too
19 narrowly Commissioner, because I think there's a lot going
20 on in regard to that COGS number. I think it's part of
21 what's driving that is the fact that, as you heard witness
22 testimony today, imports were capturing more sales at the
23 lower end products that had lower costs of goods sold.

24 That was the testimony and the data kind of
25 bears that out, because you see the U.S. producers'

1 shipments decrease by 11 percent, but their shipments
2 decreased by value by about five percent. So that seems to
3 be supportive of the idea that you're losing your kind of
4 lower cost sales. So you're being moved up into what should
5 be kind of higher margin premium products.

6 I think that drives COGS staying relatively
7 stable, as you get moved out of the lower COG items and it
8 moves you higher up into the value-added ladder. I think
9 that's corroborated also by the fact if you look at COGS on
10 a per unit basis, you see they increase by approximately six
11 or seven percent over the Period of Investigation.

12 Then your questionnaires really kind of
13 stemmed from consideration of price suppression. If prices
14 were falling in lock step with decreases in COGS, then one
15 would imagine that all other things being equal, margins
16 would stay the same.

17 But in this case, we see an increase in the
18 supply of imports during a period of decreasing demand, and
19 while COGS drops and price do drop, you see the margins for
20 the domestic industry drop even further and faster to almost
21 breakeven, almost 1.6 percent net income.

22 We'll put more meat on that bone in our
23 post-hearing, but I think it was relevant to kind of just
24 follow up in regard to that one issue.

25 I also want to follow up very briefly with

1 Commissioner Pinkert in regard to there was testimony that
2 no bank would loan us money at this point, and then upon
3 questioning, witnesses said well no bank would, but
4 specifically we never even got past our CEO because he would
5 never take it to a bank. I think the quote was something
6 along the lines of that the banks would laugh him out of his
7 office.

8 What we do have, to the extent that it would
9 be helpful, are contemporaneous documents during the POI
10 requesting cap X, and which ultimately get denied, which
11 never go to the bank. We're happy to include those in the
12 post-hearing brief, and I think that might be responsive to
13 the issue that you were looking at.

14 In regard to Commissioner Williamson, you
15 seemed to have some interest in regard to how probative
16 would an examination of imports on the basis of weight be.
17 We fleshed that out a little bit in our prehearing brief,
18 and I thought it just might be of interest.

19 Page 24, we talk about how it magnifies the
20 trends of market share, and there's an Exhibit No. 4 that
21 there are some assumptions that have to go into that number,
22 and explains kind of the methodology.

23 So I thought it might be of interest. Again,
24 I keep on coming back to the question or coming back to the
25 issue of even are those market shares understated? Well, we

1 know importer volumes must be understated because there are
2 exporters and importers who haven't completed questionnaire
3 responses. So and ipso facto, you don't have all of the
4 data and anything greater than zero is greater than what you
5 started with.

6 So we know that data's understated. We know
7 that Commission staff thinks that you probably got about 40
8 percent of Chinese imports, and we'll put on the record in
9 our post-hearing brief names of specific Chinese producers
10 who participated at the Department of Commerce, but who did
11 not complete questionnaires here.

12 Commissioner Broadbent and Commissioner
13 Schmidtlein pointed to kind of concerns with what they
14 thought the pricing data showed, and we were somewhat
15 constrained to talk about some of the pricing data trends
16 and what we thought they were supportive of, because it's
17 BPI in its entirety.

18 What I would point to is page 30 of our
19 prehearing brief, where we specifically look at pricing
20 products, and the channels that they travel through and why
21 we believe the pricing product data is not just supportive
22 of underselling, but also shows price depression.

23 I would also point out that the question was
24 is there any other evidence of record that is supportive of
25 that price depression? It's not surprising that Petitioners

1 are going to show up and say price depression took place
2 during the marketplace.

3 It's not wholly unsurprising that Respondents'
4 counsel would show up and say that they don't believe price
5 depression happened during the marketplace, and that's why
6 the Commission has frequently looked at purchasers'
7 questionnaires in regard to these issues, because I think
8 appropriately purchasers are perceived to have a vested
9 interest in wanting access to low-priced imports, and should
10 they provide data on the record that's supportive of price
11 depression, it's kind of testimony against interest.

12 What the Commission staff report found is more
13 than 50 percent of responding purchasers indicated that they
14 switched from domestically produced product to subject
15 imports, more than 50 percent of purchasers. Of those, 85
16 percent did it because imports were lower priced. I'm
17 sorry, 84 percent indicated that the imports were lower
18 priced, and six out of 13 responded and certified to the
19 fact that their switch was motivated on the basis of price.

20 So in regard to price effects, you have this
21 95 percent instance of underselling with 228 comparisons.
22 On top of that, the pricing product data themselves, we
23 suggest, are supportive of price depression and on top of
24 that, the purchasers told you so. So I'm getting very close
25 to wrapping up.

1 One last note about inventories, because I
2 think it's really important. The inventory story or part of
3 this story is very important, and when asked about it, Mr.
4 Grimson said two things. He said you have to pay attention
5 to what the historical trends are, and you have to look at
6 what the inventory levels are in regard to other touch
7 points in the record.

8 I agree 100 percent. So when you look at
9 historical records, inventories grow over the Period of
10 Investigation by about eight percent, and if you look at the
11 interim period, they grow by about 14 percent. So by
12 historical levels, inventories are increasing throughout the
13 POI. But his point was well, year on year, increase maybe
14 isn't that significant, and this is public information.

15 The inventories subject imports in 2015 were
16 equal to 50 percent of all subject imports that year.
17 Inventories are equal to 50 percent of that year's imports.
18 I would say that's a valid touch point. What's the interim
19 data show you? It shows that inventories, which again were
20 higher than the year before, represented 65 percent of all
21 imports during that period. I would suggest that's
22 significant by anybody's standards, okay.

23 So concessions really quickly. I think what I
24 heard from the other side, and I think this is all fair, is
25 he acknowledged that -- opposing counsel acknowledged that

1 imports increased absolutely during a period where demand
2 was decreasing. That's significant and that took place over
3 the three year period.

4 Then I believe it's fair to say that opposing
5 counsel conceded the issue of post-petition effects, and I
6 believe the quote might have been after cases are filed,
7 that importers will "run for the hills," which is also
8 further supportive of the story that we've been talking
9 about from the very beginning.

10 I think arguably most importantly, we heard
11 opposing counsel say that he's not aware of any qualitative
12 differences between the domestically produced product and
13 the subject products. So on that basis alone, you have
14 imports increasing on an absolute basis during a period of
15 decreased demand. They respond to the filing in the case by
16 receding from the market, and if there are no qualitative
17 differences, it means that they're competing on the basis of
18 price.

19 You've got specific pricing products, which
20 the purchasers have told you they bought the subject imports
21 on the basis of price and they switched from the
22 domestically produced product to imports, and you have 217
23 out of 228 instances of under-selling of very specifically
24 defined products. And also as a bonus point, opposing
25 counsel kindly conceded also that granted in isolation, a

1 decreasing home market for the Chinese would generally be
2 supportive of a finding of threat.

3 So that being said, this is where I summarize.
4 So there is certainly, as I said before, some noise in the
5 data. It's a complicated record. But the essential facts
6 are pretty solid. The producers, the purchasers and the
7 importers have all, I believe in the words of the staff
8 report, nearly all of them have agreed that the products are
9 highly fungible, and that's found in the staff report at
10 Roman II-19.

11 19 out of 24, which I believe is about 80
12 percent of purchasers indicated that price is very
13 important, and as a matter of fact I believe opposing
14 counsel essentially conceded that issue as well. We know
15 that the volume increased over the Period of Investigation
16 absolutely. We know it increased more modestly in regard to
17 market share, and part of that, a very important part, is
18 the inventory story.

19 But when you look at the increase in imports
20 relative to U.S. production it's stark, that imports go to
21 being more than 50 percent of domestic production by the end
22 of the Period of Investigation. We know imports undersold,
23 and we know that the domestic industry's performance
24 deteriorated over the Period of Investigation, and not just
25 one or two factors, right.

1 Production, shipments are down by almost 11
2 percent, capacity utilization is extraordinarily low and
3 decreasing -- and at the end of the day if it's about
4 profits, operating income was down by 34 percent over the
5 three year period. To say one last time today, operating
6 levels dropped to essentially break even by the end of the
7 Period of Investigation.

8 That's an injured industry and that's a
9 vulnerable industry for purposes of threat. So with that, I
10 thank you for your time and your attention today, and
11 respectfully request that you make an affirmative
12 determination on behalf of the domestic industry. Thank
13 you.

14 CHAIRMAN WILLIAMSON: Thank you. Mr. Grimson,
15 you may begin when you're ready.

16 MR. GRIMSON: How many minutes did I have Mr.
17 Chairman? Was it 53?

18 CHAIRMAN WILLIAMSON: Okay.

19 CLOSING STATEMENT OF RESPONDENTS

20 MR. GRIMSON: I don't know. If I can get
21 credit for that for use in a future hearing, I'd like to put
22 it on my account, like at the end of Wheel of Fortune.
23 Nobody does that. I will just waive a traditional closing
24 statement, and thank the Commission and the staff for your
25 hard work, and ask you to take a fair look at the whole

1 record, and I think that when you do and with the benefit of
2 our post-hearing brief, you may reach a negative final
3 determination. Thank you very much.

4 CHAIRMAN WILLIAMSON: Thank you. It's time
5 for a closing statement. Post-hearing briefs, statements
6 responsive to questions and requests of the Commission and
7 corrections to the transcript must be filed by October 25th,
8 2016. Closing of the record and final release of data to
9 the parties is November 10th, 2016. Final comments are due
10 by November 14th, 2016.

11 I again want to thank all the parties for
12 participating in today's hearing, and with that, this
13 hearing is adjourned.

14 (Whereupon, at 3:09 p.m., the hearing was
15 concluded.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Iron Mechanical Transfer Drive Components from Canada and China

INVESTIGATION NOS.: 701-TA-550 and 731-TA-1304-1305

HEARING DATE: 10-18-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 10-18-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the
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