UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) **Investigation Nos.:**
POLYESTER TEXTURED YARN FROM) **701-TA-612-613 AND 731-TA-1429-1430**
CHINA AND INDIA) **(PRELIMINARY)**

REVISED AND CORRECTED

Pages: 1 - 142
Place: Washington, D.C.
Date: Thursday, November 8, 2018

Ace-Federal Reporters, Inc.
Stenotype Reporters
1625 I Street, NW
Suite 790
Washington, D.C. 20006
202-347-3700
Nationwide Coverage
www.acefederal.com

UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:	) Investigation Nos.:
POLYESTER TEXTURED YARN FROM	) 701-TA-612-613 AND
CHINA AND INDIA	) 731-TA-1429-1430
	) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, November 8, 2018

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

APPEARANCES:

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist

Tyrell T. Burch, Program Support Specialist

Nannette Christ, Director of Investigations

Elizabeth Haines, Supervisory Investigator

Kristina Lara, Investigator

Mary Roop, International Trade Analyst

Gregory Taylor, International Economist

Amelia Preece, International Economist

David Boyland, Accountant/Auditor

Courtney McNamara, Attorney/Advisor

APPEARANCES:

Opening Remarks:

In Support of Imposition (Paul C. Rosenthal, Kelly Drye & Warren LLP)

In Opposition to Imposition (Kristen Smith, Sandler, Travis, & Rosenberg, P.A.)

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

Kelley Drye & Warren LLP

Washington, DC

on behalf of

Unifi Manufacturing, Inc.

Nan Ya Plastics Corp. America

Thomas Caudle, Director, President and Chief Operating Officer, Unifi Manufacturing, Inc.

Timothy Cole, Vice President of Manufacturing, Unifi Manufacturing, Inc.

Jane L. Johnson, Manager, Government Relations, Unifi Manufacturing, Inc.

Sohan Mangaldas, Vice President of Supply Chain, Pricing and Global Market Intelligence, Unifi Manufacturing, Inc.

John Freeman, Assistant Sales Director, Nan Ya Plastics Corp. America

APPEARANCES (Continued):

Paul Elliott, Senior Account Manager, Nan Ya Plastics Corp. America

Michael T. Kerwin, Economic Consultant, Georgetown Economic Services LLC

Gina Beck, Economic Consultant, Georgetwon Economic Services LLC

Paul C. Rosenthal, Kathleen W. Cannon and Melissa M. Brewer - Of Counsel

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

Sandler, Travis & Rosenberg, P.A.

Washington, DC

on behalf of

Fils Promptex Yarns Inc.

Talvinder (Johnny) Soor, President, Fils Promptex Yarns Inc.

Kristen Smith Sarah E. Yuskaitis - Of Counsel

Rebuttal/Closing Remarks:

In Support of Imposition (Paul C. Rosenthal, Kelly Drye & Warren LLP)

In Opposition to Imposition (Kristen Smith, Sandler, Travis, & Rosenberg, P.A.)

INDEX

P R O C E E D I N G S

9:30 a.m.

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

MS. CHRIST: Good morning and welcome to the United States International Trade Commission's Conference in connection with the preliminary phase of antidumping and countervailing duty Investigation Nos. 701-TA-612-613 and 731-TA-1429-1430 concerning Polyester Textured Yarn from China and India.

My name is Nannette Christ, I am the Director of Investigations and I will preside at this conference and I'm very happy to be chairing my first conference. Among those present from the Commission Staff are from my far right -- Betsy Haines Supervisor Investigator; Kristina Lara, Courtney McNamara the Attorney, Greg Taylor the Economist, Amelia Preece also an Economist, David Boyland Accountant and Mary Roop the Industry Analyst.

I understand that parties are aware of time allocations. Any questions regarding the time allocations should be directed with the Secretary. I would remind speakers not to refer in their comments or remarks to business proprietary information and to speak directly into the microphone.

We also ask that you state your name and affiliation for the record before beginning your presentation and answering questions for the benefit of the court reporter. All Witnesses must be sworn in before presenting testimony. At there any questions? Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Madam Chairman, I would note that all witnesses for today's conference have been sworn in. There are no other preliminary matters.

MS. CHRIST: Thank you, Mr. Secretary. Let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of imposition will be given by Paul C. Rosenthal of Kelly, Drye and Warren. Mr. Rosenthal, you have 5 minutes.

OPENING STATEMENT OF PAUL C. ROSENTHAL

MR. ROSENTHAL: Good morning, Ms. Christ and members of the Commission, Staff. I'm Paul Rosenthal of Kelly, Drye and Warren and I'm appearing today on behalf of the Petitioners, the Domestic Producers of Polyester Textured Yarn.

I want to congratulate you Miss Christ on your appointment and glad at your first hearing we are honored to be a part of it and will try to make it memorable for other reasons as well as that because we like to have robust and fun hearings even though the business of the Commission and our clients is very, very serious as you will hear.

As you know, the Commission previously investigated similar polyester staple fiber products and found unfairly traded imports from Korea, India, Taiwan and China were causing injury to the Domestic Industry.

Here, we have another group of dumped and subsidized imports, this time from China and India which have taken sales from and inflicted pricing injury to the U.S. Producers and workers manufacturing polyester textured yarn. Polyester textured yarn as the name implies is made from polyester and is comprised of continuous textured yarns that have a textured surface. The texturing gives the yarn a soft feel and also provides bulk to the product for end-uses that include apparel, home furnishings and automotive seating.

Our industry experts this morning will describe the product and production processes for you in greater detail and share some samples for you to examine. As is true of polyester fiber, the production of Polyester Textured Yarn is capital-intensive and requires a continuous process. You can't simply turn these machines on and off at will.

When business declines, the producers' only option is to idle a texturing machine entirely until the business can regain the sales. There are now many texturing machines sitting idly in the United States as well as many workers who would otherwise be running those machines who are now out of jobs.

The reason the industry is not producing more polyester textured yarn despite having the equipment to do so is lost business to Subject Imports. Imports from China and India have been entering the U.S. Market at increasing volumes over the past several years and have increased further since 2015 which is the beginning of the Period of Investigation here.

While Subject Imports already held a significant share of the U.S. Market in 2015, they have been particularly aggressive in undercutting Domestic Producer prices in the past three years. As reflected in official census statistics from 2015 to 2017, Subject Imports increased in volume by about 12 percent from an already significant base. They then surged by additional almost 17 percent in interim 2018.

The Subject Imports' resultant market share gains came at the expense of both the Domestic Industry and other imports. Polyester textured yarn is a highly substitutable product regardless of its source. As our witnesses will attest, market share inroads by Subject Imports were not based on selling a better quality product or providing better service than the U.S. Producers.

The unfair imports gained market share by offering extremely low prices, well below those of the U.S. Producers. Not only do those low prices allow the other imports to gain sales at the Domestic Industry's expense, the import prices caused the substantial erosion of U.S. Producer pricing.

Over the past few years the Domestic Industry has suffered both price suppression as its prices fell from 2015 to 2017 and price suppression as it is unable to increase prices to cover its increased cost in 2018. The aggressive pricing behavior by the importers from China and India has had a devastating effect on the Domestic Industry's profits.

As your data base reflects, U.S. Producer profits have plummeted over the past few years. The poor and weakening financial condition of the U.S. Producers will not permit them to continue in this business absent some check on the unfair pricing practices of the Foreign Producers. Indeed, this industry has already suffered the closure of two manufacturing locations during the Period of Investigation.

Domestic producer Saraflex closed its South Carolina facility last year and has had to exit the business of producing Polyester Textured Yarn entirely. Another producer CS America closed its California facility last year as well. We understand that the unfairly traded imports contributed to the decisions to close these facilities.

Absent relief, the threat of further injury is both real and imminent. Subject Producers in China and India have massive capacity that dwarfs U.S. consumption. They export significant volume of the capacity and target the U.S. Market. If left unchecked these imports will continue to increase their penetration of U.S. Market and to undercut U.S. Producers prices resulting in further erosion of the Domestic Industry's already bleak profits, idling of more equipment, the loss of more jobs and the closure of more plants. We urge you not to let that happen. Thank you.

MR. BISHOP: Thank you, Mr. Rosenthal. Opening remarks on behalf of those in opposition to imposition will be given by Kristen Smith of Sandler, Travis and Rosenberg. Ms. Smith, you have 5 minutes.

OPENING STATEMENT OF KRISTEN SMITH

MS. SMITH: Thank you, Ms. Christ and good morning Commission Staff. I'm Kristen Smith and I'm here today on behalf of Fils Promptex Yarn some of the largest importers of polyester textured yarn. Mr. Soor, the President of Promptex felt that it was really important to be here today to share his expertise on the industry and his business.

One thing that you will hear today is that Subject Imports serve a very different market segment and need than that served by the Domestic Industry. There is little overlap and the customers served by the Petitioners and importers such as Mr. Soor. He looks forward to explaining his business to you and the products that he imports.

As will be discussed today, there are market forces that are important that the Staff and the Commission understand in conducting their analysis. Demand in this industry is driven by the end-use product, where there is a decline in the end-use product there is a decline in the yarn needed to produce it.

Where there is an increase in the demands of the end-product, there is an increase in the demand for the yarn. As the results the health of industries such as automotive, apparel and industrial directly impact and set U.S. demand. In considering injury in this case, we urge the staff to be mindful to avoid attributing injury to the decline and profitability to import competition.

Much of the decline appears to be related to increased raw material cost. It's well known that there's a difference in raw material cost and the United States and in Asia where the costs are significantly lower. High raw material cost negatively impact the Domestic Industry's cost in manufacturing the subject merchandise.

As we will discuss today and in our

post-conference briefs, we believe that the public and confidential record will demonstrate that Subject Imports are not the cause of material injury or threat of material injury I the case. We thank you for your time today and we look forward to testifying and answering any questions that you may have. Thank you.

MR. BISHOP: Thank you, Ms. Smith. Would the Panel in support of the imposition of the anti-dumping and countervailing duty orders please come forward and be seated? Madam Chairman, this Panel has 60 minutes for their direct testimony.

MS. CHRIST: Great. Welcome to all the Panel members and thank you for coming to testify. Please begin when you are ready.

MR. ROSENTHAL: Thank you, Ms. Christ again. I'm going to turn this over to our industry witnesses first and our first witness will be Mr. Tom Caudle.

STATEMENT OF THOMAS CAUDLE

MR. CAUDLE: Good morning, Ms. Christ and good morning members of the Commission Staff. My name is Tom Caudle and I'm a Director and President and Chief Operating Officer of Unifi Manufacturing. Unifi has been a market leader in polyester textured yarn or PTY business for over 40 years. When I joined the company --

MR. BISHOP: Can you pull your microphone a little closer please?

MR. CAUDLE: My career with Unifi began in 1973 when I joined the company as a management trainee. Since then, I've held

MR. BISHOP: Sir, we need your microphone closer.

MR. CAUDLE: Since then, I have held a number of positions including engineering, mergers and acquisition, executive management, Vice President of Global Operations, Vice President of Manufacturing and I have served as President since April of 2016 as the President and Chief Operating Officer since August of 2017.

My time at Unifi has allowed me to travel around the world to understand how global businesses operate and compete on a global scale. I appreciate the opportunity to be here today to tell you about our company, our people, and what we've experienced in recent years as a result of unfairly priced imports from China and India.

Unifi was founded as a PTY Company and today it remains our primary business. Since we began producing PTY over 40 years ago our capabilities to become a market, we have continued to expand and develop our capabilities to become a market leader. Unifi provides the best quality, service and product of anyone in the industry.

Our ongoing investment in innovation and technology have historically allowed us to maintain a highly competitive position. Imports started causing problems in the U.S. Marketplace years ago but more recently the volume and the pace of these imports have accelerated at a more troubling rate. We have seen a dramatic increase in the number of customers shifting to purchasing these imports because of their low prices.

As a result, Unifi has lost sales and market share to Foreign Producers whose prices are so low that they are now impossible to compete with no matter how cost-efficient or innovative our operation.

In the last several years, cheap imports of PTY from China and India have gotten even worse. The imports from those countries have continued to undersell us and to take our customers at an alarming rate. We simply cannot drop our prices to the impossibly low levels necessary to compete with these Chinese and Indian imports.

The market share captured by those imports has nothing to do with the quality of our product. Unifi's PTY is second to none. Instead, it has everything to do with the unfairly low import prices. The affect of these imports have been detrimental to our company. Unifi has been forced to consolidate our PTY facilities, to idle many of our texturing machines and to reduce our production of PTY.

Unifi has been enforced to consolidate our PTY facilities to idle many of our texturing machines and to reduce our production of PTY. Not too long ago, Unifi had 3,000 employees. Due to forced layoffs both before and during the Period of Investigation we are now down to 2,000 employees.

At this point, we cannot consolidate any further. There is nothing left to shrink. The situation for Unifi has become so dire that we need to seek a remedy for these unfair prices by filing this trade case.

I'm incredibly proud of our work at Unify and the company we have built. Our employees are hard-working and committed to their jobs and we are invested in the communities we have built in North Carolina, inside and outside of our facilities. Despite the injury we have suffered and continue to suffer as a result of unfairly traded imports, Unifi would like to invest in our company and our facilities.

We want to stop shrinking as a company and to create, not shed, job opportunities in the communities in which we operate. Unifi is at a crossroads. We can't consolidate or shrink any further. Our PTY production in Yadkinville, North Carolina is our last stand.

In order for our company to survive and recover from injury we have suffered we need relief from Chinese and Indian imports that have been entering the U.S. Market at impossibly low, unfair prices. I'd like to thank you for your time this morning.

STATEMENT OF TIMOTHY COLE

MR. COLE: Good morning. I am Tim Cole, the Vice President of Manufacturing for Unifi. I've worked at Unifi for a total of 18 years. I appreciate the opportunity to testify before you today.

My testimony will focus on the product at issue, polyester textured yarn or PTY, including its production process and its important physical characteristics and uses. The production of PTY begins with molten liquid polyethylene terephthalate or PET. The molten liquid may be generated by a reaction or by melting chips in an extruder.

PET may be derived from either virgin or recycled inputs, but the resulting PTY is the same. PET is extruded through microscopic holes in a spinneret with a number of holes determining the number of film that's in the yarn. Multiple filaments are combined to form a single strand. The strands are stretched to increase resilience, strength, and tenacity.

This intermediate product is called partially-oriented yarn. I brought a sample of POI for you to look at. The POI raw material is then subjected to a texturing process. That process involves heating, cooling, and simultaneously twisting and drawing. There are various methods by which to texture the yarn. The primary texturing method used is called false twist or is also called draw twist. The texturing process, in part, crimp, curls, or loops in the yarn filaments. Essentially, it bulks up the yarn. Texturing also stretches and strengthens the yarn and imparts a soft feel. I brought samples of PTY.

After texturing, the yarn is passed into a secondary heater, then over a break detector and lubricating rollers before being wound onto a tube. Testing and inspection follow before shipment.

PTY can also be dyed. The dying may occur at the beginning of the production process based on the use of colored chips as inputs or at the end of the process where the entire spool of yarn is immersed in a dye bath. The dying process does not alter the fundamental characteristics of the final product.

PTY can also have other characteristics, such as being flame retardant or antimicrobial. None of these characteristics, however, alter the yarn's fundamental properties.

Further, all of these special types of PTY are offered for sale by the subject importers. The result of the production process yields a unique product, PTY. All types of PTY, unlike other products, are produced from polyester, are comprised of continuous filament yarns and have a textured surface. The texturing, as I mentioned, imparts a bulk to the yarn and a soft feel. Those characteristics make PTY suitable for weaving or knitting into synthetic fabrics that are used to make products such a socks and apparel, home textiles and furnishing, bedding and automotive seating.

PTY feels comfortable against your skin, so it is good for use in fabrics that people touch. Yarns made from other inputs, such as nylon, polyethylene, polypropylene and other organic polymers are chemically distinct and have different physical properties from PTY. For example, nylon yarns are very fine yarn that are much more expensive and are used in nylon stockings. Polypropylene yarns, by contrast, are a much coarser yarn and tend to have a plastic feel, not the soft feel of PTY.

Further, most polypropylene yarns are not textured, but are sold as flat yarns. Non-textured yarns or flat yarns do not have the bulk characteristics of a textured yarn and therefore are not suitable for the same end uses. Flat yarns, instead, tend to be sold for industrial uses, such as in polyester tire cord or industrial belting where the bulk imparted by the texturing is not required.

PTY is produced in variety of deniers filaments, finishes or lusters and colors. Customers specify the denure needed which generally ranges from 20 to 400, as well as a number of filaments. The luster may vary, but the lusters of most PTY are typically semi-dull or bright. PTY can also be produced in a variety of colors. These characteristics depict different types of PTY, but not different products.

Customers perceive PTY to be a discrete product as compared to other types of yarns or fibers. Given the bulk imparted by the texturing process, a customer would not substitute a non-textured or flat yarn for a textured yarn. Similarly, a customer generally would not substitute textured yarns made from inputs, other than polyester, for PTY, given their physical -- different physical properties and very different price points.

PTY is generally made in discrete manufacturing facilities and on dedicated equipment that is different from other yarns and fibers. At Unifi, we produce all of our PTY at you're a Yadkinville, North Carolina facility. Companies generally would not produce other types of yarn on the same equipment as PTY. PTY is a discrete product and industry.

In addition to describing our product and production operations, I want to make one other point today. As indicated, I oversee the plants and manufacturing operations of Unifi. Unfortunately, at present, my job entails overseeing a lot of idle equipment and machinery. Right now out of our 72 polyester texturing machines we've been forced to idle roughly one third because of lost sales to unfair imports.

Texturing machines are designed to run continuously 24 hours a day, seven days a week. So, when we can not do that, due to lost business, we have to idle the machine entirely. Those idle machines means both reduced production and lost jobs for our workers. If we could get the business back, we are in a position to quickly ramp up production to supply more PTY to the U.S. market and to bring back those much needed jobs. We are very much hoping that this trade action will allow us to do that. I appreciate your attention today and I would be happy to answer any questions.

STATEMENT OF JOHN FREEMAN

MR. FREEMAN: Good morning. My name is John Freeman and I'm the Assistant Director of Sales for Nan Ya Plastics Corporation of America. I have been with Nan Ya since 1999 and have been involved in the polyester textured yarn side for our business for 19 years.

Nan Ya is a significant supplier of polyester textured yarn and one of the Petitioners in this action. We produce all of our polyester textured yarn at our manufacturing facility at Lake City, South Carolina. Nan Ya is an integrated producer of polyester textured yarn. We manufacture the product directly from the chemical elements of polyester.

While Nan Ya goes to great lengths to ensure the high quality of our polyester textured yarn, the production process is very similar for essentially all producers of the product, whether foreign or domestic. We all employ texturing machines from a common group of manufacturers. Regardless of the input material used, by the time the texturing process has taken place, polyester textured yarn output is all identical. Given the commonality of the product process and the basic input material, the polyester textured yarn being produced by any manufacturer, including those in China and India, can readily be substituted for that of another.

Most PTY is made to a common set of specifications that we and the subject foreign producers and exports all make. There is huge overlap in both domestic and subject foreign producers' abilities to meet these standards. Because of the high level of substitutability and standardized nature of polyester textured yard price is the key determinate of sales in the market. Most sales of polyester textured yarn in the U.S. market are made to end users; primarily, producers of textiles.

Pricing in our market is relatively transparent and we are often aware of the prices offered on the import competition. Most of the sales of polyester textured yarn in the U.S. market are made on a spot basis and the contract sales that do occur are generally short term in nature. Again, this market structure extenuates the price sensitivity of purchasers and has the affect of increasing the impact of the dumped and subsidize imports on the domestic producer pricing.

Imports from China and India are being offered in the U.S. market at prices substantially below those of Nan Ya. In fact, the competition between imports from China and India and among producers within those countries has lead to a free for all of aggressive pricing in the U.S. market and force Nan Ya either to lower our prices to an unprofitable level or to hold prices and concede sales volumes. We have provided evidence on a number of accounts at which we have large volumes of sales to imports that were offered at extremely low prices.

This is a capital intensive industry and it is vitally important that we maximize our capacity utilization. The Chinese and Indian producers have the same economic imperatives to operate at high rates of capacity utilization. It makes great economic sense for those producers to sell their unused capacity to the U.S. market even at rock bottom prices, which they have done. We've tried to match their prices to maintain our capacity utilization, but the results was still a big hit to our revenues and profitability.

As the pricing pressures got even worse, we could no longer afford to match the import price offers and then lost even more volume and market share. The low prices offered on imports of polyester textured yarn from China and India have allowed these producers to establish a substantial presence in the U.S. market. As Chinese and Indian imports have gained share, they have caused a general decline in prices in the U.S. market, even at accounts that don't entertain offers on imports.

The prices realized by Nan Ya on its sales of polyester textured yarn show declines over the 2015 to 2017 period despite increase in our costs. As a result, we have suffered a substantial decline in our operating profits during this period to a level that is too low to fund ongoing capital investments that are critical to maintaining our efficiency over the long term. Our industry has already seen the closure of two manufacturing locations in the last year and a half.

The production facility Saria Flex in Walterboro, South Carolina closed last year and the company exited U.S. production of polyester textured yarn completely. Another domestic producer, C.S. America, shuttered its California manufacturing facility for polyester textured yarn in 2017 as well. My understanding is that low U.S. market prices driven by rising imports from China and India contributed to the decisions to close these facilities.

Nan Ya does not want to face the same brutal choice that was forced on these companies by the unfair imports. We need an improvement in U.S. market pricing in order to generate a reasonable return on our operations. We hope that the Commission will take action on the unfair imports from China and India that are destroying our market and will reach an affirmative determination in this investigation. Thank you for your attention. This concludes my remarks.

STATEMENT OF KATHLEEN W. CANNON

MS. CANNON: Good morning, Ms. Christ and members of the Commission staff. I am Kathleen Cannon of Kelley, Drye, and I will conclude our presentation by reviewing the key statutory factors the Commission must consider in reaching its preliminary determination.

And I think our slide show is working, but hopefully you have a handout as well.

(Slides are hereafter shown.)

First, the domestic like-product. The like-product in this case should be defined to mirror the scope of the case, and to consist of all polyester textured yarn.

As Mr. Cole testified, PTY has unique physical characteristics that differentiate it from other yarn and fiber products. Those characteristics make PTY suitable for discrete end uses like apparel and bedding.

The product is produced on texturing machines dedicated to its production and not used to produce other products, generally. Producers and purchasers perceive PTY to be a single unique product and prices of the product fall within a reasonable range of one another.

The varying features of PTY, such as denier and finish, depict different types of a single product on a continuum. Other products, as Mr. Cole noted, have different chemical compositions, features, and uses, so those cannot be considered the same as PTY.

These factors support a single like-product finding that is coextensive with scope.

Next, the statutory negligibility threshold is met in this case. Data for the most recently available 12-month period, September 2017 to August of 2018, show that imports from China account for 37 percent of total imports, and imports from India are 18 percent of total imports. So both well exceed the 3 percent statutory threshold.

Next, cumulation. The Commission should cumulate the volume and price effects of imports from China and India because the statutory factors are met in this case.

Petitions covering imports from China and India were filed simultaneously.

There is also a reasonable overlap in competition between subject imports from China and India and the domestic like-product. Imports from each of the subject countries and domestic PTY are fungible and compete directly with one another.

Imports of PTY from China and India, as well as domestically produced PTY, are all sold through the same distribution channels, with most sales going to end users. The PTY from each source is sold in the same geographic markets across the country, and all were simultaneously present in the U.S. market throughout the Period of Investigation.

Accordingly, cumulation is mandatory here.

Turning now to subject import volumes and their significant increase since 2015, these data in our presentation are based on the official import statistics because the HTS Codes we have identified should be synonymous with the scope of this case.

These statistics are also more comprehensive than the questionnaire data submitted to date. As you see, import volumes from the subject countries rose continually and in significant amounts over the Period of Investigation. From a level of 61.7 million pounds in 2015, subject imports rose to roughly 69 million pounds in 2017, an increase of 11.5 percent.

Looking at the interim period, the increase is even more dramatic. Subject imports have surged in volume during the first nine months of 2018 by more than 16 percent from their 2017 levels. If subject imports continue at this pace, they will total over 80 million pounds by year-end 2018. That would be an increase of almost 20 million pounds over their 2015 volume levels.

Not only are the subject import volumes increasing, they are also capturing a steadily increasing share of the U.S. market over the Period of Investigation. In our analysis, we have focused on the merchant market. Certain domestic producers internally consume significant volumes of PTY in their facilities to produce downstream products, and this yarn is the predominant input in the production of the downstream articles.

Other domestic producers, including the two petitioners here, sell significant volumes of the subject product in the merchant market.

The injury being caused by the subject imports is most evident in the competition for commercial sales, so the merchant market should be the focus of the Commission's analysis.

We will address the statutory captive production provision further in our brief when we have had a chance to review the questionnaires that were released to us under APO yesterday.

As you see in this confidential chart in our handout, subject import market share has not only grown significantly over the past few years, but the market penetration has particularly accelerated in the interim 2018 period. This 2018 market share is the subject import's peak share of the investigatory period.

On slide 8 you see that the volume increase from 2015 to 2017 came partially at the expense of subject producers, although domestic producers cut prices leading to financial downturns for them in an effort to maintain their market share.

So over the 2015 to 2017 period, you'll see in your database a lot of adverse price effects and resulting financial injury to the industry as it struggled to hold onto its sales in that period. But by interim 2018, the U.S. producers were increasingly unable to compete with the low prices of the dumped and subsidized imports to maintain their sales, so they lost market share to the subject imports in 2018 as well as suffering price-related injury.

As shown on slide 8, the subject import market share gains in interim 2018 came at the direct expense of the U.S. industry. Like U.S. producers, nonsubject imports also lost market share over the interim period, as they did over the 2015 to 2017 period. Declining nonsubject imports are not the cause of the domestic industry's injury.

The domestic industry has experienced significant negative price effects in competing with unfairly traded subject imports for sales. As Mr. Freeman testified, PTY is a highly interchangeable and price-sensitive product. Subject imports have been able to increase their penetration of the U.S. market based on the unfairly low prices they offer.

Underselling by subject imports is rampant in the U.S. market, and occurred during the Period of Investigation at substantial margins. We are compiling the quarterly pricing data in the questionnaires and will address the underselling issue further in our brief, but I can also say at this point that the quarterly pricing data we have reviewed confirms our industry witness testimony of extensive underselling by the subject imports.

Responses from purchasers to the Commission also confirmed that they have shifted significant volumes of PTY from U.S. producers to lower priced subject imports and that price was the reason for the shift.

This underselling by the subject imports caused a significant decline in the U.S. producer prices of PTY from 2015 to 2017, providing further evidence of the negative price effects felt by the domestic industry. Notably, the domestic industry price declines over the 2015 to 2017 period outpaced the declines in raw material costs, as shown on slide 10.

Unit net sales values plunged to a greater degree than the declines in the unit raw material costs. In fact, over this period U.S. prices declined despite an increase in unit costs overall. This price depression suffered by the U.S. industry was a direct result of competition from lower priced subject imports.

In the interim 2018 period, things got even worse for the industry, as shown on slide 11. Their unit costs increased significantly, but they were still facing underselling by subject imports. The low-priced import competition prevented the domestic producers from increasing their prices sufficiently to cover their increased costs in interim 2018, resulting in price suppression.

So in this case, the database shows both price depression from 2015 to 2017, and price suppression in interim 2018.

The Petition provides numerous examples of sales lost by the domestic industry to subject imports at discrete customer accounts during the Period of Investigation, and those sales totaled a significant volume of lost sales as well.

The injury to the domestic industry during the Period of Investigation is evident in numerous trade indicators. During the three-year period 2015 to 2017, domestic production, capacity utilization, and shipment volumes all decreased.

Over the interim 2017 to 2018 period, as subject imports hit their peak market share the domestic industry's trade variables continued to fall. Capacity utilization in 2018 fell to an anemic level, and workers lost their jobs as the U.S. industry's market share was displaced by subject imports.

Equally important to the testimony you've heard today from Unifi and Nan Ya is the story of the companies that are not here but who were forced to suffer plant closures in recent years. Two U.S. producers of PTY, Sarla Flex and CS America, closed facilities in 2017. Sarla Flex exited this business entirely. And despite these closures, as Mr. Cole testified, Unifi still has numerous polyester texturing machines that are sitting idle as business has been lost to subject imports.

Financial indicators also reveal the injury suffered by the domestic industry. The major financial indicators were all down from 2015 to 2017, including net sales value, gross profit, operating income, operating income to net sales ratios, net income, and net income to net sales ratios. Those financial declines continued in the interim period of 2018.

So by 2018 when subject imports hit their peak, the U.S. industry's financial condition was abysmal and at its lowest point of the Period of Investigation.

Slide 16 graphically depicts the plunge in U.S. industry profitability for merchant market sales over the past few years. The industry's operating profits fell dramatically from 2015 to 2017 as U.S. producers cut prices to try to compete with subject imports.

By interim 2018, not only did the industry lose significant market share, but its financial condition continued to erode to an unsustainable level as subject import unfair pricing pummeled the competing U.S. producers.

When the industry's profits are examined as a ratio to net sales, you can also see that this industry is struggling. Slide 17 shows how the net profit to net sales ratio of the industry steadily declined since 2015, concurrent with the increase in subject imports.

As you see on this slide, there is a direct correlation between the increased market share of subject imports and the financial decline of the industry. Subject imports had a major injurious effect on the domestic industry's ability to make a profit, as imports flooded the U.S. market in increasing volumes and at unfairly low prices.

In addition to the material injury caused by subject imports, they also pose a significant threat of further injury to the domestic industry. The Petition lists more than 80 Chinese and Indian producers of PTY. Those producers have significant and increasing capacity to produce this product, and they are investing and expanding their production capabilities further.

Chinese and Indian producers are also export oriented and they target the U.S. market specifically. They are encouraged to do so by their government, which provides numerous subsidies, including export promotion subsidies, to PTY producers and exporters.

These factors demonstrate a significant threat of further injury by the unfair imports.

That concludes our presentation this morning. Thank you for your attention, and we are happy to answer your questions.

MS. CHRIST: Thank you. Mr. Secretary?

MR. BISHOP: Madam Chairman, I would note before we turn to questions that the Commission is holding a vote at 11:00 a.m. this morning. So we will take a brief recess from today's conference about ten minutes until 11:00, and resume the conference immediately following. Thank you.

MS. CHRIST: Thank you, Mr. Secretary. We will now turn to staff questions, and we will start with the Investigator, Kristina Lara.

MS. LARA: Hello, thank you for coming today to testify and answer any of our questions. I'll just start with some follow-up questions that I have for some of you. I'll start with Mr. Caudle. You mentioned that if import relief is given, that Unifi plans on making some investments. Can you just specify some of those investments that you guys have in mind?

MR. CAUDLE: It would be highly confidential for me to disclose what our strategic plans are from an investment standpoint. But I think our history shows that we have invested heavily in our business over the years, and we will continue to do so to be competitive in this marketplace.

MS. LARA: Okay, and you've also mentioned that more recently you had seen an acceleration of imports. Can you just give me roughly which year you've started seeing that increase?

MR. CAUDLE: It has been occurring for many years, but the Period of Investigation, specifically when we go to the marketplace to try to run our manufacturing facilities at capacity, everywhere we go on almost all occasions we're challenged with the import prices, which are so low that there's no way we can reach a price point and compete.

Consequently, we are constantly idling equipment and laying people off, and as Mr. Cole testified earlier, I mean at this point in time right now we are standing almost a third of our polyester textured yarn capacity with people laid off and have the capacity to meet market but can't do so because of the price points that are expected to meet to be able to move our product.

MS. LARA: Okay, and maybe I can ask Mr. Cole, since you had mentioned the different types of dyeing processes that can be used, that there's solution dyeing and package dyeing. Can you comment on if there are any significant price differences between these methods of dyeing, and can you comment on why a producer would choose one method over the other?

MR. COLE: This is Tim Cole with Unifi. Yes, so what we usually find is that when we dye with the colored chips, in other words what you refer to as solution dyeing, it is lower cost for large volumes. But when you change colors through the spinning machine, then you end up with a large waste generation.

So what we would normally do is if it's a large order, we would prefer to produce the color solution dyed. If it's a small order, maybe less than 5,000 pounds, we would prefer to make it in a dye bath because it's a batch process where we can dye a small quantity more economically.

I'd like to tell you though that most of the fiber or PTY sold is non-dyed, because typically the fabric finishers will dye the product. The package dyed and solution dyed business is a small part of the PTY sold in the U.S. market.

MS. LARA: That's helpful, and this is just open to anyone. In the questionnaires, you may have seen that we tried to get at the different types of polyester textured yarns that we collected information on. The luster, the denier, the shape of the fiber. Can you share some insight into which factors for these different types tend to affect the price of polyester textured yarn the most?

MR. COLE: Yes. This is Tim Cole again with Unifi. What we usually find is that the finer deniers, because they are more expensive to produce, typically drive a higher price, and which denier the customer wants to use depends on the fabric and if they're trying to get a sheer cloth possibly versus with a cloth with a lot of cover. So it depends a lot on the end use which they prefer.

MS. LARA: And can you comment how vertically integrated the various U.S. producers are of polyester textured yarn in terms of the steps prior to making it? So are most U.S. producers also producing the partially oriented yarn or even the pet chips? Or are most of them just doing the texturizing process?

MR. FREEMAN: John Freeman with Nan Ya Plastics. On our PTY production, we are getting the direct input, the POI, the partially oriented -- from our own production site in Lake City. We also produce the POI. The POI is produced from a fiber grade chip, which is also produced in Lake City. As far as the polymer that is used to make the fiber grade chip, the raw ingredients we do by the PTA merchantly in the United States.

We do get the MEG from a different, a division within our company. As far as texturizers, we'll let Unifi comment on their operation. But other ones that are not present here today, it varies. They will sometimes buy the POI. Some of them do have the extrusion capabilities where they can buy the chip from producers and produce the POI for their PTY production.

MS. LARA: Okay, thanks.

MR. CAUDLE: This is Tom Caudle with Unifi. In our case, we buy raw materials in pretty substantial quantities from Nan Ya. We also buy, we manufacture our own POY from raw materials which we buy from Nan Ya as well, and then we have a recycle product called Reprieve, where we recycle PET bottles and turn it back into polyester chips that we spin into POI, which ultimately ends up in polyester textured yarn as well, which we market in this market as well.

MR. FREEMAN: John Freeman Nan Ya Plastics. I did want to note -- well, Mr. Caudle mentioned that they do get some raw materials from us. When it comes to our PTY production, we are competitors. I do want to be clear on that.

MS. LARA: And my last question is are any of you aware of any third market countervailing duty or anti-dumping duty orders related to polyester textured yarn?

MS. BREWER: Melissa Brewer. We have identified at least measures in three countries, Argentina, Pakistan and Turkey, and we'd be happy to provide additional details on what those are in our brief.

MS. LARA: Okay, thank you. That's all I have.

MS. CHRIST: Thank you. Now we'll turn to the attorney, Courtney McNamara.

MS. McNAMARA: Courtney McNamara, Office of General Counsel. I also, I just want to thank everyone for your participation and being here. It is always extremely helpful for us to have you here to answer our questions. So I'm going to start off with just a quick question to follow up kind of on what Ms. Lara discussed.

She was asking about how certain things like the denier affected the price, and I believe you addressed the denier. But in the petition, there was also some discussion of finished and cross-section and filaments. So could you kind of expand on how those different things that were specified in the petition also affect the price?

MR. CAUDLE: Yes. This is Tom Caudle with Unifi. Denier is actually the size or weight of the product being produced. The heavier the denier, it might go into a man's bottom weight pant, or a lighter denier might go into women's apparel, a blouse or something of that nature.

The denier is the more filaments there are in the yarn bundle itself, it's called denier per filament, the lower the DPF, the finder, the more it changes the aesthetic going from raspy to very smooth and pleasing to the touch. And as you do all these things in the process, it becomes more difficult from a hardware standpoint and also from a processability standpoint, which in essence adds cost in most instances to the product as the denier gets finer or lower, and as the filaments are increased and becomes more fine to the touch.

MS. McNAMARA: So the finer tends to be more expensive, right?

MR. CAUDLE: It does in general terms, yes.

MS. McNAMARA: So what about like the finish. How does -- how do the different finishes affect the pricing?

MR. CAUDLE: Finish is not necessarily -- does not affect the pricing that much as it affects the processability of the product.

MS. McNAMARA: Thank you. And I just, I just want to clarify. I believe Mr. Cole you testified that there's different dyeing processes, and you all are -- the domestic industry is capable of doing all the different processes; is that correct?

MR. COLE: Yes. This is Tim Cole with Unifi. While we are capable of the common processes for dying the yarn in package form, within the U.S. industry where the produce the fabric as we discussed, most fabric is dyed, does not used dyed fiber but the fabric is dyed or printed after it's processed, and all those technologies are well-supported by the U.S. industry.

I want to address slightly on the luster issue. The luster is determined by the amount of TI-2 that is added to the fiber, and as we talked earlier, bright and semi-dull are most common, and all of the producers produce the same lusters because we're competing for the same customers.

MS. McNAMARA: And the different lusters, so that does not or does have an effect on pricing, the different lusters?

MR. COLE: The different lusters have a very small impact on cost, and may not impact the price.

MS. McNAMARA: Thank you. I want just turn real quick and address the attorneys with respect to the issues of domestic industry. In your post-conference briefs, could you please address any related party issues of which you're aware, including why to the extent you know, why certain domestic producers are importing the subject imports? If you could address that, I would appreciate it.

Also if you could just specifically address whether you think certain producers should be included or excluded under the related parties' provision?

MR. ROSENTHAL: Certainly we'll do that.

MS. McNAMARA: Thank you, and Ms. Cannon, you also indicated that you would address the captive production provision in the post-conference brief, and I appreciate that. If you could in particular address the different levels of what we're talking about in terms of the merchant market versus what's internally consumed, that would be helpful too.

MS. CANNON: Yes, we'll be happy to do that.

MS. McNAMARA: Thank you. So I just want to talk generally. Is all PTY interchangeable regardless of where it's produced?

MR. FREEMAN: John Freeman, Nan Ya Plastics. In our experience, the U.S. domestic industry for PTY has the ability to produce the same products that are being imported, and as such we are having daily conversations with our customers on these products and when we have these conversations, it's expressed in denier and luster and cross-sections, the same things that you mentioned.

We are confronted with the aggressive low pricing from China and India, and we get to that decision, whether we have to either reduce our price to try to hold our volume, or if it's too low, to reduce our volume and release the business. In our experience there is tremendous substitutability and we have these discussions on an ongoing basis.

MR. CAUDLE: Ms. McNamara if I may, this is Tom Caudle of Unifi, just comment on that. To our knowledge, there's no product being imported from the two countries in question that we can't produce in this industry here in the United States.

MS. McNAMARA: Thank you, and Mr. Freeman, I believe you were in your testimony, you discussed that all PTY is produced to industry specs. Can you elaborate on what those industry specifications are and what's the source of those specifications?

MR. FREEMAN: John Freeman, Nan Ya Plastics. PTY, you know, it goes into several different end uses. It goes into automotive, it can go into apparel end uses, it can go into various applications for automotive, for example. It can be used in various applications such as your headliner that you never really pay too much attention to in your vehicle.

That has a certain -- typically, that's going to be a 70 type denier, 36 filament product that is used for that application. It could also be used in your seat cloth as well. Then you go into apparel, and you can get into different requirements. The customers, they know what denier they need, they know what filament count, they know what cross-section, what luster they need for the fabric that they're trying to produce, and that's where you get the diversification in the products that we produce.

It can vary from end use. There's definitely overlap from end use to end use, but there can be primarily a significant certain denier and filament count that's used in a certain application.

MS. MCNAMARA: So if I understand what you're saying, it's driven by the customer. The customer will --

MR. FREEMAN: Right. Generally the customer -- yes. The customer will know what they need to -- what type of PTY that they need in order to produce the fabric for their downstream customer.

MS. MCNAMARA: So then is most PTY that goes -- is most of it produced to order? Or is it, you would stock certain types?

MR. FREEMAN: In our instance, we do both. We keep a certain level of inventory, of common specifications that we anticipate we'll have orders from our customers. And then we also do get, you know, inquiries and orders that are very specific, "Produce this product for this quantity, and that's it, that's what we need." So we do both. It varies for us.

MS. MCNAMARA: Thank you. One of the -- and I'm sorry to keep you on the hot seat, Mr. Freeman, but one of the things I believe you said was, you said that prices, if I understand correctly, and please correct me if I misunderstood or misheard. If I understood what you testified, you said that prices, you also receive price pressure from customers who don't buy subject imports?

MR. FREEMAN: Right. We will also, we sell our PTY, we sell it direct to textile end users. We have used distributors in the past who import PTY and also buy some from us and other domestic producers.

And we also have customers that want to buy domestic and not buy from the import PTY competitors. And they will also, even though they do not want to buy the import PTY, they will present to us what the pricing is and sometimes it's put in a context of my competitor, that I'm competing with for this business, is importing the PTY and in order to get this business, we need to have this price point. "We need you to meet this price point, reduce your price," is the conversation.

That would be one example of a customer that's not importing PTY, but that will bring up what's going on in our market with the China and the Indian and the low prices and then use that against us, even our business. I think it's important to note, when we look at these channels that we sell, over this period, for the distributors, we have seen our volume decline for the distributors.

And they always, they will be very upfront with us on the reason, and the reason we lose the volume through the distributor to a indirect customer is price. They have the opportunity to import the product through India and China and not buy domestically unless we meet that price point.

MS. MCNAMARA: So you mentioned that there's some customers that buy domestic and they use the subject import price to put pressure on you. Why is it though that they continue to buy domestic if they could get the same product cheaper from an imported product?

MR. FREEMAN: As a domestic industry, we do have advantages. We do believe we have a very high quality well-performing product. We have technical service that's available to immediately visit the customer and help process the product. And also our lead times for Nan Ya are lower than, say, buying importer product in most instances.

MS. MCNAMARA: So you mentioned some quality, some availability and lead times. Are there any other, and I open this to anybody on the panel, is there any other nonprice factors that go into purchasing decisions?

MR. CAUDLE: Ms. McNamara, one factor for us and probably--and Mr. Freeman can speak to this as well--our product diversification is much more diverse than most of the imports we compete with in a lot of instances, when it's a made-to-order product.

The stock items that we sell in the market, which is a pretty substantial part, continues to be a substantial part of our business, or what we continually get challenged with to compete just specifically on price with, and that's what's winning market share and idling our assets.

MR. ROSENTHAL: Ms. McNamara, this is Paul Rosenthal. I wanna comment on that, and it also relates to one of Ms. Lara's questions as well. Yes, the domestic industry tries to sell these advantages of buying from U.S. producers, shorter lead times, better service and the like.

And what traditionally happens is that the customer says, "Yeah, we'd like to buy from you for those reasons, but if your prices are so much higher than the imports, we can't do it. Ultimately, we can buy from the distributor who will stockpile. So those lead times will be shorter. You need to get your price close to the import price, if not equal or below it in order for us to make that sale for you."

And when you hear these discussions, and this happens all the time, and that's not just in this industry, but when you ask the question, "Well, gee, how have imports gotten worse in this most recent period?" The answer is, you don't always see it in the volume increases immediately, because a lot of what's going on is these discussions with the distributors for the customers saying, "Match this price."

And at any given time, it could be any given month, it could be any given quarter or, or year period. It may be that the strategy by the domestic producers here or any other case, is to try to match the price because they want to have the maximum capacity utilization because of the cost of running that equipment.

At other times, as you heard Mr. Caudle testify earlier, say, "Geez, we just can't do it," and we're gonna give up that sale. So then you'll see the volume declines and the market share changes. So, you know, one of the questions we always get, and every company has to address this, well, is it the price is the problem, the volume? Obviously, they're related.

And every company decides at any given sale opportunity, what strategy they're gonna put. Do we need this volume more now? Or are we willing to give up that volume because the price is just too low to make things work? And I just wanna go back to, again, related to Ms. Lara's question, that the timing of the imports, yes, in some respects, imports have gotten worse over this most recent three-year period of investigation.

But and I don't wanna filibuster here, because the Commissioners are coming in ten minutes or so, but it reminds me of the colloquy I had last week in the common alloy aluminum sheet case with a couple of the Commissioners, because we've described how imports from common alloy sheet had come in well before the period of investigation and we gave some of that history.

And one of the questions we were asked, "Well, are you expecting us, or do you want the Commission to go back prior to that POI?" I think it was Commissioner Kearns who asked that question. Prior to the POI, is that, "Are you asking us to expand the POI?" And the answer is no. We just need you to understand the context.

Because entering the POI, there's a certain set of things that happen and a lot of domestic production was taken out of production, etcetera. Same thing happened here. You heard Mr. Caudle talk about going from 3,000 employees to 2,000 before this period of investigation. They shrank their facilities, they consolidated to maintain profitability.

But if you look at those absolute profitability numbers, and you have an opportunity to compare them to where they were before, their business was probably three times larger not too long ago. So they were making a better net operating profit to sales ratio at the beginning of this period of investigation than they were before, but only because they were doing it on a much smaller base.

When they finally got to the period of investigation, they said, "We can't do that anymore. We can't shrink ourselves into success anymore and we need to do something different," and unfortunately, the imports were so aggressive, like you saw in this record, that the pricing -- they couldn't make money when raw material costs went down.

They couldn't make money when raw material costs came up, and the slide you saw from Ms. Cannon about how they were hurting on revenue and profitability side, as this process went on, really is an example of the push-and-pull of the import pricing and volumes. Sorry to filibuster, but I figured wouldn't take too much longer.

MS. BECK: And Ms. McNamara, if I can just add one point, too, about the period, and this also goes to Ms. Lara's question. If you take a look at Exhibit General 11 of our petition, you'll see that there are many documented lost sales from 2015, '16, '17, as well as '18.

MS. MCNAMARA: Just going to raw material costs, can you just kind of identify for me what the raw materials are? You can do it here on the post-conference, but especially if we're talking about different levels. I know there was some discussion, some of it might be the chips. Some of it might be the liquid PET.

I just would like to understand what it is we're looking at when we're looking at raw material costs. So like I said, either here or in the post-conference brief, if you can just explain exactly what it is we're looking at when we're looking at raw material costs. That would be helpful.

And another question about the raw material costs, is there's some discussion of virgin versus recycled. Does that affect -- is there a difference in the virgin versus recycled raw material costs and if you could just address that, either here or in the post-conference. I know we're kind of running tight.

MR. ROSENTHAL: We'll address in the post-hearing.

MS. MCNAMARA: That'd be great. Thank you. And if you could just briefly describe what's going on with demand. We heard in the opening remarks of Ms. Smith that there's some potential that demand is decreasing. Is that your experience?

MR. CAUDLE: Would you be more -- I did not totally understand the question, Ms. McNamara. Please, would you restate it, please? I'm sorry.

MS. MCNAMARA: Well, in the remarks, if I understood them, there was some discussion about, that we should not attribute some decrease in demand to subject imports. Is it your experience that there is a decrease in demand? Or just generally, what's going on with demand in the PTY market?

MR. CAUDLE: Is your question related, on a global basis? Or just here in the United States?

MS. MCNAMARA: Here in the United States would be great place to start.

MR. CAUDLE: Based on the data that we see here in the United States, we would say that the market is growing at a very marginal rate.

MR. FREEMAN: John Freeman, Nan Ya Plastics. We would agree with that sentiment. We believe we have been, and during this period, we have actually seen an improving economy with more consumer spending. And there can be variations within certain end uses. But we agree that we have seen a small improvement year on year on the demand.

MS. MCNAMARA: Okay, and in the post-conference brief, if you could also address any of the arguments that the respondent parties made, particularly, it sounds like they're going to make some arguments about different markets, if you could address that in the post-conference, I'd appreciate it. And I believe that that is it for me, but thank you all very much.

MS. JOHNSON: This is Jane Johnson with Unifi. We mentioned a lot of markets that we're in, but we're also in bedding and medical and curtains and, you know, I don't think that just the few that we've named here today, polyester's in everything, so we have a lot of pocketbooks, accessories, so our market is the same market, you know, as it is globally. We produce for all of those markets, not just the few that we mentioned today -- mattresses --

MS. MCNAMARA: Thank you. Any information on that that you can include about the markets you serve and the trends in the demand, that would be very helpful. Thanks very much.

MS. CHRIST: Thank you. Now, we'll turn to the economists. We'll start with Greg Taylor.

MR. TAYLOR: As mentioned earlier, thank you for participating and answering our questions. My first question starts with Mr. Cole. You indicated--this is more of a clarification question--you indicated, you went into polypropylene and nylon-type yarns, was that due to the fact that China and India imports those particular types of material or types of yarns? Or were you just trying to give us an example of different types of yarn?

MR. COLE: We were just trying to give you an example of different types of yarn.

MR. TAYLOR: Okay. And it seems like across the board, like everyone says that the yarn from the subject imports or from the domestic production comes from, it's interchangeable. But let's talk about the market segmentation. Because Ms. Smith indicated that, you know, it's based on end use.

Would you say that from your company perspective, that are you going after the same customers as far as the end use basis, currently, and then what you could do like in the future, but what are you doing currently? Is it the same customer base that you're after? And that can be Mr. Freeman or Mr. Cole.

MR. COLE: This is Tim Cole with Unifi and I believe Mr. Freeman will share that we are competitors and we do go after the same customers. And we're seeing the same thing where we are both losing share to imports.

MR. FREEMAN: John Freeman, Nan Ya Plastics. We go after all end uses that can potentially use the product that we're producing. So we have -- there's not one end use that we don't have a product available to service that market.

MR. TAYLOR: Correct, I understand that, but it's more of other subject imports going after this segment of the market that you're not currently in, and you're trying to go after it as well, or is it really just everyone's just going after all the particular market that you can possibly go after. Is it really segmented or not?

MR. FREEMAN: We see the subject imports in all of the markets, all of the end uses that we compete in.

MR. TAYLOR: And then --

MR. ROSENTHAL: Mr. Taylor, excuse me -- Paul Rosenthal. I just wanna add, all those lost sales that we have in the petition examples are obviously examples where we're competing against imports for those customers. And it's more lost sales than most cases that I see.

MR. TAYLOR: And then, Mr. Freeman, you indicated quality several times. Is there, in your mind, does the domestic industry, or even your firm, does it have a better quality than the subject imports that come in? Or is it basically the same product?

MR. FREEMAN: We're always proud of what we produce as far as quality. But there is a tremendous substitutability on this product. And there can be similar performances from the imports and the domestic.

MR. CAUDLE: Mr. Taylor, if I might comment on that. This is Tom Caudle with Unifi. We are very proud of our quality as well, as John said about Nan Ya Plastics. We are, as domestic producers, at least from Unifi's perspective, it's not only quality, but it's service. It's credibility.

We stand behind our product if there's a problem and give technical support. And we do think we are substantially head-and-shoulders above imports in that regard. It does add cost to our product, but we do continually support our customers with innovation in all aspects of the business in which they operate.

MR. ROSENTHAL: But that's not enough. What the customers want, and they assume equal or comparable quality, what they want is lower price for the products that they're getting. We're not aware of quality complaints about the imports or vice versa. I mean it's not being sold -- these products are not being sold on quality. They're being sold on price.

MR. TAYLOR: So, a customer could say you know a less quality product coming from a specific country because it has a lower price they just prefer that.

MR. ROSENTHAL: We're not aware of anyone saying that it's a lesser quality product. I think --

MR. TAYLOR: I'm just giving an example.

MR. ROSENTHAL: Well, yes, but I've heard that in other case. At least based on the opening by

Respondents' counsel, I didn't hear that argument being made. What we hear and what our clients hear -- I should say hear is that the quality of the imports is sufficient and your quality is sufficient. Now what's the price going to be.

MR. TAYLOR: And then, Mr. Caudle, you mentioned that you try to provide better service and et cetera. Does that help with any of the -- because it's all point-to-sale. You know made on order. Does it help elongate any of the contracts where you have a longer contract compared to a short-term contract? Does that service help you guys at all?

MR. CAUDLE: We do have contracts -- but with specific customers and specific end uses. That is not the majority of our business and it's not the portion of that our business that normally we compete on the prices -- unfair prices that we've talked about here from China and India today.

MR. TAYLOR: And then from the capital expenditure perspective, I know it's a capital-intensive business. I mean as far as the technology and innovation you're applying how is that different than China? Is it because they have the subsidy they're able to you know lower their prices a lot further for both of you -- the subject import and domestic industry is buying the same capital-intensive equipment or is it really the subsidy that's providing them the ability to lower their price?

MR. CAUDLE: The capital investment for us is because we pride ourselves in being innovators in the industry. We work with our customers trying to develop products which differentiate them from just a lot of the standard products that we compete with. I think that McNamara or someone referred to them as shelf items products, which is a high percentage of our business. We do have stock items, but the other side of that coin from a capital standpoint to develop these products and be market leaders it requires capital to be able to stay in front of the curve and to keep our customers so competitive so that they can go to the market with products that the consumer will pay for and that costs money. But there is a desperate need on our part for a base business to be able to compete and sell product, to run our factories, to cover the overheads, to justify the capital investments to continue to be market leaders in this industry.

MS. CANNON: Mr. Taylor, this is Katy Cannon. I think you were trying to compare our machinery and the foreign producers' machinery and the capital-intensive compared.

MR. TAYLOR: Yes.

MS. CANNON: So basically, as our testimony was the machinery is the same. You're looking at the same types of texturing machines in the United States and abroad and the same incentives apply. Just as we have to try to run our machines 24/7 because that's the nature of the productions because it's capital intensive it makes efficient, so too do the foreign producers. And that's what's given them the incentive to maximize running those machines and getting out as much product as they can. And when they don't have an outlet for it overseas in their home markets, as they don't, they export it here at whatever price they can get.

So, the incentive that's driving us to try to keep our machines running and keep our workers is employed is driving them as well, but it's driving them to export more product and that's why we're seeing these import increase that we have suffered.

MR. TAYLOR: Okay. And then Ms. Cannon, since you just finished giving your answer, on Slide 8, you're basically indicating that it's not that the -- because someone indicated that demand is increasing at a marginal rate, but we're losing basically market share. But you were saying it's solely due to the price, not because demand is increasing. It's just the price is decreasing even though demand is increasing as well.

MS. CANNON: Correct. Yes, we are absolutely losing the market share because whether demand is up or down. And over this period it seems to have been relatively stable, but we are losing that market share you are seeing in Slide 8 definitely because of price.

MR. ROSENTHAL: And I would just add, whether the market is up or down the subject imports are getting a larger share of it. And it's not like the domestic industry couldn't supply all of that share that the subject imports got and a lot more.

MR. TAYLOR: And just going to Slide 11, Ms. Cannon, so you show the increase in unit -- cost of goods sales over net sales. Is that solely due the increase in raw material?

MS. CANNON: Yes. There's largely because of raw material cost increases that we can explain further in confidence in our brief.

MR. TAYLOR: Okay.

MS. CANNON: But yes, as the costs increase, the key point of Slide 11 was our prices have not been able to keep pace with them because of the pricing pressure we face by the underselling imports.

MR. TAYLOR: Okay, so it's underselling and raw materials.

MR. BISHOP: We will now stand in recess until immediately following the vote. Thank you.

MS. CHRIST: We can resume staff questions. I believe we left off with the economist Greg.

MR. TAYLOR: This is basically -- can all parties basically elaborate a little bit more on their cost of goods sold in the post-conference brief? I appreciate it.

MS. CHRIST: Thank you. We'll now to turn to Amelia Preece, who is also an economist.

MS. PREECE: Oh thank you very much. This is a very interesting case. So Unica, is that the name of your firm? I can't remember. Well anyway, okay. That guy.

MR. CAUDLE: It's Unifi.

MS. PREECE: Unifi, okay. So Unifi, you create the polyester fiber like this from what -- and then you produce this through the texturizing process, right? So that's your production process basically, right?

MR. CAUDLE: Yes ma'am.

MS. PREECE: Do you ever buy the fibers, this kind of fiber?

MR. CAUDLE: We do as well.

MS. PREECE: Okay, so you do both ways?

MR. CAUDLE: We do both.

MS. PREECE: Okay, and Nan Ya produces PET resin, and so that's their -- do you -- do the rest of the industry, I'm just trying to figure out what's going on in the rest of the industry? Is the rest of the industry typically producing from PET resin chips, or are they producing mainly from this or are they like Nan Ya, an integrated producer from PET resin?

MR. ROSENTHAL: I just want to clarify, Ms. Preece, that earlier there was a question about how integrated are the companies, and I think the answer is that they all begin at the PET resin chip phase, and are all integrated. Big POI and then the final textured product. Some of them buy some raw materials; some as you heard buy and sell POI. But they all are -- start from the melting stage.

MS. PREECE: Okay, so all start from melting stage. So if we were to use --

MR. ROSENTHAL: These two companies.

MS. PREECE: These two companies. And other companies, do they -- is that -- I know we've certainly had some, but I'm just still trying to figure out that. Is that true of other companies? You must know what your competitors are doing basically?

MR. FREEMAN: John Freeman, Nan Ya Plastics. There can be variations. Different companies can do different things. As you stated correctly, we produce the PET and then we produce that input POI, partially orange yarn.

MS. PREECE: And you sell that, and then you sell this?

MR. FREEMAN: Then we further process the POI into PTY, and that's where we're adding the bulk that Mr. Cole talked about, that process. However, there are customers that make the PTY that will simply buy the POI input.

MS. PREECE: Okay, okay, okay. So I don't think that there's any publicly available POY price data, or is there? I mean not necessarily private and public --

MR. FREEMAN: John Freeman, Nan Ya Plastics. There are consulting indexes that report their perception of the market price of POI domestically.

MS. PREECE: Okay. Well then I'd like to, for the report, to have a -- some information about that, the basic how that has changed over the period, as well as the PET resin prices, so that we can just look at those two imports.

We've talked about a number of end uses, and I'd just like to get an idea of what kind of share goes of this PET, P-T-Y, PET, P-T-Y, okay. What share of the PTY -- it all goes to basically textiles, or is there anything else that goes into that's not a textile textile like --

MR. ROSENTHAL: When you say "textiles," do you mean clothing textiles?

MS. PREECE: No, no, no, no. A textile would be used in home furnishings and automobiles. But I'm just wondering that somebody, you know, they take this and I put it in a pillow or something like that, where it's not a textile in any woven or -- it's just a bulk.

MR. COLE: This is Tim Cole with Unifi. We do have customers who will use it in such simple things as roofing products, substrate for roofing products, substrate for duct tape. So there are --

MS. PREECE: Non-textile.

MR. COLE: --light industrial applications, yes.

MS. PREECE: Okay, and can you give me just a basic idea of what share is used in textiles versus others? You know, is it five percent or is it more or less?

MR. MANGALDAS: Good morning, this is Sohan Mangaldas with Unifi. If you look at the U.S. textile industry, it's a very seasoned industry and in fact on the PTY side, majority, I would say 90 plus percent is for -- I would say 95 plus percent is for textile applications, and in terms of end uses, I mean it is a well developed industry where apparel, furnishings, automotive play a significant role as the major route to this PTY within the U.S. domestic market.

MS. PREECE: Okay, those are the major ones.

MR. MANGALDAS: Followed by industrials.

There's going to be apparel, industrial, furnishings and automotive.

MS. PREECE: Okay. Can you give me any, you know, is it like 20 percent for those three each, 20-25 percent? I mean I'm just trying to sort of get an idea of where the demand is.

MR. MANGALDAS: Within the domestic market, I would say apparel and furnishings, I mean sorry apparel and industrial will be the majority, and in terms of details, we'll be more than happy to share it in the brief.

MS. PREECE: Okay, okay, and industrial includes what?

MR. MANGALDAS: Okay. Industrial has many branches. Could be substrate fabrics, roofing, duct tape, boat covers. I mean yeah. I mean the list goes on and on for industrial.

MS. PREECE: Okay, great. So that's helpful. That's very helpful. Thank you very much, and if you can do it in your brief, just give us some idea. And also if there's anything that -- I mean in some products it's -- you know, demand is driven by building numbers or buildings or something like that.

Well I mean is there any thing you look at to sort of look at, think oh, demand is increasing because people are buying new houses and therefore they need new furniture, and the furniture they're going to have, the yarn used in the fabric in the furniture? I mean I don't know what are demand leaders, but if you have any ideas of what we could look at to be leaders of demand or backgrounds to demand, that would be really helpful.

MR. MANGALDAS: Sure. I mean in terms of apparel, the apparel retail sales is a good leading indicator. In terms of furnishings, the home starts, both brand new buildings and new homes sold.

MS. PREECE: Okay, okay.

MR. MANGALDAS: Automotive also, we do track in terms of automotive production and automotive sales in the U.S. So these are the three leading indicators for those three segments.

MS. PREECE: Okay great, and dyeing, one more thing. Do we have -- can you provide in your brief some idea of how the percentage of the cost that's added by dyeing in -- dyed in the wool. I mean, you know, that's basically what we're talking about identifying.

MR. COLE: This is Tim Cole. We'll provide some typical costs for both the solution dyed and package dyed. But I just want to call out that it is a very small percentage of our business that is sold dyed.

MS. PREECE: Okay. Then maybe you can give us more information about percent is sold dyed.

MR. COLE: We will do that as well.

MS. PREECE: Thank you so much. Thank you. You've been very helpful and I appreciate your time in coming here. So I have no more questions.

MS. CHRIST: Thank you. We'll now turn to the auditor, Dave Boyland.

MR. BOYLAND: Good morning. Thank you for your testimony. I've sent the company specific follow-up questions, BPI. I appreciate your time considering those, and typically by the time the questioning gets to me, most of my questions have been asked. But I do have a few questions.

One question was about the capacity, and you referenced the idling of the texturing part. With respect to the remelt or the melting phase, are those -- is that equipment being idled as well or is it just easier to sort of get those in sync?

MR. CAUDLE: This is Tom Caudle with Unifi. In our specific business and our spinning capacity for POY, we normally run our POY full or close to full capacity. But our DTY is where we have much more capacity, and we are running at substantially lower than capacity rates.

MR. BOYLAND: Okay, and DTY, the acronym there.

MR. CAUDLE: It's PTY, excuse me.

MR. BOYLAND: Okay, I'm sorry. PTY, all right.

MR. CAUDLE: Sorry.

MR. ROSENTHAL: I just -- I want to make sure that everyone's understanding your question. You're asking whether or not the melting phase is really where the capacity constraints lie, or whether it's at the texturing machine? Is that the capacity --

MR. BOYLAND: That's part of it. I guess it was a more general question, that it sounded like the testimony was referring to the texturing part as being sort of the area that was really being impacted, and I guess it's just more for general understanding.

It sounded like the melting part really didn't have -- it wasn't this one off type of problem. It was maybe easier to synchronize the melting with whatever downstream. So you're not running the remelt 24-7. I mean is it more of a campaign type, you know, you produce X. That's what's used and --

MR. FREEMAN: As far as the PET resin, that eventually would become POY and then PTY. When we have PTY capacity down, then we have lower demand to produce the POI. At the same time, our PET production actually is continuous, 24-7, 365. When it's also a very capital-intensive business depending on capacity utilization.

We also sell that PET to the outside market as well. So that's the, you know, when we do not have PTY production, it really impacts where we run that PET as far as POI --

MR. BOYLAND: So it's going to impact the upstream operations as well as the actual PTY production, okay. With respect the recycling, Mr. Caudle you referenced that I believe specifically, as a product, that you actually produce PTY from recycled?

MR. CAUDLE: Hi, this is Tom Caudle with Unifi. I did sir.

MR. BOYLAND: And Nan Ya. Does Nan Ya actually have that sort of same, you know, recycled product?

MR. FREEMAN: John Freeman, Nan Ya Plastics. We do not internally in Lake City produce recycled PET.

MR. BOYLAND: But do you actually use recycled?

MR. FREEMAN: We purchase it. John Freeman, Nan Ya Plastics. We have -- on our PTY production, we have -- it's been a very small percent for us whenever we have gotten done PCR and we have purchased it from the outside, post-consumer resin recycled.

MR. BOYLAND: And this is more just a general question too. The two don't mix. I mean in other words you have the virgin PET and then you have the recycled. Is there -- can you actually combine the two, or is it pretty much separate screens?

MR. COLE: This is Tim Cole with Unifi. Let me try to address that. I mean you could mix the chips from virgin with the chips in recycle into the extruder. It would not be a problem. We typically have not because, as you've seen, we try to market a recycled product and if we were mixing those, it would dilute the message.

Unifi has more DTY capacity than POI capacity, and we -- because we have typically been a large purchaser of POI as well, it's very, very high capital for POI assets. So we did not want to have too much of those assets. But still even that, with that said, the DTY assets are also very capital intensive.

MR. ROSENTHAL: Again, the DTY is the same as the PTY, just to clear --

MR. BOYLAND: Sorry.

MR. ROSENTHAL: -- they use the term --

MR. BOYLAND: Yeah, I'm wondering if I'm hearing that correctly.

MR. CAUDLE: No, it's polyester --

MR. ROSENTHAL: And I'm worried about the transcript, too. So I just wanna --

MR. BOYLAND: PTY, yes. Okay. And I know Courtney and there have been other questions about raw material, and I think some of my follow-up questions were kind of relevant to that as well, but the sales price itself does not have an index specific that you're passing through the raw material cost directly; is that correct?

MR. FREEMAN: John Freeman, Nan Ya Plastics. In PTY business, there's more spot business as we testified earlier versus actual contracts that are tied to a raw material movement. In our case, Nan Ya's, our business is basely on spot. We're negotiating for a certain time period and then coming back and redoing that business, versus a formula price that's following the movements.

MR. BOYLAND: So some formula, but for the most part, spot?

MR. FREEMAN: In the industry, that's -- I would agree with that.

MR. BOYLAND: And for your company as well, is that --

MR. FREEMAN: For our company, we're vast majority spot.

MR. BOYLAND: And Unifi? How would that be?

MR. CAUDLE: Hi, this is Tom Caudle with Unifi. The majority of our business is spot as well in the PTY. But again, I wanna reiterate this point. There is not a market that we participate in that is not impacted by the lower costs of these imported products. And we discussed this here today, and although I stated earlier that the market is stable or growing slightly, our particular market share in all these segments has been shrinking because of imports.

MR. BOYLAND: Okay.

MR. FREEMAN: John Freeman, Nan Ya Plastics. I would like to add when raw materials do go up, our costs increase on our PTY products. We issue price increase letters to our customers and we push for these price increases. And our issue is we get again confronted with the low price of the subject imports and we're not able to fully capture the raw material movements and then we lost margin and such.

MR. BOYLAND: The respondents' counsel in our opening statement referenced lower raw material costs in Asia as being kind of an explanation. What's your position on that? Is raw material cheaper in Asia? Versus the U.S.? And if so, why?

MR. ROSENTHAL: I'll let the factual answer come from the members of the industry in one second. But I will say that from our point of view, and I would argue, the Commission's point of view, that's irrelevant to -- if there's selling underneath the domestic industry's prices, and they're found by the Commerce Department to be dumping or being subsidized, that's where the raw material price difference, if there is any, will come into play. Commerce will decide whether lower prices are due to dumping or subsidies and not the raw material costs may or may not have a role to play there.

MR. BOYLAND: Fair enough. Thank you. I guess, would the industry like to comment on that? I mean is that something that --

MR. CAUDLE: I would like to make a further comment about the pricing of the products in question. Over the past, most recent period, we've seen significant increases in the polyester raw material pricing. When we go to the market and try to get increases to, say, even with the pricing, the common theme in the marketplace is, "We're not gonna give you a price increase on these products because the import prices are not moving."

And consequently, if raw materials go down, they always, they argue the other thing, "Well, import prices are dropping more substantially than what yours are, so you're noncompetitive." And we constantly are standing assets, idling assets, laying off people and being damaged because of the prices in question.

MR. MANGALDAS: This is Sohan Mangaldas with Unifi. I just wanted to add to one comment and back of Tom is that directionally, the raw material prices in the United States and China and India moves exactly the same, but I want to itemized that when, even with raw material movement in India and China, their PTY prices do not move up or down. So that itself gives us even an additional pressure on the margins, where globally prices of raw materials has gone up, but on the PTY side, it never goes up.

MR. BOYLAND: Thank you. With respect to the marketing of PTY, do the companies have their own sales force? Or are sales through independent sales agents? How does the sales process work?

MR. FREEMAN: John Freeman, Nan Ya Plastics. For PTY sales, we have our own dedicated sales people that handle those accounts, as well as, I believe I mentioned earlier, we have sold some PTY through distributors in the past, but it's been a smaller percent of what we do. The vast majority of our sales are by our own sales force.

MR. BOYLAND: Okay, thank you.

MR. CAUDLE: Hi, this is Tom Caudle, Unifi. For the vast majority of our products, we do have direct sales people on staff. There may be someone in a very remote area of the country that we might use an agent, but it's a very minute percentage of our business.

MR. BOYLAND: So, for the most part, it would be--

MR. CAUDLE: It's all direct. And handled by us.

MR. BOYLAND: And with regard to the technical support and service, would those sales people be the same people providing that technical service? Or do you have your own engineering department?

MR. FREEMAN: John Freeman, Nan Ya Plastics. We generally have a sales person and a technical service representative assigned to the customer, so they have two points of contact.

MR. BOYLAND: Okay.

MR. CAUDLE: Tom Caudle, Unifi. And we are very similar. We have both sales and technical service.

MR. BOYLAND: Okay. And this is sort of just a question--I couldn't ask it directly, it's BPI--but with respect to where those costs are actually being reported, could each company look at their P&L and in post-hearing just indicate, is this an SG&A expense, in terms of the--I'm assuming, selling is not gonna be included in COGS--but for this technical service and support, if you could indicate where that's showing up. Is it SG&A or somewhere else? Thank you.

MR. CAUDLE: Yes, sir.

MR. BOYLAND: Thank you. We talked about raw material, but energy and the manufacturing process. Is there a predominant form of energy here? Natural gas, electricity? Which one?

MR. CAUDLE: For Unifi--this is Tom Caudle with Unifi. We're predominantly electric in almost all of our operations.

MR. BOYLAND: And are electricity prices for you then fairly stable?

MR. CAUDLE: They are escalating, but relatively stable in the regions where we operate.

MR. BOYLAND: Okay. Thank you.

MR. FREEMAN: John Freeman, Nan Ya Plastics. If possible, I will put that in the post-hearing brief.

MR. BOYLAND: Yes, sir. Yeah, that'd be great. Where does the company keep its inventory? Is it onsite? Or do you have offsite warehousing as well?

MR. FREEMAN: John Freeman, Nan Ya Plastics. For our PTY production, the product that we produce, we have onsite warehousing in our facility in Lake City, South Carolina. So that is where our inventory is held.

MR. BOYLAND: Gotcha. And is it shipped to the customer by truck? Or -- I mean, is that the predominant --

MR. FREEMAN: John Freeman, Nan Ya Plastics. Yes, we're shipping the product via trucking.

MR. BOYLAND: Okay.

MR. CAUDLE: Tom Caudle, Unifi. For us, the majority of inventory is kept onsite and we do ship by truck as well.

MR. BOYLAND: By truck? Okay. Some of the testimony referred to small orders versus large orders. I think it was in the context of coloring and how that kind of played a role in whether or not it would be a large volume, small volume, and the way the color was actually introduced. But as a general matter, has the company shifted to smaller orders over time during the period?

MR. CAUDLE: Tom Caudle, Unifi. I would -- we definitely are seeing the order patterns and order sizes decrease in size over time.

MR. BOYLAND: Okay. So for the period, we're looking at -- you know, we start in 2015 and we're ending in interim 2018, the share of the large-volume orders is declining?

MR. CAUDLE: I would think the, the data would indicate that.

MR. BOYLAND: Okay. And for Nan Ya?

MR. FREEMAN: John Freeman, Nan Ya Plastics. I would basically concur with that. The shift over time. We have probably seen -- we have seen our average sale unit decrease during this period of investigation.

MR. BOYLAND: And what you produce to stock, in other words the things that are -- you're just producing it based on expected demand, has that changed at all? I mean, what, as the share of total production? Has that gone down or --

MR. FREEMAN: John Freeman, Nan Ya Plastics. As far as what we produce for inventory, we have a comfortability and we have several outlets. That's really been fairly consistent for us over this time period.

MR. BOYLAND: Okay. And, this isn't meant to be a leading question, but to the extent that you've gone from larger volume order sizes to smaller, how has that impacted your COGS? I mean I'm assuming the larger volume would be, you know, just simply more efficient, you know, you're not --

MR. FREEMAN: John Freeman, Nan Ya Plastics. We can still be having a longer run and then we put that product in inventory and then we sell it in a smaller quantity out to customers, so there's really no increased costs as our order quantities sometimes get more lower.

MR. BOYLAND: Okay. And I guess I was sort of maybe talking about the subset of sales that involve a specific order for a specific product. Not the actual invoice, okay, we're sending out X, the actual order from a customer that, "I want this particular type of product," the volumes itself, the volumes of those types of specific orders.

MR. COLE: This is Tim Cole with Unifi. I think what we've seen in the industry, certainly because a fair amount of our business is automotive and their drive towards just-in-time and low inventories, means that many times they make more small quantity orders as opposed to one large order.

In a way, they are trying to--we assume--conserve capital or cash and so, we try to manage it by forecasting what their need is and try to balance our run like to what's economical, but it does mean that in some cases, we do have to maintain inventories based on those forecasts because their order length and frequency has changed.

MR. BOYLAND: Gotcha. So you're anticipating it? It's a specific order, but your own forecasts are gonna tell you, "We need to have this"?

MR. COLE: That's correct.

MR. BOYLAND: But in terms of the impact on costs shifting from, you know --

MR. COLE: It doesn't impact manufacturing costs as much as it impacts cash.

MR. BOYLAND: Gotcha. Okay. Okay. My final question. Regarding the two companies that closed, they closed prior to the period that we're looking at?

MR. ROSENTHAL: We'll get you more detail, but at least one of them, I think both of them may have closed in the period of investigation. One this past year and one earlier in the POI.

MR. BOYLAND: Okay.

MR. ROSENTHAL: One of them didn't close completely. They just closed one of their facilities on the West Coast.

MR. KERWIN: This is Michael Kerwin, Georgetown Economics. They both closed in 2017.

MR. BOYLAND: 2017?

MR. KERWIN: Yeah.

MR. BOYLAND: Okay. I don't know to what extent you could provide more information on that, or you maybe already have, but I think that would be useful for us to, you know, have a sense of why they closed. Obviously, when --

MR. ROSENTHAL: We will get you what we can. Now, we've given you what we had up until now. But I'm hopeful that you'll get some information directly from those companies.

MR. BOYLAND: Yes. That's the ideal.

MR. KERWIN: We have searched the internet and there's not a lot of public information out there. But hopefully through the questionnaire process, we can get some more information.

MR. BOYLAND: Okay. I appreciate your time. Thank you.

MS. CHRIST: If we took some of the questions prior, you had a long list to start out with, I must say. You probably took all of -- all of Mary's. We'll see. Maybe she started with a long list. So we'll turn now to Mary Roop from the industry.

MS. ROOP: Thank you. I do just have a few final questions hopefully.

MR. ROSENTHAL: That's what Mr. Boyland said.

MS. ROOP: So I have a question about the machinery that's used, both for the extrusion process and then the drawing and texturing. Have you noticed any advancements in the technology in the machinery that allows companies to switch between nylon, polypropylene, any other materials and then may also be able to draw and texture another material?

MR. COLE: This is Tim Cole with Unifi and I'll try to address that question in a couple of layers. Today, texturing machines for nylon are specific to nylon. If you order a new machine, you specify the fiber you want to produce. Texturing of polypropylene, you would order a similar, but it's also, again, a different machine.

And we have tried running polypropylene on some of our machines to see if that was a market. They will not run well on our machines, because they are not of the type that we would buy if we really were getting into that business.

As far as advancements in technology, there have been some. In some places regards, we have spent capital, upgraded our machines to keep up, and we routinely, we'll run trial machines from equipment suppliers to measure those advancements so that we could, obviously before we make a capital investment, if they claim better energy efficiency, higher speeds, we try to substantiate that. But the basic technology for texturing has not had significant changes in the last twenty years.

MS. ROOP: Thank you.

MR. COLE: If I may add to that point, in some regards the technology has actually digressed since we invested in our PTY capabilities. When we built our Yadkinville complex, we were -- it was highly automated, state-of-the-art and it still continues to be.

Specifically, in China and India, the machinery manufacturers changed the machines, not to be automated, more spinals per square footage, and were designed to mass produce specific products to come and compete in this market on much lower prices. So, there is no way for us, as an industry, to automate our way out of this problem to compete with these low prices. I'd like to make that point.

MS. ROOP: My follow-up question is regarding some of the characteristics you -- or I guess one specific characteristic you listed as a result of the texturing process, which is tenacity. And in the HTS -- I don't know if the attorneys are familiar with it -- there's a separate tariff line for high tenacity polyester textured yarn and I was wondering if you could explain to me what that high tenacity is. You know I have the HTS definition, but in layman's terms or I guess or professionals or industry professional terms so I could understand.

MR. COLE: So, tenacity is a measure of how much force it takes to break divided by, more or less, the thickness or mass of the yarn. To try to make it relative is you change the denures up and down. Typically, a high tenacity fiber would have a tenacity above 7.0 and our PTY is normally below that range. High tenacity yarns are produced on a different machine and they are what we often refer to as flat yarns because when you draw the yarn -- to draw the raw fiber to get to that tenacity usually you're not -- you would impede it by putting bulk in that yarn.

And so, the high tenacity fibers are what you often see used in your air bags, in your tire cords where it's all about strength and not about -- nobody's touching those products. It's not about feel.

MS. ROOP: So, I just want to clarify then, while the petition does say that there's no limit to the denure under the scope of the yarn, but it sounds like high tenacity yarn does have a threshold.

MR. COLE: There are high tenacity yarns in the lower denures that we produce. They are more predominate in the higher venues.

MS. ROOP: Okay.

MR. COLE: But once again, you wouldn't produce a high tenancy yarn on the same machine and you wouldn't interchange them in the applications.

MS. ROOP: Okay. Do you know are there ASTM standards for the high tenacity or I guess non-high tenacity yarns?

MR. COLE: There's an ASTM standard for the test method. I don't think it differentiates into the market.

MS. ROOP: Okay, great.

MR. ROSENTHAL: But we did clarify in working with Commerce on the scope of the investigation that we are not including high tenacity yarns.

MS. ROOP: Thank you. That's actually all I had to ask.

MS. CHRIST: Alright, thank you very much. We'll go ahead and turn to the supervising investigator, Elizabeth Haines.

MS. HAINES: Hi, I have one question. Could you either now or in your brief just address which dataset you think is best for imports.

MS. CANNON: Yes, Ms. Haines, at this point we believe the official import statistics are best because the import data is not nearly comprehensive enough. And as I mentioned, we believe the HTS codes are synonymous with the scope of the case.

MS. HAINES: Okay. And then one other question, if this was asked when I was out of the room, I apologize. But in their opening statement Ms. Smith made note that there's very little overlap in different segments with the domestic product. Would you care to address that?

MR. ROSENTHAL: We will, in summary form, say we -- or I should say the U.S. companies here are competing against the Respondent witnesses' product offerings and the wide variety of applications and customers. The lost sales information you'll see and plus the other information on the record that you will have will show that they're directly competing against the Respondent witnesses today in sales and in every application you could imagine. And I think you heard the witnesses testify earlier that there's nothing that the foreign producers make or sell that the domestic industry does not make and sell.

MS. CANNON: I would also add that we were discussing this based on the testimony we hear this morning. And basically, Nan Ya and Unifi said we're not only capable of selling products in every market segment and selling across the board for every end use that's out there, but where we're not -- where you don't see us it's because we haven't been able to compete with the process of the imports, not because we can't make the product or don't try to sell to that particular end use application.

MR. ROSENTHAL: I would argue too, based on what we've heard from members of the domestic industry, what's actually being sold in the U.S. by the importers from China and India is a subset of what the domestic industry makes and is capable of selling. They tend to sell the higher volume, higher, more commodity-type products, which obviously hurts the domestic industry because it's taking important volume out. But they're not selling things that are not made by the domestic industry.

MS. HAINES: Okay, thank you. That's all my questions. Thanks.

MS. CHRIST: Alright, thank you. Before we move on actually there's one more question.

MR. BOYLAND: One additional question and you may address this in the follow-up questions I had specific to the companies, but general, could you describe whether or not there have been changes in the product mix? In other words, we're calculating an average value based on total revenue and total volume. Obviously, this product includes a lot of different items, but within each year, period-to-period, was there a notable shift is what was being sold such that that average is going to be affected?

MR. FREEMAN: We will answer that post-hearing brief.

MR. BOYLAND: Thank you.

MR. MAUGALDAS: Yes, over the period of investigation there is a change in the product mix, but that is the -- yes, I mean -- okay.

MR. BOYLAND: In your post-hearing, could you just maybe provide a general description of how the product mix changed?

MR. MAUGALDAS: Alright.

MR. BOYLAND: Thank you.

MR. MAUGALDAS: Alright, thank you.

MS. MCNAMARA: Could you all discuss a little bit non-subject imports in the market and do they compete, are they in the same segments? If you could just discuss that briefly, I'd appreciate that.

MS. CANNON: I can start. So, in our petition -- I think it's Exhibit Gen-6. There is a table that shows and breaks out all of the other import sources. Most of those, as I mentioned, have been declining over the period of investigation. The only other sort of significant source that you see on that table is Mexico and we talked about Mexico yesterday.

One thing you will see on that table is the average unit values of the Mexican product are very high and we said is this indicative of product difference or is this indicative of a price difference and what we heard was this is price. We are not seeing problems -- pricing problems in imports from Mexico. They're not even anywhere like what we're seeing with China and India. And so, that was why Mexico was not anywhere considered to be a target for this trade action because they are not -- the pricing problem we're not seeing that in the market and the other import volumes tend to be going down, so that why we think non-subject imports really are not a factor in the market that's attributing to these problems that you're seeing the industry has suffered.

MR. ROSENTHAL: I have what I hope will not be considered a gibe answer. And that is if we thought they were a problem they would be subject imports. Seriously, as we look at these cases and evaluate who's causing import-related injury, who's underselling, who is causing prices to decline or not rise as raw material costs rise, we evaluate these and talking to the industry. And they tell us, you know what, yeah there are imports from Mexico on the marketplace and they're benign and we can't -- we don't see any reason to go after them and the same has been true with respect to the other non-subject imports.

And if you don't mind, I'll take this opportunity to expand on an answer again that I gave to Commissioner Schmidtlein in response to a question about why didn't the domestic Common Aluminum Alloy Sheet file a case against imports sooner. And I told her there were a lot of different considerations during the course of that industry's history that caused them not to file when they might've earlier. And without violating any attorney/client privilege, I told Commissioner Schmidtlein how a case had been contemplated previously, but for a variety of reasons not brought.

I will tell you now because we talked about this yesterday. We looked at a case for this industry, Unifi, 12 years ago and we had concluded that we would be likely to prove import injury as a result of the imports a long time ago, but the industry decided not to bring it because the determination was we were unlikely to get the high enough dumping margins at that time in order to make a filing of the case justify the legal fees involved.

We often don't talk about this at the Commission and you probably don't know what goes on behind the scenes in these considerations, but the cost benefit ratio for an injured industry is a pretty important factor in what to do. So, if I were king and they had unlimited money, we would've filed a case in 2006. That didn't happen. The result was the industry has a thousand fewer employees. Their base is much smaller and they managed to have their net operating profit to sales ratio be at respectable levels, at least entering the period of investigation here.

I would argue that they've been injured

throughout and even though their net operating profit to sales ratio are higher than you might see in other instances all those employees who lost their jobs and all the plant line closings were in dicta of injury. But you look at a snapshot that begins at your normal period of investigation and you see, oh, they have reasonable net operating profits to sales ratios.

Bottom line here is that when they are evaluating a case they're not going to go after and we're not going to advise them to go after what are now non-subject imports because they don't have a basis to believe that they're being dumped or subsidized.

MS. MCNAMARA: If the industry witnesses if you could just confirm that this is your experience and particularly, you've testified about the price transparency. Can you let me know and explain a little bit how non-subject imports might come into play there with the price transparency and the discussions you have with your customers?

MR. FREEMAN: Correct. We have active price discussions with our customers on our PTY business and we are given different price points from different countries that export to the U.S. And in our experience, by far, the subject countries in this case, India and China, are at a lower point than the other countries based on our current conversations and that's why we are here today with our subject countries as India and China, as these countries -- these low prices that we're continuing to battle and have, as we've testified, lose margins, lose sales, or et cetera.

MS. MCNAMARA: Thank you.

MR. COLE: On a significantly majority, I would say on almost all when we're out trying to compete and gain business to run our assets the prices we're competing with are constantly quoted as being from India and from China.

MS. MCNAMARA: Thank you. That's all I have.

MS. CHRIST: I'll do a quick scan. Are there any follow-up question? No? Okay, so I'll just take a quick moment and share your pain or your relief that all the questions that I had in the margins. I just have one follow-up question. You mentioned that one of the reasons that there are smaller volumes are to serve customers that request just-in-time service. If you could just explain how the demand for smaller packages from just-in-time service requirements for customers, like your automotive, how are imports able to compete for those customers if they're coming in, as you mentioned, with higher volume commodity type? How is that marketing and competition going on?

MR. FREEMAN: There are certain distributors that have warehousing at their disposal. So, they will bring in the product in large quantities, container quantities and then they'll store it in their warehouse and then they will meet the customer's lower volume needs, when required.

MS. CHRIST: Alright, that's all I had, so I would just say that before we move to the next panel, if you don't mind, we could take a quick 10-minute break and then stretch your legs and met you back here. Thank you.

(Whereupon a brief recess was taken to reconvene this same day.)

MS. CHRIST: Hello? Thank you. Alright, welcome back. Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Madam Chairman, I would note that the Panel In Opposition To The Imposition of The Antidumping and Countervailing Duty Orders have been seated. This panel has 60 minutes for their direct testimony.

MS. CHRIST: Thank you. Welcome, very much, for coming. Please begin when you're ready.

MS. SMITH: This is Kristen Smith from Sandler, Travis. Today our testimony before you will be brief. We're still going through all the data that was released yesterday, but we'll provide more detail in our postconference brief.

Today, Talvinder Soor with Fils Promptex Yarns is here to testify based upon his long-standing experience in the industry. Mr. Soor is really an expert on this industry, having been in it for over 40 years. In his testimony today he'll explain to you the different market segments that he serves, production differences between the U.S. and the subject countries, and also the impact of raw material costs in the end products on the market.

So now I'll turn things over to Mr. Soor.

STATEMENT OF TAVINDER SOOR

MR. SOOR: Good morning. My name is Talvinder Soor. I'm the President of Fils Promptex Yarns, Inc. I thank the ITC for the opportunity to testify today.

I have been in the textile and yarn industry for over 40 years. I opened my first yarn business in 1984. At one point, I was even a distributor for Unifi from 1997 to 2003, and have sold Nan Ya's polyester yarn indirectly also.

As one of the largest yarn importers into the United States, I've been very surprised to hear about this case because we do not compete with Petitioners. My business is very different than the Petitioners who focus on automotive specialty yarns, performance, and other brand names, which is a recycled product.

I focus on the low-end yarn which could include food packing industry, medical, industrial apparel, and mattress ticking. These are very different markets. I serve two primary types of markets. One market includes products such as elastics, pipe coverings, and industrial usage. Here, because the final product is not visible, there is less care about the appearance of the product. This means that issues such as dye consistency are not important. For industries such as elastic, pipe coverings and industrial usage, specifications tend not to be as restrictive. There is more flexibility in the specs of the yarn and the dye is not as important.

This is because dye consistency is not critical in products such as elastics, cords, and piping. What is more important is that the price for the good makes sense for its intended use. If the price is too high, the customer will simply import the finished product.

The second market includes products such as apparel and mattress ticking. Here my customers face pricing caps based on the final cost of the product. If the raw material costs are too high, they will simply import the final product from a third country.

A good example of this is many of my customers, such as mattress fabric manufacturers, are facing limited pricing flexibility in their products.

Petitioners makes specialty yarns. Specialty yarns tend to be made using shorter production runs to meet very specific requirements of high-performance industries. Unifi, for example, makes yarns--for example, makes yarn that is used for performance wear. Nan Ya serves the automotive market. Each of these markets is very highly specialized and not markets in which we sell to.

Yarn for automotive purpose is a very good example. The yarn must be manufactured with extremely precise specifications. The consistency must be hundred percent. Even a single package could be an issue. Any fallout could result in expensive plant closures. This is a product that must be domestically produced. It would be impossible to bring--it would be impossible to quickly address issues in a timely fashion, considering our time on the ocean is alone 35 days. It's virtually impossible for an importer to work with these tight specifications.

If at all, there is some yarn which is very, very small brought for automotive, I think it is very insignificant quantity.

Specialty yarn is also a higher margin product. This is because of the industry it serves such as automotive and branded markets. These industries pay a higher value due to the product requirement that must be met.

The domestic industry also serves companies seeking to meet CAFTA requirements that imports simply cannot--that cannot serve this market.

Manufacturing costs for my clients is not flexible. When you look at the yarn industry, you cannot look at it without looking at the end products. Yarn products have pricing limits. If prices are too high, companies will simply import the final products into the U.S. What this means is significant loss of important manufacturing jobs in the U.S.A. There will not be more sales in the U.S.

The key to my success is my business partnerships. I do not buy all my products from one company or one country. I know who is the best supplier for a particular product and denier, and I buy that from them.

My customers know and trust that they will get the best quality and value for the products that I sell. To ensure I can efficiently serve my customers, I limit my business to about 25 to 30 SKUs. This is very different from Unifi who, it is my understanding, has multiple times of SKUs and short runs.

Because of the limited SKUs that I sell, I am able to maintain inventories to serve my customers within two to three days. My customers like the reliability of my timely supply. This is different from Petitioners who may take significantly longer if the yarn is not in stock.

Any injury that the domestic industry faces are from their own business practices. The Petitioners' efficiencies differs from India and China's producers. And India and China producers have new cost productive plants.

The new plants are more efficient, more cost productive, than the domestic industry's.

The domestic industry established many of these plants in 1980 with minor investments to renovate them or to keep them up to date. Indian manufacturers and Chinese manufacturers have mainly opened all their facilities in 2000 and plus after--2000 and after. And they have kept themselves up-to-date with manufacturing processes.

The Chinese and Indian manufacturers that I import from are vertically integrated, producing the raw material into the yarn, making them more cost effective. This is very different from Nan Ya and Unifi. Unifi purchases its chips and POY from Nan Ya, a company that's about 182 miles away.

This business structure increases costs for the domestic industry. This makes sense when you account for Nan Ya's and Unifi's individual profits, overhead, transportation costs, et cetera. This is in addition to U.S. raw materials, including PTA and MEG, which are already higher in the U.S.A. than in Asia.

The success of the domestic industry is affected by external factors. For instance, the domestic industry is tied directly to crude oil prices in most cases. Moreover, Nan Ya is highly reliant on sales to the automotive industry. As a result, Nan Ya is impacted by downturn in the industry.

Business models from Petitioners differ significantly from Indian and Chinese producers.

Indian and Chinese producers run continuous lines of production and maintain inventories of limited SKUs that they produce. Unifi, by contrast, produces short production runs of large number of SKUs.

Significant marketing expenses are used for Unifi's significant brands, such as their Reprieve line and others. My customers simply will not pay these unnecessary marketing expenses. The margins for their end products will not allow it.

Currently the domestic industry is limited by the number of machines that texturize the yarn. This means that should all imports leave the U.S. market, the domestic industry would not be able to meet the demand in the United States.

Our business sells to companies not served by the domestic industry. In fact, when our customers heard of this case, many of them were surprised. Nan Ya had never even approached them to sell yarn. And this is not one customer. I can bring you a list for 30 to 50 customers, whether it's Nan Ya or Nan Ya's distributor. So I don't even know why Nan Ya is here in this Petition.

This is not surprising, because Nan Ya with only 14 texturizing machines, focuses on automotive and specialty markets. Nan Ya's primary business is chips and POY, fiber and non-texturized yarn. It is also important to remember that demand is directly tied to end use industry. If there is a decline in automotive industry, there will also be a decline in the need for the yarns for the industry. It is well known that there has been a significant decline in apparel and textile industries since 2003 onward.

With hundreds and hundreds of knitters and weavers closing, why? Because they cannot compete with the final fabric, or whether it is garments, or, you know, any final product. This continues even until today. This year, Alice recently closed because they cannot compete with imported fabric. Copeland Fabrics has also announced this week that in December 21st will be their last day of working.

I would also like to add to one of the questions, why Sarla closed. Sarla closed because the gentleman was from an Indian origin. The gentleman was not capable of marketing or producing products for U.S. industry. He thought that bring business in U.S. it would be the same as way of doing businesses in India.

In India you can sell anything and everything. You can produce second quality, third quality, and it will sell. I can bring you letters from at least 20 customers where he went and he sampled the yarn, and he never delivered them.

He went and he took the order and did not deliver them. He matched--he was basically mostly in color yarn than in natural yarn. And today this whole thing we are talking about is natural yarn--"natural" meaning, you know, raw. And his motto was--the model, he was going to base was to sell yarn for sewing threads and things like that. He was going to compete with Omara. Omara is also another textualizer in U.S.A. He could not compete. He did not pay--he changed salesmen every second, third month. He even hired people where he did not pay them. That's why he closed.

I'm surprised that the Petitioners, they did not know about all these facts. CS America, on the other hand, is competing with Unifi. They make their own--they were trying to make specialty yarns, which Unifi also makes. They were trying to produce more of a nylon yarn for the L.A. industry, California industry. They could not compete with Supona and with Unifi.

They were themselves an importer of PTY yarn, Polyester Textured Yarn. They have imported many, many containers and have competed against Promptex. So when they decided to shift their machineries--this is to the best of my knowledge; I'm not going to wall for it, because I'm in Canada so I don't know everything that's going on, but they moved those machineries from L.A. to the Carolinas, because the Carolinas have a better market than L.A.

It would not have been possible for him to sell yarn from L.A. and sell it into the Carolinas, because the transport costs would be very high. You know, you can't sell with those people.

Thirdly, after hearing the cost--I just want to give you an example, because you touched some topics that were filaments and all that--in the Far East today from China, and can get better yarn than anybody else can make, let's say from 75 denier, 36 filament, to 75-72, which is considered to be micro. We did an additional cost for about 3 to 4 cents, 5 cents per pound maximum, whereas Unifi and Nan Ya will probably charge about 30 to 50 cents a pound for that, 30 to 40 cents.

Akra was mentioned earlier. Akra is a company which is based in Mexico. And I just want to give you my insight about it. If at the end China and India was to be abandoned, or they will have a higher duty that they will become incompetitive, the only person who will win in this will be Akra. Not me. Not Unifi. And not Nan Ya.

Because I just want to give you an example. Let's say today I bring some yarn which is worth $2. Nan Ya has to sell that yarn for $2.60. But Mexico will be able to sell it for $2.10 or $2.15, or $2.20. And Unifi will be the same. They will need to sell that yarn for $2.40.

So at the end of the day what will happen? Unifi or Nan Ya will not get anything out of this. Promptex will lose its sales. Akra will gain its sales. And the worst thing is that the consumers in U.S.A. will pay higher for that product because of the additional cost that Mexico has, because they are also not--you know, they have also not upgraded their machinery and investments like the Chinese and the Indians have done it.

So, yes, there is no doubt it's true that they are cheap, but they are also not dumping. I have checked with them. They sell equal prices. The only thing that they get is 2 percent subsidy, India. I don't know about China. Only China--I mean India gets only 2 percent subsidy for export. That's the government rebate that they get.

Other than that, it is just basically on cost effective and, you know, where I sell the yarn. We don't compete against--against Unifi and Nan Ya. We can't. It's virtually not possible. So I thank you for the opportunity to speak to you today. I welcome any questions that you may have.

Thank you so much.

MS. CHRIST: Thank you very much for coming out and sharing your information with us. Now I will turn to staff questions, and we'll go with the same order. We'll start with Kristina Lara, Investigator.

MS. LARA: Thank you for coming down here today. Also with just some follow-up questions based on your testimony. So you mentioned that your company sells very different products than the Petitioners. Is that -- would you say that's also the case for other importers of this product, or are you only speaking on behalf of your company?

MR. SOOR: I cannot say anything about my competitors.

MS. LARA: Okay, and then I just wanted to clarify if I understood correctly when you mentioned that Nan Ya's highly dependent on the automotive industry and you said they're facing a downturn. So are you saying that the automotive industry is -- there's less demand in the automotive industry currently or --

MS. SMITH: So I think that I can answer. So really for the products that Mr. Soor's importing and also the domestic industry, the pricing of the product is really impacted a lot by that final end product. So for example, apparel. There's a certain price that apparel or fabric can be sold in the United States.

If it gets above a certain price point, what's going to happen is either the U.S. companies are going to just import that final product into the United States, and so that's what we're seeing. We're seeing a lot of fabric or garments coming into the United States, and as Mr. Soor testified, a lot of the plants in the U.S. are closing.

So really what's going to happen if they can't get that product, they'll import it and the end users will close and just go to other countries. So really no one will benefit in that type of situation.

MS. LARA: Okay, and I had a few questions for the Petitioners about the dyeing process, and they had mentioned that the majority of what they sell is not dyed. Is that also the case for imports? Are you seeing that?

MR. SOOR: Yes ma'am. We do bring dyed yarn, but I think it's probably really less a half a percent of my volume. It's very insignificant, not even probably .1 percent. It's just basically a service to a customer.

MS. LARA: Okay, and based on your observations from the Chinese and Indian producers, if they want -- if customers here want very specialized orders or small batches, are they able to respond with that, you know, level of customization and with the same lead times as the U.S. producers?

MR. SOOR: No. Benefit is specialized and normally, you know, they can produce -- the local producers can produce it very fast, you know. You can turn around within two-three weeks. In my case, if I want to bring it here, I will have to air freight. Air freight is probably three times the -- you know, just the cost of the air freight is probably three times the cost of the yarn. So it will not work.

MS. SMITH: And this is Kristen Smith from Sandler, Travis. One thing that in preparing for the hearing, we talked about for example for the automotive, and you asked about sort of just-in-time production. One issue for importers is for those types of industries. So high margin industries that need very specific specifications, an issue that importers have is they have those long lead times.

So they can't immediately jump in and fix a problem if there's an issue. It would take, as Mr. Soor was saying, 35 days for the product to get here to the United States. His clients tend to focus and customers often on, as he mentioned, product that doesn't need to be as specified. So for example coverings for pipe.

That's something that you don't see, and so appearance of the product isn't as important. So the specifications can be broader to meet those types of products. That's a lot of what is coming in with the imported product.

MS. LARA: And then you spoke a lot about how China and India, their machinery or their investments are just more technologically advanced. I was hoping, and maybe you can do this in the post-conference, if you'd just expand on that, give some more detail of where the cost or where the efficiencies are coming from. Is it the technology itself? Are they just more integrated? Just any further detail would be helpful.

MR. SOOR: Well, it's more recent technology, you know. Like they have auto backing, the speed of the machine is very high. The fallouts are very low. So you know, you could probably have 50 percent more productivity per capita per unit.

MS. SMITH: And this is Kristen Smith from Sandler Travis. We'll address this more in our post-conference brief. But also as Petitioners also acknowledge that, you know, the imported products. So China, for example, they tend to run fewer SKUs, and so it's a continuous operation rather than starting and stopping for some of the smaller runs that the domestic industry has.

But we'll provide more detail in our post-conference brief. Also integration is important, because these companies are fully integrated. So different from Unifi, they don't need to rely on another company for some of the raw materials and have those mark-ups in the product. But we'll provide more detail in our briefing.

MS. LARA: Okay, and as you can see in our questionnaires that we've tried to capture the different types of polyester, textured yarn. We have lustered, denier and the shape of the fibers. So we were just kind of wondering if you guys think there's any other type of -- type we should be tracking, where maybe you're seeing a very different type in the subject countries versus what the U.S. produces.

MR. SOOR: Well, 99 percent of my business is also semi-dull yarn.

MS. LARA: Semi-dull?

MR. SOOR: It's call semi-dull.

MS. LARA: Okay, and do you guys agree with the Petitioners on the proposed definition of domestic like product?

MS. SMITH: We don't object at the moment, but we reserve the right to address that in our case briefs.

MS. LARA: And other than I think the three countries that the Petitioners mentioned, are you aware of any third market countervailing duty or anti-dumping duty orders related to polyester textured yarn?

MS. SMITH: This is Kristen Smith from Sandler Travis. Not in addition to what they had mentioned.

MS. LARA: Okay, and then my last question is do you know if the Indian or Chinese producers offer technical support or guarantee of their products?

MR. SOOR: Not really. I mean it's what we know. That's why we bring mostly non-critical, you know, which doesn't have much of an issue. So no, we don't offer that.

MS. LARA: Okay, great. Thank you.

MS. CHRIST: Thank you. We'll now turn to the attorney, Courtney McNamara.

MS. McNAMARA: Thank you. I want to thank you also for coming today. It's always helpful to have the information that you give to us. I do have a couple of questions I'm going to direct to the attorney, so but feel free to jump in if you have anything to add. The first one is do you have any thoughts on the definition of the domestic industry? Do you -- and if you do, could you elaborate?

MS. SMITH: We'll address that in our post-conference brief.

MS. McNAMARA: Thank you. Do you agree with the Petitioners that the captive production -- provision applies here?

MS. SMITH: At the moment, we don't disagree, but we'll address that in our brief.

MS. McNAMARA: Thank you. Do you agree that the subject -- that the imports from subject sources should be cumulated, or do you plan to challenge cumulation here?

MS. SMITH: As of right now, no.

MS. McNAMARA: So I want to touch base a little bit now on what you talked about. If I understood, you were saying that you were -- the product that you import is not the specialty product. Is that something that is your experience or as far as you know, the general kind of nature of the imports as a whole, or is that just -- or are you just speaking to your own experience?

MR. SOOR: Well that's the just business model that I have, you know. We like to sell a product that we have multiple customers on, and not bring into specialty yarns much because, you know, imagine something goes wrong. Then when we buy, we already -- we prepay for the yarn before we get it. We prepay. So it would be very hard to collect the money from the suppliers. We try to sell a commodity item.

MS. McNAMARA: In your experience, is there -- we heard the Petitioners today testify that there's some price transparency in the market. Is that your experience as well, where people generally know what the other -- what the prices for products from different sources are?

MR. SOOR: Could you repeat your question? I don't understand please.

MS. McNAMARA: So in the Petitioners panel, they talked about how there's some transparency with respect to the prices in the market from different sources. Is that your experience as well? Do you have a general sense of what the prices are from the different sources as you're selling in that market?

MS. SMITH: And so do you mean like do they know their competitor pricing?

MS. McNAMARA: Yes.

(Off mic comments.)

MR. SOOR: Oh no, not at all. I do my own business.

MS. McNAMARA: How important would you say price is in purchasing decisions?

MR. SOOR: How important is it, the pricing from purchasers' point of view?

MS. McNAMARA: Yes, yes, yes.

MR. SOOR: Very important.

MS. SMITH: And there are -- this is Kristen Smith from Sandler Travis. You know, it's important to keep in mind the type of businesses as we were talking, the final end product. If the price is too high, then the end product will simply be imported.

MS. McNAMARA: What non-price factors would you say go into purchasing decisions of your product?

MR. SOOR: Actually, the market. You know, I'm awake all night. I work until two o'clock at night, trying to find out what's going on in the world, and what the raw materials are doing and what each country is doing. So Mrs. Laura know, I replied her emails at 12:30 at night. It's my daily routine, you know.

MS. McNAMARA: So what -- and in your clearly extensive research, what factors other than price? You've already said price is very important. What other factors go into the purchasers' decision?

MR. SOOR: I make sure that I'm working with a good company that's reliable, that gives proper service and, you know, that at least I should know somebody. I go and visit them. I go and see their machinery. I see what kind of, you know, plant they have and then I start working with them.

MS. McNAMARA: And is that -- would say that's what your customers look for as well?

MR. SOOR: Yes. My customer demand that, you know, they want the right product. Obviously nobody wants a problem, right? So they want to make sure if they're depending on me, that they're getting the right product.

MS. SMITH: And this is Kristen Smith from Sandler Travis. One thing also that Mr. Soor had mentioned was because he has limited SKUs and limited products that he sells, he has a quick turnaround time. So you're able to provide product quickly to your customers.

MR. SOOR: Yeah.

MS. McNAMARA: In terms of the volume of subject imports, we heard the Petitioners suggest that we look at the HTS categories. Do you agree that that's the appropriate data source?

MS. SMITH: Yes, we agree.

MS. McNAMARA: In your testimony, you discuss a little bit about how apparel and I believe demand for automotive are decreasing. Is that -- are those markets that you sell to?

MR. SOOR: No. I see that the market, you know, decreases in automotive sector, so obviously that's when the Petitioner's machinery stops, because they depend heavily on it. But when it comes to garments, if we cannot meet the price point and, you know, let's say my customer has to knit and dye and then sell it to people who are going to make garments, if they can't meet the price point, then obviously the stores will go and buy the import -- they will import the final products, you know. They'll bring all the tee shirts, whatever have you.

MS. McNAMARA: Right. But the demand for that end use product, the demand for the apparel, I thought I heard you say that you thought that there was a decrease in that demand? Is that your testimony?

MR. SOOR: Yes. The demand is decreasing yes, overall, because of the fabrics. See the culprit here is not the yarn from India and China. The culprit here is the fabric is coming in so cheap that my knitters and weavers, they can't compete.

MS. McNAMARA: Okay. So I'm sorry. I'm just trying to understand just demand for the -- if I understand what you're saying, is that the demand for the end use products is decreasing. Is that what you're saying?

MR. SOOR: Yes, it is decreasing.

MS. McNAMARA: So then -- so the demand overall for the apparel is decreasing?

MR. SOOR: That's right.

MS. McNAMARA: And is that a market you sell to?

MR. SOOR: Yes, I sell -- yes, to some.

MS. McNAMARA: So you sell to apparel?

MR. SOOR: Yeah.

MS. McNAMARA: And so your experience is the apparel market is decreasing?

MR. SOOR: Yes.

MS. McNAMARA: And but you don't sell to the automotive market?

MR. SOOR: No, I don't sell to the automotive market.

MS. McNAMARA: What about the home furnishing market? Do you sell to the home furnishing market?

MR. SOOR: Yes, I do.

MS. McNAMARA: And what would you say demand is doing in the home furnishing market?

MR. SOOR: Well, it's the same. It's very up and down right now.

MS. McNAMARA: So it kind of is fluctuating? That's been your experience over the past few years?

MR. SOOR: Yes.

MS. McNAMARA: Okay. So and I'll address this probably more towards Ms. Smith, but if the contention is that the decrease in demand is part of what's causing injury, how do you reconcile that with the point that Mr. Rosenthal I believe made, was that subject imports are gaining market share? So if you can address that in the post-conference brief, that is --

You know, if they're gaining share, it's regardless of what demand's doing, if that's the case, then if you could address that.

MS. SMITH: We'll address that in our brief.

MS. McNAMARA: Thank you. So what would you expect demand to be in the markets that you sell to? So the apparel markets and the home furnishing markets. What do you have -- do you have a sense of what the future demand might look like there?

MR. SOOR: It's very hard to predict, you know. Again, there are so many other cases that are going on. It depends on whether people are going to start bringing the final products or not. You know, I only sell fabric. Let's say you are selling fabrics to who are making curtains or making mattresses.

But it depends. If the mattresses start coming at much cheaper rate, then my demand will go up. But if there is any hiccups, then obviously I'll have a high demand.

MS. McNAMARA: Okay.

MR. SOOR: Yeah.

MS. McNAMARA: So I just want to make sure that I'm understanding what markets you serve. So you serve the apparel market. You serve the home furnishing markets, and then how else would you characterize the other markets that you sell to?

MR. SOOR: Medical, you know, food packaging, medical, industrials.

MS. McNAMARA: And what --

MR. SOOR: Elastics.

MS. McNAMARA: What would you say -- how would you say demand looks there?

MR. SOOR: It's seasonal, but it's I think quite stable.

MS. McNAMARA: When you say "seasonal," what do you mean? Can you elaborate on that? What do you mean by seasonal?

MR. SOOR: Yes, I'll tell you. So let's say the food packaging. They start getting themselves -- the production starts getting themselves together in July, because all the meat products that have to be sold for Christmas or for Thanksgiving. So there's a big demand. As soon as Christmas is over, the demand is slower.

MS. McNAMARA: Okay, and I believe that the question was asked to the Petitioners' panel to kind of break down and break out what, what say percentages of end uses their products go into. If in the post-conference brief you could do that as well, that would be helpful.

MR. SOOR: Okay.

MS. McNAMARA: Thank you. If I understood your testimony, you said that you buy from all the -- from not just China and India, but from other sources as well. Can you give us any information about the non-subject imports?

MR. SOOR: You want to know the name of the countries?

MS. McNAMARA: Sure. That would be helpful. How they compete, what your experience is with non-subject imports.

MR. SOOR: Yeah. We buy yarn from Indonesia, we buy yarn from Thailand, we buy yarn from Taiwan.

MS. McNAMARA: And how would you say those compared to the imports from China and India?

MR. SOOR: You mean the price-wise, or you're talking about the volume-wise?

MS. McNAMARA: We can start with price.

MR. SOOR: Well the price is, you know, in Indonesia is higher, but that is because of their labor rates. Their labor rates are much higher than in India, and their electricity is very high.

MS. McNAMARA: And does that tend to be with the other countries that you mentioned, that they tend to be higher priced?

MR. SOOR: Yes. Well obviously you know, Taiwan, it's like almost they pay very close to what North America pays to their workers.

MS. McNAMARA: Now in terms of the products, are they interchangeable in your experience?

MR. SOOR: Yes, to a certain degree.

MS. McNAMARA: What would limit that interchangeability?

MR. SOOR: You know, it's more for apparel, that is interchangeable. But some of these countries, you know, I was surprised myself. I'll be honest with you, is that let's say you've got a product which is a food grade from a Country X.

That doesn't mean you will get the same -- the product may be the same, but they don't have the certificates to certify it, that it is good for food products. You know, so you have other complications. The dye bleeding.

MS. McNAMARA: So the interchangeability might be what the end user goes to?

MR. SOOR: Yes, that's right.

MS. McNAMARA: Okay, and so certain countries, in your experience, will produce products for certain end uses and that's what determines whether they're interchangeable? So you might use one country for the food or you might use another country for apparel? Is that -- am I understanding?

MR. SOOR: Exactly, yes, yes, yes. You're 100 percent right.

MS. McNAMARA: Thank you.

(Pause.)

MS. McNAMARA: Okay, in the post-conference brief, if you could be sure to address the factors that the Commission traditionally considers with respect to threat as well, that would be great. And that's all I have for now. Thank you very much.

MS. CHRIST: Thank you. Now we'll turn to Greg Taylor.

MR. TAYLOR: The products that you keep

referring to yarn. As you referring to -- just for clarification, are you referring to the POI, or are you referring to the PYT, PTY excuse me?

(Off mic comments.)

MR. SOOR: Yes.

MR. TAYLOR: Okay, and then you indicated that Petitioners basically have highly specialized, extremely precise specifications and they go after like the high margin market. But then you indicated also that China's machinery is newer, it can produce more, it's faster, it's more innovative. So by having newer equipment, are they able to replicate what the U.S. is producing?

MR. SOOR: Well you see like I said to you also, I said you could have one package which is bad, you know, and that would -- it would -- it will mess up a whole lot of production.

So yes, it's possible to get after them, but imagine something goes wrong and the consequences are very, very, big. You can't afford to have a Ford company or a GM company stop because of, you know, your yarn was bad. Whereas the local people, they can rectify it in case there are any problems.

MR. TAYLOR: So, the sole reason that they wouldn't enter these high quality markets is because of -- actually mishaps.

MR. SOOR: Secondly, the automotive sectors they have specs which are very tight, but like I also said in my testimony that we carry fewer SKUs. So, let's say a Chinese mill it may be five times bigger than the size of Unifi, but they're only going to produce those 30 items and that's it. They're not going to produce a 30 plus item.

MR. TAYLOR: And that's actually my second question, talking about the SKUs. You mentioned that China and India have fewer SKUs and they run longer, but the Petitioners' SKUs run shorter. Can you elaborate like how does that affect cost? If my SKUs are running -- if I have more SKUs and they're running at shorter time periods how would that affect the cost of my product compared to the subject country where they have smaller number of SKUs and they running for longer periods of time, if I'm understanding that correct?

MR. SOOR: Is your question how come the smaller SKUs have higher costs? Is that your question, sir?

MR. TAYLOR: No, I would imagine that the smaller SKUs have lower costs because they run longer and you get more economy to scale. But I was thinking that can you elaborate from your perspective and your experience how does the subject countries smaller number of SKUs provide for a lower cost compared to the U.S. industry.

MS. SMITH: We can address this in our

post-conference brief.

MR. TAYLOR: Okay. Do you understand the question?

MS. SMITH: Yes. So, you're asking us in China, for example, there are fewer SKUs that runs continuously, so it's less expensive versus short runs in the U.S. of many different SKUs.

MR. TAYLOR: But more specifically, how does it affect the cost?

MS. SMITH: How does that affect the?

MR. TAYLOR: Yes, the cost for the target sale.

MS. SMITH: Okay.

MR. SOOR: Let's say you were to run one product every day, so you set up your machinery and it takes two hours to set up. So, if I have to let's say produce something that is day in/day out for months, the cost per unit will be very less versus a smaller SKU you would first need to stop the machine. You take out all your POY yarn or you have to change the setting. You have to let the machine -- make sure that it's set up at the right temperature. There may be some adjustments to be made. So obviously, there's so much up and down time that's why the smaller SKUs take longer time.

And also, the POY that comes before texturing it is also very time-consuming because it may not be the same thing.

MR. TAYLOR: Okay. And you're referring to the Petitioner that's saying they have to constantly do short runs and stop and start and stop and start their manufacturing complexes?

MR. SOOR: Yes, sir.

MR. TAYLOR: Alright, also you indicated that you compete in the apparel, food packaging, mattress knitting and the medical fields and these are some of the same fields that the Petitioners are saying they compete in as well even though you indicate that you have a lower quality and you can't meet the specifications for these particular industries. So, you are competing in the same markets as they are.

MR. SOOR: I don't understand your question, sir. I'm sorry.

MR. TAYLOR: No, no, you're fine. I'll repeat it. You indicated that you compete in the food packaging, the mattress knitting, elastic pipe covering, and the medical fields. Correct? But also, the Petitioners indicated they compete in those same fields as well.

MR. SOOR: I don't know. I don't know, sir.

MR. TAYLOR: Okay, thank you. And you also mentioned something about the U.S. they're inputs are more energy based. Can you elaborate on that?

MR. SOOR: What?

MR. TAYLOR: The U.S. inputs are more energy based. You said that the domestic industry is tied to like energy based.

MS. SMITH: I think he was talking about the cost of the raw materials.

MR. TAYLOR: And then how is that different from --

MR. SOOR: -- Well the raw material are always more expensive here. Let's say like the Petitioner says these products are made from PTA and MEG. MEG today is trading today at a much higher value than it's trading in the Far East. It's been for years. Always there's a gap.

MR. TAYLOR: And the subject countries where are they making theirs from?

MR. SOOR: It's probably -- I would imagine -- this is my feeling. Number one, it is very monopolized here. You know there is only, to the best of my knowledge in USA I think Nan Ya is the far the biggest one to produce MEG and PTA which comes from either Mexico or other places they know that there's only so much of demand, so they always keep a higher margin and they sell it at higher prices.

You know it's like -- I don't know. One is buying a thousand. The other guy is selling maybe millions of it, so it's so much of a difference -- big difference.

MR. TAYLOR: That's all I have.

MS. CHRIST: Thank you. We'll move onto Amelia Preece also.

MS. PREECE: Thank you. It's always good to have both sides appear so that we can ask questions and understand the market better. You were talking about specialty yarns. What share do you think of the demand for this product is in those specialty yarns and what share is in the kinds of yarns that the 25 SKUs that you normally sell overall for the whole market, if you have any idea.

MR. SOOR: No, I don't, ma'am. Sorry, I don't know the share.

MS. PREECE: Okay. And just one more question, how quickly -- you're saying that if they cannot purchase the product -- the yarn at a low enough price they will then shift to purchasing the downstream product instead and importing that. How long would it take for a firm to shift from producing it themselves using your yarn to importing it? How long would that adjustment take?

MR. SOOR: Eight weeks.

MS. PREECE: Eight weeks.

MR. SOOR: In eight weeks we can bring the yarn.

MS. PREECE: Thank you very much. That's it for me.

MS. SMITH: I'm not sure he understood the question. You were how long it takes you to bring the yarn in.

MR. SOOR: Yes.

MS. SMITH: We can address that in our post-conference brief.

MS. PREECE: Okay, if you would that would be very helpful.

MS. CHRIST: Thank you. And we'll turn to David Boyland.

MR. BOYLAND: Good afternoon and thank you for your testimony. Kind of along the same lines the shift if the price of the yarn is too expensive people just shift to buying the final product. Has that actually occurred in your experience that you've actually seen that actually happening, that customers -- downstream customers are easily shifting.

MR. SOOR: Is your question is if I can't meet the price, then --

MR. BOYLAND: In that scenario, I guess you sort of set it up as this can happen. I guess my question is has it happened?

MR. SOOR: Yes, many, many times.

MR. BOYLAND: It has?

MR. SOOR: Oh, yes.

MR. BOYLAND: In any particular industry?

MR. SOOR: In all industries, all industries. This is the best we can afford to pay. So sometimes you even have to change the supplier. You know get samples and get it approved. This is my job. Every day I do this; that I keep on changing suppliers between one to the other.

MR. BOYLAND: Okay.

MR. SOOR: Or we try, at least.

MR. BOYLAND: But again, the question was sort of has it actually -- I mean there actually have been customers who have said, look, the yarn's too expensive. I'm just going to buy the final product, the end product.

MS. SMITH: So, yes.

MR. BOYLAND: The answer is yes.

MR. SOOR: Yes.

MS. SMITH: We can address it more in the post-conference brief, but as Mr. Soor was talking about, for example, with the fabric industry, we've seen hundreds and hundreds of companies closing and then there are some fabric producers because they cannot get the yarn that they need. In fact, we talked about one that's closing in December and one that recently closed this year, so that's an example of a need to rely on the imported product.

MR. BOYLAND: Thank you very much. I have no further questions.

MS. CHRIST: Thank you. We'll now move onto Mary Roop.

MS. ROOP: I just want to, I think, clarify something that we've brought up a lot and just the difference between the specialty yarn and what you're importing. If we had an example of the two yarns, side-by-side, would their manufacturing process be any different? Inherently, are they any different?

MR. SOOR: Okay, if you look at the yarn they may look all the same. I mean even to me as much as I know about yarn or anybody else who knows yarn. But it's how many entanglements it has. You know whether it has a torque or the dyeability is a very big thing, especially, in the automotive industry or any other specialty places, wherever it goes. Yes, there is a lot of difference, but to look at it, no, you might not see any difference.

MS. ROOP: A lot of the differences come from end market industry, the SKUs, the reliability.

MR. SOOR: Yes, the quality. See, let me explain to you in the knitting. In a knitting machine you have 96 feeders. There are 96 bobbins that go into make one yarn. All you need is one yarn, which is bad -- only one. The whole fabric is very bad. So, what you have done you have now all the yarn -- you know whatever you have paid for the yarn is all damaged. The knitting, dyeing, finishing, everything is gone back only because of one bobbin.

MS. ROOP: But that's in apparel.

MR. SOOR: Yes, that's in apparel and also, for in automotive sector.

MS. ROOP: Which is an industry you sell to and it also has a visual. People see it. It's not like a wire cover that isn't seen, so it does need that level of quality.

MR. SOOR: Exactly.

MS. ROOP: Okay. But it's just easier to replace a shirt as opposed something that goes into the auto industry.

MR. SOOR: Auto industry, sheeting industry, you know for argument's sake. You know bed sheets you could have one bobbin and you could have 10,000 yards of bad fabric -- one bobbin.

MS. ROOP: Okay. Are you also importing any partially oriented yarn?

MR. SOOR: Partially oriented yarn? Yes, we do, but not from these two countries.

MS. ROOP: Okay, great. Those are all my questions.

MS. CHRIST: Thank you very much. We'll turn now to Elizabeth Haines.

MS. HAINES: Thank you. I have a question. The seasonality of the food packaging that you talked about can you help me understand what type of food packaging is it that you're talking about?

MR. SOOR: You know when you buy ham or chicken or turkey and all that it's put in a bag, so that's the kind of netting that they make out of that.

MS. HAINES: Okay. And then the medical what end product is the medical? Is it the masks that they use?

MR. SOOR: That's one of them where you know the place where my yarn goes. Yes, it's in the mask. You know the elastic that goes and then there is -- when you look at that mask itself, I don't know what is in the center, but on the bottle is a piece of fabric and that's very narrow or you got gauges. You know gauges? You get hurt. You get blood, so that's it. I mean there is a slightly -- yarn which is defective you don't see it as long as the performance is there and as long as it has been proven that medically it's okay, meaning there's no harmful substance in it.

MS. HAINES: Well, which was my follow-up question because you had sort of indicated that that was sort of the lower end of the market, but food and medical is often at the higher end of the market.

MR. SOOR: Yes, you are absolutely right. It is low end, but also it is high end. Yes. So, to get your first approval it's very high end, but then once you have it then it's okay.

MS. HAINES: Okay. And then also for Ms. Smith, either now or in your brief, could you address which dataset you feel is more comprehensive for imports?

MS. SMITH: We'll address that in our post-conference brief.

MS. HAINES: Okay. That's all I have. Thank you very much.

MS. CHRIST: Thank you. I'll just do a quick scan and see if anybody has any other follow-up questions. Alright, thank you.

I do have a couple. I think I want to go back to -- you've talked a bit about the tighter specifications that are required by certain markets and we've focused a little bit on the automotive. The most I've heard is what I would say if you think it's a defect rates, right? And is that sort of what you mean when you talk about tight specifications for automotive? Is it mostly the defect rate of the yarn? Like you said one little bundle it's a small amount, but it will send -- everything that comes out of it has to be thrown away. Is that what you mean by very tight specifications?

MR. SOOR: Yes, yes, yes.

MS. CHRIST: Are there any other tight

specifications, other than what may be considered defect rates, that would be attributed to this category that you call tight specification or extremely high spec requirements?

MR. SOOR: Well, there are only two. One has to be the run ability and then secondly it has to perform well.

MS. CHRIST: You just mentioned in response to Ms. Haines' question that once you get first approval it's a difficult leap and then after that -- what kind of approval are you talking about? Is it the customer's certification or is there some other entity that's approving it?

MR. SOOR: Yes. I give it to my customer. It's my customer who tells me I have to get it approved from the people who are using it in the medical end use, so I don't know what they do it after, but sometimes we wait for a year.

MS. CHRIST: Okay, so you send your products to the customers and they then get it certified, but you're not sure whether it's their own internal process or if it's an external entity that certifies it.

MR. SOOR: It is external. Let's say I sell it to a guy who manufacturers those masks like you're telling me. You know the rubber masks. He manufactures it, but then he has to sell it somewhere. So wherever he sells it, whether it's hospitals -- I don't know where he markets it.

But wherever he sells it he has to get it approved. That means they have to look at it from -- I think they sell it to a medical whether any substance can harm your eyes or your nose or skin. You know it could be anything.

MS. CHRIST: So, the downstream producers would take a look at that?

MR. SOOR: Yes, exactly. Like I told you, we've waited up to a year sometimes.

MS. CHRIST: Thank you very much. That's all the questions I have. And I do want to reiterate everybody's appreciation that you've come down and provided us with your knowledge of the industry. I will probably be looking at the outlines of every medical mask on every movie that I see going forward.

With that, I would like to thank all the witnesses for their testimonies. And Mr. Secretary, let's proceed to the rebuttal and closing remarks.

MR. BURCH: Closing and rebuttal remarks of those in support of the imposition will be given by Paul C. Rosenthal of Kelly Drye & Warren. Mr. Rosenthal, you have 10 minutes.

CLOSING STATEMENT OF PAUL C. ROSENTHAL

MR. ROSENTHAL: Paul Rosenthal in rebuttal. I won't take all the 10 minutes. I actually would like to say we agree with much of the previous witness's testimony.

He affirmed in many different ways and many different responses to questions the importance of price in this industry. While a number of the arguments made by the Respondents are legally irrelevant, such as the effect of higher prices in this product on the downstream industries, by noting or claiming that these customers would go overseas rather than pay higher prices, all it does is affirm how crucial it is that they get the prices they want or need in order to, in their view, be competitive with other products.

That is why, when Mr. Soor offers lower price to the purchasers that the domestic industry is trying to get business from, it's very hard to compete. One of the other irrelevant arguments, but in a way supportive of our point, is that the claim that the Chinese or Indian costs are below those of the domestic industry.

As I mentioned earlier in response to a question, that's a Commerce decision whether there's a truly lower cost, or they're driven by dumping or subsidies. The point is the prices being offered are lower, and the domestic industry has to compete against those lower prices in order to get sales and maintain revenues.

So whatever the reason, whether it's more efficiency, running fewer SKUs for a longer period of time, whether it's allegedly lower raw material costs, all those arguments that were made today, those are of no matter to the ITC. You have to decide whether the low prices that are in the marketplace by the imports are causing harm to the domestic industry as they try to compete against them.

And I will say that, as well respected as Mr. Soor is in the industry, and as significant of an importer as he is, he represents only a small part of imports. His testimony today will account for his business and a portion of the imports that you are seeing in your database, or will see, there is still a lot of other folks out there who are competing with the domestic industry that aren't here today and whose pricing practices are driven by exactly the same dynamics as you've heard Mr. Soor testify about today.

They've got to offer lower prices if the customers in the textile business, in the automotive business, and all these businesses, are going to purchase their products. So it's important to emphasize that, while he doesn't represent everybody and you have to understand that, the fact that he testified many times as to the primacy of price in all purchasing decisions is something we certainly agree with.

I will say that, despite his claims about the domestic industry not competing against him and his imports for certain customers, that's simply not true. There are many instances of imports competing--his imports competing against our domestic industry clients in a number of applications. In some instances it may be true that we are not getting lost sales from those because the customers have told us don't even bother quoting because you're never going to meet those prices, but the domestic industry has the capability and would love to be in every application that has been described. And we'll get you more information on that shortly.

As mentioned, we can debate whether the total market demand is going up or down or sideways or flat, but what is undoubtedly clear is that the import--subject import market share is going up, and at the expense of the domestic industry.

It is also very clear that there's a reason why Mr. Soor is buying the PTY imports from the subject imports, and that's because imports from China and India are lower than the other subject imports as he's described, confirming the points that we made earlier.

There's no question that the low pricing, the higher volumes, have had a deleterious impact on the financial condition, and every other indicator of injury that you see in the record, and you will have a more complete record. Pricing volumes of the imports have had an injurious effect actually throughout the period, but has gotten worse as the time has gone on.

I don't think it's an exaggeration to say what Mr. Caudle said earlier: Unifi, a very proud and well respected company in this industry, has reduced its number of plants, its number of employees, idled facilities, and in just this last Period of Investigation, or idled lines, I should say, and is not doing very well, to put it mildly. I can't reveal confidential information. They can't continue to consolidate and shrink themselves to be able to compete.

There's got to be a change in the external environment, which is better pricing in the marketplace, in order for them to make the profits in order to invest and keep and stay in business. The same is true with the rest of the domestic industry. We will have more to say about those other companies that were referenced as consolidating or going out of business, but I can tell you that, based on what we've been told, imports have certainly played a role in their behavior and bad conditions.

With that, I'd like to close. I'd like to thank you all for your attention and hard work up until now, and anticipated hard work going forward. Thank you.

MR. BURCH: Closing and rebuttal remarks on behalf of those in opposition to imposition will be given by Kristen Smith of Sandler, Travis & Rosenberg.

Ms. Smith, you have 10 minutes.

CLOSING STATEMENT OF KRISTEN SMITH

MS. SMITH: This is Kristen Smith from Sandler, Travis, and I just wanted to thank all of you for your time today. We really appreciate all your questions, and we'll definitely go into more detail in our post-conference brief.

I'll be brief here today. I only have a few issues that I will address on rebuttal. And again, as I noted, we will go into a lot more detail in our brief.

Today we've heard a lot of talk from Petitioners, and also from Mr. Soor, about differences in production and customers between the subject imports and the domestic industry. And I think there are some really important things that it's important for the Commission and the staff to take into consideration when making their injury determination.

One thing that is very different, and we talked-- I think some of our testimony, what we need to clarify are differences between prices and cost of production. There is a difference in the industry in India and in China versus the United States, differences in levels of integration and the number of products that are made. And that definitely impacts the domestic industry.

And so in looking at injury, it's important to look at the domestic industry and their business structure, raw material costs, things like that. And that's definitely a very negative impact on their business, and something that Chinese producers and Indian producers are doing correctly. And we'll address that more in our case brief.

Also there's definitely different markets that are being served. We'll talk more--I know we had some questions about specifications and differences, but there truly are differences in the products being imported, and the use of what customers are looking at versus to markets that for example Mr. Soor is not in like automotive. And we'll detail that more in our case brief, because that's also very important to understand the differences between imported product and not.

As I had mentioned in my opening statement, we think that it's really important in making your decision that you look very closely at things such as raw material costs that are impacting the U.S. domestic industry.

We also think that it's important to look at the end uses and the impact. While I understand Mr. Rosenthal talking about the Department of Commerce looks at dumping and prices--and they will. They'll look at whether prices in for example the Indian home market are less than prices to the U.S. But one thing they're not going to look at is injury and whether the business practices and poor business decisions that are being made in the domestic industry are the cause of the injury that they're facing.

That is something that the Commission is tasked with, and it is very important, and it is something that we will be addressing in much more detail in our post-conference brief. And also the value of any of the data that was released to us yesterday.

You know, Mr. Soor talked in his testimony about differences in efficiencies in the U.S., and not. So differences in continuous production versus short runs. And I think it's important to note: Efficiency. That's a good thing, not a bad thing. And it's something that needs to be something that's considered in your injury analysis.

The imported products not charged a markup for the internal and cross domestic transfers of raw materials that are used in the production of polyester yarn, that's something that's an important factor that needs to be considered in the case.

So in sum, as we talked about, we'll be providing much more detailed information in our post-conference brief to address many of the questions that you had, and clarify many of the issues that we think are important for you to consider. But we ask that the Commission make a negative preliminary determination in this case, because we feel very strongly that the administrative record, and also this testimony of Mr. Soor today, supports this.

So I thank you all for your questions and your time today, and we look forward to sending some additional information to you in our briefing. So thank you very much.

MS. CHRIST: Thank you. On behalf of the Commission and the staff, I would like to thank the witnesses who came here today as well as counsel for helping us to gain a better understanding of the product and the conditions of competition in the polyester textured yarn industry.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Wednesday, November 14th.

If briefs contain business proprietary information, a public version is due on Thursday, November 15th. The Commission has tentatively scheduled its vote on these investigations for Friday, November 30th, and it will report its determinations to the Secretary of the Department of Commerce on Monday, December 3rd.

Commissioners' opinions will be issued on Monday, December 10th.

Thank you all for coming. This conference is adjourned.

(Whereupon, at 1:19 p.m., Thursday, November 8, 2018, the conference in the above-entitled matter was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Polyester Textured Yarn from China and India

INVESTIGATION NOS.: 701-TA-612-613 and 731-TA-1429-1430

HEARING DATE: 11-7-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 11-7-18

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice
Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine
Court Reporter