

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
 ) Investigation Nos.:  
DIAMOND SAWBLADES AND PARTS ) 731-TA-1092 and 1093  
THEREOF FROM CHINA AND KOREA ) (Final)

Pages: 1 through 382

Place: Washington, D.C.

Date: May 16, 2006

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Tuesday,  
 May 16, 2006

Room No. 101  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The hearing commenced, pursuant to notice, at 9:30 a.m. before the Commissioners of the United States International Trade Commission, the Honorable STEPHEN KOPLAN, Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

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 VICE CHAIRMAN DEANNA TANNER OKUN  
 COMMISSIONER JENNIFER A. HILLMAN  
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In Support of the Imposition of Antidumping Duties:

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 EDWARD P. MCCARTHY, Owner, McCarthy Associates  
 JUDITH O'DAY, Chief Executive Officer, Terra  
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 PATRICK O'DAY, President, Terra Diamond Industrial  
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 NOLAN SCHABACKER, President, Grabber Power  
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 GREG WOLTERS, President, Dixie Diamond  
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DANIEL B. PICKARD, Esquire  
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APPEARANCES: (Cont'd.)

In Opposition to the Imposition of Antidumping Duties:

On behalf of Ehwa Diamond Industrial Co., Ltd., General Tool, Inc., Shinhan Diamond Industrial Co., Ltd., SH Trading, Inc., Hyosung D&P Co., Ltd., Western Diamond Tools, Inc.:

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JAE WOO KIM, General Manager, General Tool, Inc.  
JOHN CORCORAN, President, Sutton Diamond Tool  
DAN STEINER, President, DITEQ Corporation  
BRIAN DELAHAUT, Vice President, MK Diamond  
SONJA BENNETT, Vice President, DITEQ Corporation  
THOMAS L. ROGERS, Economist, Capital Trade, Inc.

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I N D E X

	PAGE
OPENING STATEMENT OF DANIEL B. PICKARD, ESQUIRE, WILEY REIN & FIELDING, LLP	8
CLOSING STATEMENT OF SPENCER S. GRIFFITH, ESQUIRE, AKIN GUMP STRAUSS HAUER & FELD, LLP	13
TESTIMONY OF DANIEL B. PICKARD, ESQUIRE, WILEY REIN & FIELDING	17
TESTIMONY OF STEVE GARRISON, SALES MANAGER, DIAMOND B, INC.	17
TESTIMONY OF GREG WOLTERS, PRESIDENT, DIXIE DIAMOND MANUFACTURING	24
TESTIMONY OF ANDY JEDICK, VICE PRESIDENT AND GENERAL MANAGER, DIAMOND PRODUCTS, INC.	26
TESTIMONY OF RICHARD BRAKEMAN, CHIEF FINANCIAL OFFICER, DIAMOND B, INC.	33
TESTIMONY OF JUDITH O'DAY, CHIEF EXECUTIVE OFFICER, TERRA DIAMOND INDUSTRIAL	37
TESTIMONY OF KEVIN BARON, CEO, WESTERN SAW, INC.	41
TESTIMONY OF KEN RIZNER, VICE PRESIDENT, INDUSTRIAL BLADE SOLUTIONS UNIT, HYDE TOOLS, INC.	44
TESTIMONY OF LEO EDMUND, PRESIDENT, B&W EQUIPMENT AND SUPPLY CORPORATION	48
TESTIMONY OF STACEY GUTHRIE, GENERAL MANAGER, RICKER MACHINERY COMPANY	51
TESTIMONY OF EDWARD P. MCCARTHY, OWNER, MCCARTHY ASSOCIATES	54
TESTIMONY OF SETH KAPLAN, VICE PRESIDENT, CHARLES RIVER ASSOCIATES	61
TESTIMONY OF KRAIG BARON, PRESIDENT, WESTERN SAW, INC.	75

I N D E X

	PAGE
TESTIMONY OF GARRETT WOLTERS, VICE PRESIDENT, DIXIE DIAMOND MANUFACTURING	77
TESTIMONY OF PATRICK O'DAY, PRESIDENT, TERRA DIAMOND INDUSTRIAL	83
TESTIMONY OF NOLAN SCHABACKER, PRESIDENT, GRABBER POWER PRODUCTS	120
TESTIMONY OF SPENCER S. GRIFFITH, ESQUIRE, AKIN GUMP STRAUSS HAUER & FELD, LLP	220
TESTIMONY OF J. CHRISTINE KIM, DIRECTOR, EHWA DIAMOND INDUSTRIAL CO., LTD.	224
TESTIMONY OF DAN STEINER, PRESIDENT, DITEQ CORPORATION	231
TESTIMONY OF DOUGLAS I. NIXON, GENERAL MANAGER, CONSTRUCTION PRODUCTS, SAINT-GOBAIN ABRASIVES, INC.	239
TESTIMONY OF BRIAN DELAHAUT, VICE PRESIDENT, MK DIAMOND	246
TESTIMONY OF THOMAS L. ROGERS, ECONOMIST, CAPITAL TRADE, INC.	255
TESTIMONY OF LEONARD M. SHAMBON, ESQUIRE, WILMER CUTLER PICKERING HALE & DORR, LLP	269
TESTIMONY OF JAE WOO KIM, GENERAL MANAGER, GENERAL TOOL, INC.	280
TESTIMONY OF J. DAVID PARK, ESQUIRE, AKIN GUMP STRAUSS HAUER & FELD, LLP	287
TESTIMONY OF JOHN CORCORAN, PRESIDENT, SUTTON DIAMOND TOOL	289

I N D E X

	PAGE
CLOSING STATEMENT OF DANIEL B. PICKARD, ESQUIRE, WILEY REIN & FIELDING, LLP	372
CLOSING STATEMENT OF SPENCER S. GRIFFITH, ESQUIRE, AKIN GUMP STRAUSS HAUER & FELD, LLP	376

P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN KOPLAN: Good morning. On behalf of the United States International Trade Commission I welcome you to this hearing on Investigation Nos. 731-TA-1092 and 1093 (Final) involving Diamond Sawblades and Parts Thereof From China and Korea.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason than less than fair value imports of subject merchandise.

Schedules setting forth the presentation of this hearing, notice of investigation and transcript order forms are available at the Secretary's desk. All prepared testimony should be given to the Secretary. Do not place testimony directly on the public distribution table.

As all written material will be entered in full into the record it need not be read to us at this time. All witnesses must be sworn in by the Secretary before presenting testimony. I understand the parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

1           Finally, if you will be submitting documents  
2           that contain information you wish classified as  
3           business confidential your requests should comply with  
4           Commission Rule 201.6.

5           Mr. Secretary, are there any preliminary  
6           matters?

7           MR. BISHOP: Yes, Mr. Chairman. This  
8           morning I distributed an updated calendar of witnesses  
9           with the addition of Patrick O'Day, President, Terra  
10          Diamond Industrial, on page 2; and Sonja Bennett, Vice  
11          President, DITEQ, on page 3.

12          CHAIRMAN KOPLAN: Thank you very much. Let  
13          us proceed with the opening remarks.

14          MR. BISHOP: Opening remarks on behalf of  
15          Plaintiffs will be by Daniel B. Pickard, Wiley Rein &  
16          Fielding.

17          CHAIRMAN KOPLAN: You may proceed.

18          MR. PICKARD: Good morning, Mr. Chairman,  
19          Vice Chairman Okun, Commissioners. My name is Daniel  
20          Pickard of Wiley Rein & Fielding, and I'm here today  
21          on behalf of the Petitioner, the Diamond Sawblade  
22          Manufacturers Coalition.

23                 The petitioning Coalition is now made up of  
24                 eight mostly small and family-owned companies. When  
25                 we originally filed the petition there were nine  
26                 companies in the Coalition. However, one of the

1 original members, Blackhawk Diamond, was recently  
2 forced to close its doors due to subject imports.

3 The remaining U.S. producers face a  
4 constantly increasing volume of subject imports,  
5 whether measured by volume, value or market share and  
6 regardless of whether the Commission looks at the  
7 questionnaire responses or official import statistics.

8 The imports from China and Korea undersell  
9 the U.S. produced product by large margins which  
10 consequently have caused significant price depression  
11 in the U.S. market.

12 I would like to quickly highlight six  
13 significant conditions of competition for this  
14 industry over the period of investigation.

15 Number one, demand for all diamond sawblades  
16 has increased over the period of investigation. Two,  
17 there is head-to-head competition between domestic and  
18 imported diamond sawblades through the product range.  
19 Three, U.S. producers have been forced to buy low-  
20 priced subject merchandise in order to compete.

21 Four, price is an important factor in  
22 purchasing decisions. Five, there is ample domestic  
23 capacity to meet demand, and, six, non-subject imports  
24 are minimal.

25 You will hear testimony this morning from  
26 the U.S. producers regarding the large increase in

1 subject imports and their price depressing effects.  
2 Indeed, the Commission staff report confirms that from  
3 2003 to 2005 when measured by value, imports of  
4 subject diamond sawblades increased by 64.6 percent  
5 and that U.S. producers' market share also declined  
6 from 55.9 percent in 2003 to 30.7 percent in 2005.

7           Meanwhile, the market share of dumped  
8 imports from China increased by 192 percent, and the  
9 market share of Korean imports increased by 45  
10 percent.

11           The Commission staff report also supports  
12 the testimony that you will hear in regard to  
13 underselling and price depression. Indeed, the staff  
14 report from both the preliminary and final phases of  
15 this investigation demonstrate that subject imports  
16 undersold the domestically produced product in the  
17 vast majority of comparisons and by substantial  
18 margins.

19           Respondents have essentially alleged that  
20 the U.S. producers are not currently injured, and even  
21 if they are injured that there is no causal connection  
22 to subject imports. These arguments are contradicted  
23 by the evidence that the Commission staff has  
24 collected.

25           You will hear direct testimony today  
26 regarding the head-to-head competition between the

1 U.S. produced product and subject imports. The  
2 Commission staff report confirms this competition.  
3 Very probative evidence regarding this issue is  
4 included in the Commission staff report which  
5 demonstrates that U.S., Chinese and Korean diamond  
6 sawblades are concentrated in the 12-inch to 14-inch  
7 diameter sizes.

8 This is fully consistent with Petitioner  
9 arguments from the preliminary phase right up to  
10 today's hearing. Imports have completely overtaken  
11 the smaller diameter sizes in the U.S. market, and now  
12 the battle is fiercest in the 12- to 14-inch range.

13 The evidence also demonstrates that the  
14 subject imports are also significantly increasing  
15 their market share of the over 14-inch diamond blades.  
16 The staff report further confirmed that the vast  
17 majority of U.S., Chinese and Korean diamond sawblades  
18 are laser welded and that the majority of all blades,  
19 regardless of country of origin, are sold to  
20 distributors.

21 The evidence also demonstrates that these  
22 products compete on the basis of price with 45 of 47  
23 purchasers indicating in their questionnaire responses  
24 that prices are a very or somewhat important factor in  
25 their purchasing decisions.

26 The witnesses today will also testify as to

1       how their industry has been injured. The Commission  
2       staff report and the other evidence of record in this  
3       investigation confirm the following facts:

4                 Two domestic producers, Precision Disk and  
5       Blackhawk Diamond, have been forced to close their  
6       doors due to subject imports. Workers in the diamond  
7       sawblade industry have lost their jobs. Commercial  
8       shipments for diamond sawblades have decreased. U.S.  
9       producers have lost market share.

10                Sales of diamond sawblades have decreased.  
11       The average unit value of diamond sawblades has  
12       decreased, return on investment has decreased, and,  
13       most important, the profits have decreased. With the  
14       exclusion of the related parties, the evidence of  
15       material injury by reason of subject imports is even  
16       more stark.

17                Lastly, I would note that the evidence of  
18       threat of material injury in this investigation is as  
19       compelling as that for current material injury. The  
20       statutory factors point to a concerted and persistent  
21       effort by the subject producers to dominate the  
22       domestic market for diamond sawblades by increasing  
23       volumes and by underselling U.S. producers, often at  
24       prices below the cost of raw materials.

25                Thank you.

26                CHAIRMAN KOPLAN: Mr. Secretary?

1 MR. BISHOP: Opening remarks on behalf of  
2 Respondents will be by Spencer S. Griffith, Akin Gump  
3 Strauss Hauer & Feld.

4 CHAIRMAN KOPLAN: Good morning.

5 MR. GRIFFITH: Good morning. My name is  
6 Spencer Griffith with the law firm Akin Gump appearing  
7 today on behalf of the Korean Respondents. I will be  
8 presenting the opening statement for the Respondents  
9 today.

10 The Petitioners have no business being here  
11 before you today. The record and the distinguished  
12 panel of experts you will hear from later today  
13 demonstrate that the Commission should issue a  
14 negative determination in this case.

15 As a threshold matter, Petitioners are  
16 simply not injured. Incredibly, the Petitioners  
17 sitting here before you today are enjoying 11 percent  
18 operating margins. These rates are higher than in  
19 many other cases in which the Commission has found no  
20 injury, and these operating margins are not declining,  
21 but are in fact trending upwards over the POI.

22 Also, capital expenditures are up. R&D  
23 spending is up. Production capacity is up. This is  
24 not the picture of an injured industry, and on this  
25 basis alone the Commission should issue a negative  
26 determination.

1           As the record also demonstrates, even if the  
2 Commission examines causation issues it is clear that  
3 there is no causal link here. Contrary to  
4 Petitioners' claims, the diamond sawblades market is  
5 higher segmented, and there are literally thousands of  
6 different products sold in the market.

7           A sawblade is not a sawblade. The record  
8 demonstrates and you will hear testimony later today  
9 that the market is highly segmented by product type,  
10 uses and distribution channels. The market is divided  
11 broadly into the do-it-yourself general use market and  
12 the professional grade market. The general market  
13 consists of smaller sawblades not built for intensive  
14 use versus the larger, laser welded and soldered  
15 sawblades used in the professional sector.

16           This market segmentation is critical here  
17 because imports and domestic producers compete  
18 primarily in different segments of the market.  
19 Imports are concentrated in the DIY general use sector  
20 of the market, whereas domestic production is focused  
21 in the professional grade sector. This greatly  
22 attenuates any competition between imports and  
23 domestic production.

24           Indeed, the Korean producers largely  
25 developed the do-it-yourself general market, and  
26 domestic producers have never competed heavily in that

1 market. Also, the record shows that there are  
2 numerous barriers for Korean and Chinese producers to  
3 enter the professional market, which explains this  
4 market segmentation between imports and domestic  
5 production.

6           The professional sector requires a presence  
7 here physically in the United States due to quick  
8 turnaround times and custom specified applications  
9 which Korean and Chinese producers cannot replicate  
10 from thousands of miles away.

11           The pricing data also fails to confirm any  
12 causal link. The price disparities between domestic  
13 and imported production are so huge as to only confirm  
14 the lack of competition between imports and domestic  
15 production. Most of the pricing data is confidential,  
16 but, as set out in our brief, the pricing data in fact  
17 confirms the lack of competition.

18           In addition, domestic producers in imports  
19 were impacted by different demand drivers. The record  
20 shows that demand in the professional sector has been  
21 flat over the last few years, whereas demand in the  
22 general use sector increased significantly. These  
23 different demand drivers explain the relative shipment  
24 levels of imports and domestic producers.

25           Finally, Petitioners have simply not made  
26 out a threat case here. Korean producers have held a

1 long and steady presence in the U.S. market. The  
2 record demonstrates that imports from China and Korea  
3 are so different in fundamental characteristics that  
4 those imports should not be cumulated for purposes of  
5 a threat analysis as set out in detail in our brief.

6 Also, the high operating margins and other  
7 financial indicators of health show that this industry  
8 is not vulnerable to threat. Also, unlike in the  
9 past, demand in the professional sector where the  
10 domestic producers focus will likely expand greatly  
11 with the recent authorization of the highway bill.  
12 Subject imports, however, will not partake  
13 significantly in this expansion of the professional  
14 market due to the barriers to entry they face.

15 In conclusion, this is a healthy industry  
16 with imports and domestic production focusing in  
17 different sectors. We look forward to having the  
18 opportunity to present our case to you later today.

19 Thank you.

20 CHAIRMAN KOPLAN: Thank you.

21 Mr. Secretary?

22 MR. BISHOP: Would those in support of the  
23 imposition of antidumping duties please come forward  
24 and be seated?

25 Mr. Chairman, all witnesses have been sworn.

26 (Witnesses sworn.)

1 CHAIRMAN KOPLAN: Thank you.

2 You may proceed.

3 MR. PICKARD: Good morning, Mr. Chairman.  
4 We intend to present our witnesses, first the finished  
5 diamond sawblade producers, and then we'll move on to  
6 the diamond core producers, and then we'll provide  
7 testimony from some purchasers and an independent  
8 sales representative.

9 I'd like to start off with Steve Garrison,  
10 the Sales Manager for Diamond B. Steve?

11 MR. GARRISON: Good morning. My name is  
12 Steve Garrison. I serve in the position of sales and  
13 marketing manager for Diamond B in Santa Fe Springs,  
14 California.

15 CHAIRMAN KOPLAN: Could you move that  
16 microphone a little closer to you, sir?

17 MR. GARRISON: All right. I have served in  
18 this capacity since beginning my employment with  
19 Diamond B in 1993. Prior to that I had been employed  
20 by Longyear Company Cushion Cut, a company ultimately  
21 purchased by Dimas Electrolux in the late 1990s.

22 At longyear Cushion Cut I served as vice  
23 president for construction products and was  
24 responsible for all aspects of that business,  
25 including diamond tool manufacturing, sales and  
26 contracting operations, about a \$40 million business

1 worldwide in 1992 for that company. I have been  
2 directly involved in this industry my entire working  
3 career since 1973.

4 I would like to address two main points  
5 today. First, I would like to provide some historical  
6 perspective to address claims made by the Korean  
7 Respondents that they invented the DIY market.  
8 Second, I would like to show how Korean and Chinese  
9 imports can and do compete with us in the so-called  
10 professional market.

11 The very first blades manufactured in the  
12 U.S. were for cutting masonry products such as tile,  
13 stone and block. From the late 1940s, these products  
14 began replacing abrasive blades as a more productive,  
15 safer and lower cost per unit way to cut building  
16 materials. These blades were sold in the so-called  
17 DIY distributor market beginning in the 1950s, 1960s  
18 and 1970s.

19 The notion that Ehwa or any other Asian  
20 company created this market is simply wrong. It is  
21 also not correct that Ehwa invented laser welding  
22 technology as they previously indicated.

23 As a rookie salesperson in 1976, I toured  
24 the Christensen Diamond facility, a U.S. family-owned  
25 business in Salt Lake City, Utah, and witnessed the  
26 first laser welding of diamond segments onto steel

1 cores, which started the move to laser welding and dry  
2 cutting products. Ehwa's claim is ill-informed and  
3 just plain incorrect.

4 But Target Felker and Norton Clipper decided  
5 to stop producing continuous rim and segmented  
6 centered diamond blades in the early 1990s because  
7 Ehwa came to the U.S. market at incredibly low prices  
8 and made it impossible to compete. By pushing the two  
9 large U.S. producers out of the business, they then  
10 controlled the market. This fact concerns us as we  
11 see the same process well underway in the rest of the  
12 diamond tool market.

13 When you see a phrase like U.S.  
14 manufacturers are dedicated to the high end  
15 professional market please remember that it's because  
16 we were mostly driven out of the market for continuous  
17 rim and centered products by low-priced Korean and  
18 Chinese products. If we could make a product, we  
19 would be back producing those products today.

20 There's no doubt that we have the capacity  
21 to increase our production of any blade if the process  
22 were there. In 1999, our company ran three shifts.  
23 Today we run only one even in the busy season. We  
24 used to sell to branded distributors to a greater  
25 extent than we do today, to companies like MK Diamond.  
26 We have been undersold by the Koreans and the Chinese

1 in this area as well.

2 I am also shocked by statements that Korean  
3 and Chinese producers don't, can't and won't compete  
4 in the so-called professional market. I can tell you  
5 that we see them every day and lose sales to them  
6 every day in that market.

7 We know of many contractors who used to buy  
8 from domestic producers but now buy all or significant  
9 portions of their sawblades from companies who clearly  
10 source from Korean and Chinese factories. Right now  
11 there are Korean and Chinese blades being run at a  
12 very large job at the Atlanta Airport, by large sawing  
13 contractors in Indianapolis, by several contractors in  
14 Washington state, California, Arizona; in fact, every  
15 state in the U.S. in which we sell products. These  
16 contractors have all previously used domestic  
17 producers.

18 We are also aware that a number of companies  
19 that source Korean and Chinese imports that direct  
20 significant efforts toward professional end users.  
21 For example, DITEQ, which is affiliated with SH  
22 Trading and Shinhan, presently sells to several  
23 members of the Concrete Sawing & Drilling Association,  
24 CSDA, and has given away dozens of 18-inch and larger  
25 blades as test blades to gain market share.

26 In fact, at a recent CSDA meeting a DITEQ

1 employee volunteered to host a training class for  
2 concrete sawing & drilling operators at SH Trading's  
3 facility in southern California.

4 We have personal knowledge that SH Trading  
5 sells a significant number of over 22-inch diameter  
6 blades requiring special arbors and bolt holes, a  
7 clear indication of blades destined for the so-called  
8 professional market.

9 We see the same thing from a number of other  
10 companies. K2, Concut, Diamond Vantage, Apexia  
11 Diamond. These companies all source segments, cores  
12 or finished blades from Korean and Chinese producers.  
13 They sell in the larger size ranges. They are members  
14 of the CSDA, the Concrete Sawing & Drilling  
15 Association.

16 They are not just a threat to the so-called  
17 pro market. They are already there and taking away  
18 business from us by undercutting pricing in the range  
19 of 25 to 50 percent.

20 In fact, the owner and president of K2  
21 Diamond, a U.S. owned diamond tool manufacturer,  
22 explained that he was upset by a letter that Ehwa  
23 General Tool had circulated to pro customers that made  
24 it seem like they had purchased K2.

25 The letter in effect said that in addition  
26 to Ehwa and General Tools' efforts in the professional

1 market through one of their outlets called Pro Link,  
2 they would be supplying segments and blades for the  
3 professional highway grinding and grooving market  
4 through their new alliance with K2.

5 Our salesperson in Georgia tells me that he  
6 estimates that 40 percent of the blades sold in the  
7 pro market in Atlanta are Chinese or Korean in origin.  
8 We estimate that 30 percent in Seattle, Sacramento,  
9 the Bay area and Los Angeles -- we estimate that 30  
10 percent of the products sold are Korean and Chinese.

11 The Korean and Chinese imports are currently  
12 directly competing with us at prices we cannot  
13 profitably match. The effect of this may not be  
14 easily quantifiable in terms of specific lost sales,  
15 but in effect we are prevented from even competing for  
16 many customers because the Chinese and Korean prices  
17 are so low, often below the cost of materials for  
18 comparable products that we produce.

19 One final point. I understand that it has  
20 been argued that the recently passed highway bill will  
21 be the industry's saving grace. This simply is not  
22 the case. In fact, highway construction utilizes  
23 thousands of 5-inch through 14-inch dry cutting early  
24 entry diamond blades, about 70 to 80 percent of which  
25 are marketed and sold by Soft Cut and are manufactured  
26 by Korean and Chinese courses for Soft Cut and other

1 private label OEMs and distributors.

2 This is telling for two reasons. First,  
3 these are small to medium diameter blades used in the  
4 so-called professional market. Second, it shows that  
5 any increase in demand generated by the highway bill  
6 is more likely to be captured by imports than by  
7 domestic production.

8 Diamond B has been injured by the Korean and  
9 Chinese products being undersold or dumped into the  
10 U.S. market.

11 Thank you for this opportunity to speak to  
12 you today. I will be happy to answer any questions  
13 you might have.

14 MR. GREG WOLTERS: Good morning. My name is  
15 Greg Wolters. I'm the president and owner of Dixie  
16 Diamond Manufacturing, which was founded in 1969 by my  
17 grandfather, Bud Wright.

18 In 1995, my brother and I, Garrett Wolters,  
19 purchased the company. During the past 36 years, my  
20 family has continuously invested in our manufacturing  
21 plant with the most technologically advanced equipment  
22 available in order to stay competitive in the world  
23 market. In 1999, we purchased a new manufacturing  
24 plant in order to expand our manufacturing  
25 capabilities.

26 During the past few years, the diamond blade

1 market has experienced extreme downward price  
2 deterioration from imports coming from China and  
3 Korea. The pricing pressure has forced us to decrease  
4 our pricing at a time when our labor costs, health  
5 insurance, liability insurance, raw materials, energy  
6 costs have all increased.

7           The manufacturers from China and Korea have  
8 been aggressively selling our customers at below our  
9 cost. In the past three years, we have lost over \$2  
10 million of OEM business to the imports due to pricing,  
11 and in just the past three months we have lost an  
12 additional \$1 million in OEM business due to imports.

13           We have also lost countless sales of diamond  
14 blades in our distribution market due to the Koreans  
15 and Chinese calling on our customers at extremely low  
16 pricing. I have an advertisement here from E-Blade  
17 Direct, which was featured in *Concrete Masonry*  
18 *Construction* magazine, that is promoting Chinese and  
19 Korean diamond blades directly to contractors for as  
20 low as \$33. In order for us to manufacture that  
21 product, our cost would be \$51.

22           Additionally, I have a price quote here from  
23 Botsan, a Chinese producer, that quotes 12-inch blades  
24 at \$18 and 14-inch blades at \$22. Our comparable  
25 product costs us over \$51 to manufacture here in the  
26 United States. These prices are totally unreasonable.

1           The Korean manufacturers have also set up  
2 companies such as DITEQ -- this here is a catalog of  
3 theirs -- Vantage, which there's a brochure that they  
4 advertise, Maverick and other numerous shell companies  
5 to distribute their products directly at lower cost  
6 than the market.

7           My business has been injured substantially  
8 by the results of the surging low-cost imports from  
9 China and Korea. In specific, I've been calling on  
10 Maryville Rental Center for three years and cannot  
11 compete in quoting them 14-inch blades because they  
12 buy them for \$30 from Korean imports. This is below  
13 my cost of production.

14           In order to try and compete with the  
15 imports, we have invested in additional manufacturing  
16 technology. However, due to the deterioration and  
17 injury to the market, our capacity utilization has  
18 decreased. If relief is not granted immediately to  
19 the industry, we will be forced to lay off employees  
20 and shut down production lines.

21           I cannot stress the importance that  
22 something be done about the dumped imports from China  
23 and Korea. If the ever growing wave of imports at  
24 unreasonable prices aren't stopped we won't be able to  
25 compete, and we'll lose more jobs here in the United  
26 States of America.

1 Thank you very much.

2 MR. JEDICK: Good morning. My name is Andy  
3 Jedick. I'm the vice president and general manager of  
4 Diamond Products, LLC, an Ohio corporation which  
5 manufactures diamond sawblades, core drill bits and a  
6 variety of related equipment.

7 CHAIRMAN KOPLAN: Could you move the  
8 microphone closer to you, Mr. Jedick?

9 MR. JEDICK: Sure. We have three  
10 manufacturing locations in the U.S. However, all  
11 diamond tools are manufactured in O'Leary, Ohio,  
12 approximately 25 miles west of Cleveland.

13 I started working at Diamond Products in  
14 1978 as R&D manager, in 1984 appointed plant manager,  
15 and in 1991 I was promoted to VP general manager. As  
16 of May 1 of this year, I've been with Diamond Products  
17 28 years.

18 I understand that during the preliminary  
19 hearings in this case an argument was made by the  
20 opposition that the Korean and/or Chinese created the  
21 small diameter DIY market in the United States and  
22 that they do not compete in medium and large diameter  
23 sizes. Therefore, they could not possibly be accused  
24 of injuring the domestic industry.

25 I beg to differ. Let me offer a brief  
26 history based on personal involvement. In 1984, I

1       oversaw the project that introduced the smaller dry  
2       cutting diamond blade into our product line. We  
3       purchased the manufacturing equipment and began  
4       producing products ranging from 4-inch diameter to  
5       14-inch diameter in a variety of quality grades.

6               The program was an instant success, and we  
7       shared the market with other U.S. manufacturers such  
8       as Norton producing these items in Georgia and Target,  
9       Federal Mogul at that time, producing these items in  
10      New York state. We excelled for a few years in this  
11      new market. It's safe to say that Diamond Products,  
12      Norton and Target Products, all U.S. manufacturers,  
13      were quite instrumental in developing the dry blade  
14      market in the U.S.

15             In the 1990s, some changes began to occur.  
16      At large trade events such as the World of Concrete  
17      and the American Rental Association Show,  
18      representatives from Korean and Chinese manufacturers  
19      began showing up with extremely low-priced products.  
20      They were soliciting these products to exhibitors at  
21      the trade shows such as ourselves and also to our  
22      customers.

23             I remember distinctly that one  
24      representative from a Chinese manufacturing firm came  
25      to our booth showing us a 4-inch diamond sawblade that  
26      he could sell us for \$1 each. At that time our

1 purchasing price for a 4-inch blade core, the steel  
2 center for that sawblade, was over \$1.

3 This was the beginning of the end for U.S.  
4 manufactured smaller diameter blades in the four  
5 through seven inch size range. Four inch blades that  
6 were being sold for \$5.50 to \$8 by domestic producers  
7 were now available for one-fifth the price. By 1995,  
8 we had lost most of this business especially to larger  
9 domestic users who were then quite familiar with  
10 Chinese and Korean importers.

11 We reluctantly relinquished the desire to  
12 manufacture these items in Ohio. The profit loss was  
13 too great. We crossed enemy lines and began  
14 purchasing the smaller diameter products from the very  
15 people who took the business from us. We felt that it  
16 was important to maintain a full line of products even  
17 if some of them were coming from competitor importers.

18 The requirement by our customers for us to  
19 maintain a full product line further supports the fact  
20 that our market and the market served by the Korean  
21 and Chinese are all one and the same.

22 There has been a continual drop in the  
23 selling price of diamond blades in the U.S. market  
24 which has intensified over the past three years. This  
25 price pressure is coming from the Korean and Chinese  
26 importers. Our sales management could cite an example

1 per week of price pressure situations requiring us to  
2 lower our selling price to a customer in order to  
3 compete with specific Chinese or Korean vendors.

4 The ratcheting down of pricing led us to  
5 start studying the selling price deflation trend using  
6 computer generated reports. We started presenting the  
7 related data to our manager at internal sales  
8 meetings. For the period from 2003 to present, we  
9 lost revenue in the dry blade program amounting to  
10 almost \$2.7 million based on selling price deflation  
11 analysis. Since this revenue is lost on the selling  
12 price, it immediately becomes lost profit.

13 Regarding the professional market, I also  
14 read testimony from the preliminary hearings that our  
15 opposition claimed to not be interested in selling  
16 sawblades to professional users and that companies  
17 like those in the Coalition have a distinct advantage  
18 over the Korean and Chinese manufacturers due to  
19 logistical reasons.

20 Again, this is a false statement. First, I  
21 would note I'm not exactly sure what the Respondents  
22 mean by the professional user. They seem to imply  
23 that these are only road construction workers.  
24 However, I would certainly suggest that 12- and  
25 14-inch blades are not being used by amateurs.

26 More specifically, I'll relate a story from

1 last year's World of Concrete trade show. A concrete  
2 cutter from a branch of one of our largest customers  
3 stopped to talk to me at our booth. In a boasting  
4 posture, he told me that Diamond Products and other  
5 U.S. companies were now finished. He was buying  
6 blades from Chinese manufacturers for his concrete  
7 cutting business, and they were performing  
8 satisfactorily at a cost of one-half the price of  
9 ours.

10 The raw material content of our blade is  
11 more than half the cost of one of these larger blades,  
12 so import sales and below raw material costs obviously  
13 led to the price collapse. The sad reality of this  
14 situation is that this particular customer is  
15 purchasing blades of standard dimensions, standard  
16 bond specifications from this Chinese vendor at low  
17 prices to reduce his overall tool cost in the products  
18 that used to be our bread and butter.

19 While this customer may still need some  
20 custom made blades, these are minor in comparison to  
21 the 12- and 14-inch range. This leaves U.S. domestic  
22 producers with low margin, custom made products that  
23 we used to build as favors for our best customers. We  
24 cannot survive with just these few small margin sales.

25 I have no doubt that Korean and Chinese  
26 manufactured products have depressed prices in the

1 U.S. regardless of how you define a small, medium or  
2 large diameter blade.

3 As an illustration, in 2003 the average  
4 market price based on our observation of a 14-inch  
5 grinding blade was \$260 plus per unit. In 2005, the  
6 average price was approximately \$200 even. That's a  
7 22.5 percent reduction. I am constantly hearing from  
8 grinding contractors that they are using imported  
9 products.

10 As was the case with the smaller dry blade  
11 price deflation, we also began tracking the medium and  
12 large blade revenue loss due to price deflation. For  
13 the period from 2003 to present, we lost revenue  
14 amounting to more than \$2.6 million based on selling  
15 price deflation.

16 Since this revenue is selling price, it  
17 immediately becomes lost profit again. This brings  
18 the total lost revenue for products relating to this  
19 investigation based solely on selling price deflation  
20 to more than \$5 million from 2003 to 2005.

21 In summary, over the investigation period we  
22 have lost millions of dollars in revenue based on the  
23 direct effect of product dumping by Korean and Chinese  
24 manufacturers in our marketplace. In the future, if  
25 the current flood of low-priced imports from Korea and  
26 China are not stopped we will be forced to abandon

1 more product lines. We will lose more revenue, and  
2 U.S. producers and their workers will continue to be  
3 injured.

4 Thank you. I'll be happy to answer any  
5 questions you may have.

6 MR. BRAKEMAN: Good morning. My name is  
7 Richard Brakeman. I'm the chief financial officer at  
8 Diamond B, Inc., a domestic manufacturer of diamond  
9 sawblades.

10 I've worked for Diamond B since 1984. When  
11 I started with Diamond B we frequently sold product on  
12 a performance basis or a cost-per-inch foot of  
13 cutting. We based our sales effort on the assumption  
14 that our product would outperform product manufactured  
15 by our competition.

16 This argument stressed good performance at  
17 an economical price and was somewhat successful for  
18 quite some time even though the advantage would be  
19 cents or fractions of cents between competing  
20 manufacturers' prices. It certainly gave me the  
21 impression that we were all buying, manufacturing and  
22 selling in the same marketplace.

23 As competition from imported blades came on  
24 the scene, it seemed that economical took on a new  
25 meaning. We were constantly reducing the selling  
26 prices to compete with the pricing of import blades,

1 and we no longer had a benefit to offer with our  
2 performance-based selling.

3 In order to keep our customers, we found our  
4 manufactured goods would have to be sold at an  
5 unacceptably low margin or sometimes a negative  
6 margin. I would frequently ask why were we selling at  
7 lower than customary margins. The answer was we are  
8 trying to meet quoted prices to hold back competition  
9 from either Chinese or Korean product.

10 In the late 1990s, we purchased new  
11 equipment that would reduce our labor cost  
12 significantly utilizing automation. Additional  
13 capacity was accomplished without an increase in the  
14 labor force and ultimately some reduction in the labor  
15 force. We were successful in reducing labor costs by  
16 producing more units with fewer direct labor hours.

17 Even though we were able to decrease  
18 manufacturing, overhead and materials costs on goods  
19 we produced, we have had to continually reduce the  
20 selling price and our related margins to get orders.  
21 We barely maintained acceptable margins, and it became  
22 necessary to sell significantly more units to equal  
23 the profit dollars.

24 Diamond B subscribes to a credit watch  
25 service with Dun & Bradstreet. In 2004, I was  
26 notified our credit rating had been downgraded. In

1 recent applications for credit in normal trade  
2 financing, more is being requested in the way of  
3 guarantees and collateral with higher interest rates  
4 and shorter repayment terms.

5 In order to improve our position and have  
6 enough redundancy to produce in the event of a machine  
7 breakdown, additional equipment is needed. The  
8 statement made by Brian Delahaut of MK Diamond at the  
9 preliminary conference June 15, 2005, "Diamond B, for  
10 example, has spent over \$3 million in new diamond  
11 sawblade technology and equipment in the last four  
12 years," is a totally incorrect statement.

13 We were not in a position financially to  
14 purchase manufacturing equipment of any consequence  
15 during that period. The reason we were in this  
16 position, as I stated in the preliminary conference,  
17 was due to the effect of low-priced blades from China  
18 and Korea.

19 Trying to compete with lower and lower  
20 selling prices from the imports prevented Diamond B  
21 from making the necessary investments, and the prices  
22 have continued to drop. Even though a year ago we  
23 stated we cannot compete with product that sells below  
24 our cost of materials, even without factory overhead,  
25 sales, G&A cost which we obviously can't remove, it  
26 would not be a viable business decision to sell

1 products at prices below the cost of materials used.

2 Looking back, as the import pricing  
3 structure became clearer in my mind I had recommended  
4 that we consider reselling imported goods rather than  
5 reduce our margins to dangerous levels. This was not  
6 a well-received suggestion by Mr. Burnett, the owner  
7 of Diamond B, as he felt it would require even further  
8 reduction in the workforce which would impair our  
9 ability to meet production requirements where we were  
10 able to be competitive.

11 We were rapidly losing the retail and  
12 tradesmen market, which was mostly through our OEM  
13 distributor and reseller type customers. The largest  
14 OEM customer on our list was constantly comparing our  
15 pricing to import pricing and solely moving toward the  
16 imported goods. Their purchases dropped by 20 to 25  
17 percent per year, and today they seldom purchase from  
18 us.

19 Eventually we did begin looking into the  
20 cost of imported product and have been in fact  
21 reselling some imports. As we shop for available  
22 sources of imported product we found that many items  
23 were available to us as finished product for less than  
24 our cost of raw materials. As new product and pricing  
25 information is made available to us, we find steadily  
26 decreasing prices on the imported blades.

1           It seems to me that if the markets continue  
2 to shift towards the blades imported from Korea and  
3 China with finished blades priced below our cost of  
4 materials, it will not take long for the domestic  
5 manufacturers to disappear from the marketplace.

6           This is not where I want to be. That is why  
7 I am here today to seek relief from this situation.  
8 Thank you for taking the time to listen to this plea.

9           MS. O'DAY: Good morning. My name is Judith  
10 O'Day. I'm the general manager of Terra Diamond. My  
11 husband and I began our manufacturing business in Salt  
12 Lake City in 1977. Over the 29 years we've been in  
13 business, we've built a reputation for manufacturing  
14 high-quality diamond blades with customer service  
15 second to none. Our blades have been used in home,  
16 business and road construction across the country.

17           During our first 20 years in business, we  
18 grew an average of 10 percent each year. Our unit  
19 production increased proportionately with our dollar  
20 volume. Since the massive influx of Chinese and  
21 Korean blades, we have experienced extreme price  
22 erosion. Our total units produced have nearly doubled  
23 in order to maintain the same dollar volume.

24           Last year, in an attempt to remain  
25 profitable, we produced twice as many blades with 20  
26 percent fewer production people. Because of import

1 pricing, those blades now sell for less than half of  
2 what they sold for in 2000. Demand is up over all our  
3 product lines, especially in the housing market where  
4 tile floors, granite countertops and stone facing are  
5 big.

6           The majority of our customer base, both past  
7 and present, are what we have called professionals,  
8 but it's really important that you know that they are  
9 considered professionals to us because cutting with  
10 diamond blades is part of their profession, not  
11 necessarily what they do exclusively.

12           This group includes both general contractors  
13 and specialty contractors, plumbers, electricians,  
14 masons, construction contractors, refractory tile and  
15 marble installers, as well as concrete sawing and  
16 breaking specialists. Very often our customer is an  
17 owner-operator, a single individual with a pickup  
18 truck and a saw, whether it's a hand held, a walk  
19 behind or a stationary chop saw.

20           In our business, there is no significant  
21 distinction between specialty and general contractors  
22 as they all use similar sizes and types of blades and  
23 are looking for the best possible price in order to  
24 compete for work. Our contractor base is currently  
25 being seduced by prices low enough that they tell us,  
26 "I can buy two of theirs for the price of one of

1 yours. What do you expect me to do?"

2 State and government bids also used to be a  
3 large part of our work. We were always competitive  
4 and frequently were successful. The majority of the  
5 blades were for highway reconstruction and repair.

6 Since 2003, we haven't been even close to  
7 competitive in many of these bids unless we go below  
8 our manufacturing cost. Last year we got a large  
9 state contract in Missouri at manufacturing cost  
10 alone. This year we have the same price, and a  
11 distributor of Chinese and Korean import product got  
12 the bid at 60 percent below our material cost.

13 State and federal highway contracts go to  
14 the lowest bidder with no distinction between using  
15 U.S. manufactured or imported Chinese or Korean  
16 product. Price is the determining factor in what  
17 blades are bought for highway projects.

18 Along with government bids and direct sales  
19 to end users, we also had a good distribution in the  
20 private label market. We've lost most of this market  
21 to the Chinese and Korean imported product. They are  
22 able to bring in container loads of finished and semi-  
23 finished component products that sell for less than  
24 our material cost. They have set up countless fronts  
25 for their own private labels with names like Pro-Link,  
26 ProTech, Americut and National, clearly impacting our

1 markets.

2           Our manufacturing plant has the capacity to  
3 easily and immediately produce twice the current level  
4 of blades. Our employees have worked hard over the  
5 years to learn the diamond tool production business.  
6 They are proud to be a part of the American dream.  
7 They have a clean, safe work environment, good pay,  
8 health insurance and a retirement plan. Many of them  
9 have been with us 20 plus years. All have been with  
10 us more than five years.

11           We need to continue to grow our business,  
12 but our future direction is unclear. U.S. diamond  
13 blade manufacturing is at a critical point. The  
14 diamond blade industry started in the U.S., are indeed  
15 done here and made the industry grow.

16           For years our business was based on  
17 producing product in a fairly even playing field where  
18 costs between producers were similar. This is no  
19 longer the case. Chinese and Korean sawblades being  
20 sold at below manufacturing costs surely spell the end  
21 of U.S. blade manufacturing.

22           We have eliminated engineering and  
23 metallurgical positions, streamlined production and  
24 cut overhead. The dumped Chinese and Korean products  
25 that use our product technology will put an end to our  
26 U.S. based manufacturing.

1                   We're asking for help. Thank you for your  
2 consideration.

3                   MR. PICKARD: We'd now like to provide  
4 testimony from the two remaining U.S. core producers.

5                   MR. BARON: Good morning. My name is Kevin  
6 Baron, and I am the CEO of Western Saw, Inc., which is  
7 located in Oxnard, California. I have been working at  
8 Western Saw for 27 years and part-time for more than  
9 34 years.

10                   Western Saw manufactures diamond cores and  
11 was founded in 1930 by my grandfather, Waldimore  
12 Nielsen. My father, my uncles, cousins and my  
13 brothers all worked for Western Saw. My brothers and  
14 I are the third generation to operate Western Saw.  
15 Western Saw made the very first diamond core in 1947  
16 and has been a very important contributor in the  
17 evolution of the diamond blade industry for almost 60  
18 years.

19                   In 1999 we built a state-of-the-art  
20 manufacturing facility and began an aggressive  
21 automation program. Today Western Saw is the leading  
22 diamond core manufacturer in the United States and one  
23 of the most technically advanced manufacturers in the  
24 world. This has all been possible because my family  
25 has been willing to invest considerable capital in  
26 Western Saw.

1           I personally invested over half a million  
2 dollars because the revenues generated by Western Saw  
3 are not sufficient to support these purchases. In the  
4 last three years, Western Saw has lost considerable  
5 diamond core business, as my questionnaire response  
6 indicates, and our profits are down. This is all due  
7 to Korean and Chinese low prices.

8           Western Saw has been injured in two ways.  
9 First, we cannot compete with the Korean and Chinese  
10 unrealistic core prices. The prices at which the  
11 Korean and Chinese manufacturers sell their cores are  
12 below our production cost, and in some cases the  
13 Korean and Chinese core prices are the same as our raw  
14 material costs.

15           Secondly, we are losing more business daily  
16 as our customers lose sales to Korean and Chinese  
17 finished blade manufacturers. The diamond blades  
18 imported from China and Korea are priced so low that  
19 our customers just cannot compete. Western Saw lost  
20 over \$350,000 worth of core sales to a customer, Dixie  
21 Diamond, alone in the last three years.

22           I have watched many of my friends, customers  
23 and competitors alike leave the diamond blade industry  
24 or shut their doors completely. In fact, the reason  
25 Western Saw is still in business today is that  
26 companies like York Saw, Systematic and IKS no longer

1 can afford to make diamond cores, and our largest  
2 competitor, Precision Disk, was forced to close their  
3 doors in December 2003.

4 The owner of Precision Disk, Steve Siegal, a  
5 competitor and a friend I've known for 20 years,  
6 called to tell me that he could no longer compete with  
7 the Chinese and Korean low prices. These are the  
8 exact same words that I heard from the owner of  
9 Blackhawk Diamond, James O'Malley, when he was forced  
10 to close his company down.

11 The U.S. industry is getting hammered by  
12 unreasonable priced imports from Korea and China. I  
13 have no doubt that unless something is done about the  
14 dumped imports that the future for most diamond blade  
15 manufacturers and Western Saw is going to be the same  
16 as Blackhawk and Precision Disk -- forced to lay off  
17 all of our employees and close down our factory.

18 Thank you for your time. I'd be happy to  
19 answer any questions.

20 MR. RIZNER: Good morning. My name is Ken  
21 Rizner. I am vice president of the Industrial Blade  
22 Solutions Unit of Hyde Tools located in Massachusetts.  
23 I've been with Hyde for 39 years.

24 Hyde was established in 1875 providing hand  
25 tools for the local tradesmen. With the equipment  
26 blade manufacturing expertise developed along the

1 years, industrial circular knives, blades and diamond  
2 cores joined the line of product offerings during the  
3 middle of the century.

4 We do not manufacture complete diamond saws.  
5 Instead, we supply the saw core on which diamond  
6 segments are attached by our customers. Our products  
7 are made-to-order with requested delivery dates  
8 provided by our customers.

9 While Hyde manufactures several types of  
10 industrial blades -- rubber, textile, paper converting  
11 blades -- diamond core blades used to be a substantial  
12 portion of our business, nearly 25 percent at its  
13 peak. We reached our highest sales volume for core  
14 blades in 1999. At that time we had the equivalent of  
15 21 employees dedicated to the operations of our  
16 diamond core unit.

17 In the two subsequent years and due to the  
18 subject imports, we saw 50 percent declines in each of  
19 those two years. Today that segment of our business  
20 is only three percent of the unit's total sales.  
21 We've lost 95 percent of our diamond core business  
22 compared to when we were operating at our peak.

23 We now have fewer than two employees  
24 dedicated to the diamond core unit. As the largest  
25 employer of manufacturing jobs in our town, the loss  
26 of nearly 10 percent of these jobs because of the

1 effects of the subject imports was unfortunate.  
2 Without the other product lines that we offer, Hyde  
3 Industrial Blade Solutions would not be in business  
4 today.

5           Following these declines in sales, we ended  
6 up with large quantities of raw materials that cannot  
7 be utilized on any other industrial blade products.  
8 The chemical composition of these raw materials used  
9 on the core blades is such that it is not suitable for  
10 other knife applications. Because we had to order  
11 large quantities for price concessions, we had and  
12 still have large inventories of material with little  
13 or no other use.

14           We continue to have equipment and technology  
15 investments and consider our manufacturing facility to  
16 be state-of-the-art. Much of our diamond core  
17 equipment is substantially underutilized. We designed  
18 and built dedicated equipment for the purpose of  
19 remaining competitive in this market. We do our own  
20 heat treating in-house and do all our own grinding.  
21 We inventory large quantities of raw material and have  
22 the expertise in-house to provide the highest quality  
23 products on the market.

24           Using manufacturing design, sales, team  
25 building, constant member training and continuous  
26 improvement techniques we consider ourselves to be

1 highly productive and quality conscious. We are  
2 ISO-9001:2000 certified, receiving that recognition on  
3 our first effort, signifying our high quality  
4 assurance level even prior to the actual registration  
5 award.

6           Despite the fact that we can produce blades  
7 in a minimal amount of lead time and have on-site  
8 sales and technical support staff, it seems like  
9 pricing has taken over as the driving force in blade  
10 sales.

11           In order to keep our employees and  
12 facilities productive after the hardship began, we  
13 chose to match street pricing just so we could  
14 continue to utilize our manpower and equipment. As a  
15 result, our standard margin was reduced by 50 percent  
16 or more, but if we didn't take this drastic step our  
17 resources would have gone unused.

18           Despite our best efforts, our business  
19 continues to suffer. I've heard comments from  
20 customers that they can buy a complete blade from  
21 China or Korea for less than the price of our core  
22 alone. I could give them a core for free, and they  
23 couldn't turn it into a finished saw competitively.

24           Because of this decline, we have equipment  
25 dedicated to the steel core product line that is being  
26 utilized 10 percent or less. While the market for

1 finished diamond saws seems to continue to grow, our  
2 business has dried up because our former customers are  
3 not ordering from us any more.

4 The minimal amount of business that we have  
5 today is because of our ability to produce small runs  
6 with minimum lead times. The loss of revenues  
7 generated by past core business has substantially  
8 affected the financial performance of this unit. We  
9 are unable to make investments in equipment,  
10 technology and manpower for the diamond core due to  
11 the bleak state of the market. It makes no financial  
12 sense to invest in a market that isn't there.

13 Our past practice was to inventory several  
14 sizes of raw material in large quantities to be able  
15 to react to customer demands. We are unable to  
16 substantiate raw material purchases to support future  
17 business in this market, affecting our ability to  
18 provide products with minimal lead times.

19 Currently the reduced number of size of  
20 stock decreases our chances of having the ideal size  
21 on hand when the need arises, so not only are we in a  
22 hole; we are forced deeper into it by the current  
23 state of the market.

24 We attribute the suddenness of this market  
25 decline to Chinese and Korean products being  
26 introduced into our marketplace at unmatched prices.

1 We continue to sit on equipment capable of meeting  
2 customer demand, have the manpower resources  
3 attainable in short order and the capabilities and  
4 expertise to return as a major supplier to the diamond  
5 saw manufacturers.

6 For this reason I am in support of the  
7 Coalition's efforts and urge you to take appropriate  
8 action to remedy this situation. Thank you.

9 MR. EDMUND: Good morning. I'm Leo Edmund,  
10 president and owner of B&W Equipment & Supply located  
11 in Annapolis Junction, Maryland. Our company is  
12 approximately 26 years old. I've been selling diamond  
13 blades for approximately 34 years.

14 My company purchases and resells diamond  
15 sawblades from domestic producers and imports from  
16 Korea and China. In the past years, we have  
17 experienced a significant drop in retail sales and  
18 profits due to the import products of China and Korea.  
19 Currently our customers are switching to import  
20 products from China and Korea because of the low  
21 prices.

22 My customers do not always tell me that  
23 they're switching to import products. I assume they  
24 are trying to be polite. Due to the low-priced  
25 imports, I am forced to start quoting prices of blades  
26 from China and Korea instead of blades that are

1 manufactured in the United States.

2 For example, a local contractor, Metro  
3 Paving located in Hyattsville, Maryland. We were  
4 selling them a 20-inch overlay blade for \$489. We've  
5 lost that business to import product from Korea and  
6 China for approximately \$290.

7 The influx of telemarketers, which I have  
8 here. Discount warehouses selling Chinese and Korean  
9 imports direct to the customer base has also a  
10 significant impact on my business.

11 For example, Harbor Freight has a diamond  
12 blade listed here, a 4-inch for \$5.99, a 7-inch for  
13 \$14.99. We used to sell this 4-inch blade for \$35.  
14 Camden Yards, by the way, was done with those type of  
15 blades at \$35.

16 An example of how this affected our business  
17 is that the United States produced diamond blades just  
18 sit in inventory that I cannot sell because imported  
19 products from Korea and China are being sold  
20 significantly below the cost of my blades that I have  
21 in inventory.

22 In my purchaser questionnaire that I  
23 submitted it is extremely obvious that my purchasers  
24 have switched from domestic U.S. manufacturers to  
25 Chinese and Korean manufactured because of price.  
26 Also, my overall diamond business is down as noted in

1 my purchaser questionnaire.

2 Unless something changes about the dumped  
3 imports, then my diamond blade business will continue  
4 to decrease, and my profits will also decrease. I  
5 will be forced to sell just imported products because  
6 the United States manufacturers will not be able to  
7 support my products at a competitive price.

8 Finally, I used to be able to sell on  
9 quality, but now I'm forced to sell strictly on price  
10 to compete with the Koreans and Chinese.

11 Thank you for your time.

12 MR. GUTHRIE: Good morning. My name is  
13 Stacey Guthrie. I'm the general manager and sales  
14 manager of the Ricker Machinery Company in Oakland,  
15 California.

16 Ricker Machinery Company has been engaged in  
17 the sale of construction equipment in northern  
18 California since 1945. We are equipment distributors,  
19 meaning that we buy merchandise from manufacturers and  
20 resell it to the end users. Although we sell a wide  
21 variety of products, diamond sawblades make up a  
22 substantial amount of our business.

23 We began selling and distributing diamond  
24 sawblades in 1957. I have personal experience in this  
25 field beginning in 1976. For decades, Ricker  
26 Machinery Company has been a leader in diamond blade

1 sales and distribution in northern California.

2 Our customer base for diamond sawblades has  
3 always been rather diverse. In the early years,  
4 customers were predominantly those who would be  
5 classified as pro sawing contractors. Since diamond  
6 sawing was in its infancy, this was considered a  
7 specialized field and not often approached by others.

8 As time passed and technology in blade  
9 manufacturing improved, more and diverse types of  
10 customers began using diamond sawblades. With  
11 domestic manufacturers introducing the laser welding  
12 of diamond segments to blade cores, we now had a new  
13 range of small diameter blades available for general  
14 contractors that allowed them to perform tasks that  
15 they previously could not. This did not, however,  
16 take away from our market for large diameter diamond  
17 blades, which continued to grow.

18 Beginning in 2003, I began to notice a  
19 decrease in sales of small diamond blades. While  
20 these made up a relatively small percentage of my  
21 diamond blade sales, I paid little attention to this.  
22 Shortly after the sales of small diameter blades began  
23 to drop, I noticed the same pattern with 12- and  
24 14-inch blades.

25 In researching this, I discovered that my  
26 customers were purchasing 12-inch and 14-inch blades

1 from importers of Chinese and Korean manufactured  
2 blades. These same customers showed me the blades  
3 they were buying and shared with me the prices they  
4 were paying. These prices were far below my cost to  
5 purchase comparable domestically produced product.

6 In an effort to regain sales, I was forced  
7 to source these same products from Korean and Chinese  
8 importers. After establishing relationships with  
9 these importers, I was repeatedly approached by them  
10 to sell their large diameter blades to my customers.

11 In several cases I was told that if I chose  
12 not to sell these blades to my established customers  
13 then these importers would sell directly to them. Now  
14 finding myself in the same situation as with the  
15 12-inch and 14-inch blades, I was again market driven  
16 to promote the Chinese and Korean produced 18- and  
17 20-inch blades.

18 In the cases of all of these 12-inch through  
19 20-inch blades purchased from Chinese and Korean  
20 importers, the prices that I now had to sell these  
21 blades for reduced both my profit margins and total  
22 dollar sales.

23 In 2003, the percentage of my total diamond  
24 blade sales that was made up of Chinese and Korean  
25 manufactured product was three percent. In 2004, that  
26 number jumped to 10 percent. In 2005, it was 20

1 percent. In addition, I was losing additional market  
2 share to import distributors that were selling direct  
3 to the pro selling market.

4 In addition to my being driven to sell the  
5 blades imported from Korea and China, the low prices  
6 now being offered in the market were being used by my  
7 customers to leverage me to offer lower prices for my  
8 domestically produced blades, further reducing my  
9 profit margins.

10 Clearly if the continued efforts of the  
11 Chinese and Korean importers are not addressed my  
12 future business in the sales of diamond sawblades will  
13 be irreparably damaged.

14 Thank you.

15 MR. MCCARTHY: Good morning. My name is  
16 Edward McCarthy. I am the owner of McCarthy  
17 Associates, which is a manufacturers' representative  
18 agency serving the construction, distribution and  
19 rental markets in eastern Pennsylvania, Delaware,  
20 Maryland and Virginia.

21 I have been in business since March of 1982  
22 and have represented diamond products since 1985. I  
23 have been associated with the construction  
24 distribution market since 1972 and have been a part of  
25 and experienced all of the major changes in diamond  
26 cutting tool development, marketing and distribution.

1                   Many of those changes have benefitted all  
2 associated with the product. The introduction by  
3 Norton Clipper, an American manufacturer, of dry  
4 diamond blades in 1982 was, in my opinion, one of the  
5 single biggest positive changes I've seen in the  
6 construction tool market.

7                   When it was first introduced, the cost of  
8 the product, because of its method of manufacturing,  
9 had limited acceptance and was used only in  
10 applications which could justify its high price.  
11 After a couple of years, improving manufacturing  
12 techniques raised the reliability and allowed for a  
13 lower cost to the end user.

14                   By the end of the 1980s, its acceptance by  
15 all construction trades was almost total. In the  
16 early 1990s, the use of the product was growing  
17 rapidly, and variations designed for specific  
18 applications were being introduced at a very high  
19 rate.

20                   In 1996, I attended the Cologne Trade Fair  
21 in Cologne, Germany. This is one of the largest trade  
22 fairs in the world, and one of its purposes is to act  
23 as a central point for manufacturers of all countries  
24 to introduce their products and manufacturing skills.

25                   I was astonished at the number of Chinese  
26 and Korean participants selling small diameter dry

1 diamond blades. What was most memorable was the fact  
2 that there were very few booths actually dedicated to  
3 the product. It was, however, actively sold as a side  
4 item by manufacturers and marketers that really had  
5 nothing to do with the product.

6 I saw them offered with ceramics, linens,  
7 hand tools, woodworking tools and other totally  
8 unrelated products. Little did I know that they would  
9 shortly arrive in the U.S. in surprisingly large  
10 numbers and at such low cost.

11 I must state at this time a simple fact that  
12 helped importers develop a market that was based  
13 strictly on price and that is of all the tools  
14 available to the contractor the one that gives the  
15 least hint of its real value is the diamond cutting  
16 tool.

17 Experts without the aid of high powered  
18 microscopes and other expensive measuring devices  
19 cannot determine the quality of the diamonds and the  
20 construction method of any given blade, so how can a  
21 contractor determine its value?

22 MR. MCCARTHY: -- is how much it costs. And  
23 since most small diameter cutting tools are used on  
24 the jobsite intermittently, their actual longevity is  
25 hard to determine. Their low cost is not.

26 The initial introduction of low cost product

1 into our market was met with skepticism because of the  
2 dubious quality and extraordinarily low cost. Brick  
3 and mortar distributors for the most part refused to  
4 buy or stock the product. Telemarketers, however,  
5 found a part of the market that catered to the  
6 contractors' weakness for low cost and exploited it.  
7 Their pitch was often based on lies and deception but  
8 always ended with an extraordinarily low cost.

9           It is now 10 years since my visit to  
10 Cologne, and the harm done to our industry is hard for  
11 me to quantify. Small diameter diamond blades,  
12 because of their low cost, are now considered a  
13 commodity by many contractors and are treated as such.  
14 Where they were once taken care of, they are now  
15 thrown away and replaced at the slightest provocation.

16           Quality and longevity have now mistakenly  
17 been replaced by cost and quantity. Distributors must  
18 triple and quadruple their sales in order to make the  
19 same profit dollars they made just 10 years ago. My  
20 own business has suffered. And for my company to make  
21 the same commission dollars that we made 10 years ago,  
22 we too must sell three to four times the volume, and  
23 unfortunately, that volume is not there. The supply  
24 has outstripped demand.

25           At present, the market for dry diamond  
26 blades up to 14 inches is so saturated that we have

1 virtually lost several sectors, such as waterproofing,  
2 masonry restoration, and demolition. I recently  
3 visited a job with one of my distributors and was told  
4 by a concrete restoration contractor that even though  
5 the product I was selling was superior, that because  
6 he could buy dry diamond blades so cheaply, the  
7 longevity and performance no longer mattered as they  
8 once did.

9           If the blade was slow to perform, was badly  
10 abused, or even broken, he could afford to replace  
11 without giving its cost much thought. The 4½ inch by  
12 .250 blades he was using were manufactured in China.  
13 He said he paid approximately \$25 each for them. The  
14 cost to my distributor for a comparable American-made  
15 product was \$55.

16           I've experienced this same scenario not only  
17 with small blades like 4½ inch and 7-inch diameters  
18 but with 12- and 14-inch as well. If the current  
19 trend of allowing foreign products to flood the market  
20 with products priced far below that of American  
21 manufacturers continues, it will take only a short  
22 period of time before we lose another industry to  
23 unfair competition. This is a product of American  
24 invention, innovation, and technology which we should  
25 not give up so easily.

26           In conclusion and in my mind, there is no

1 doubt that Korean and Chinese imports have harmed  
2 those remaining U.S. producers of diamond sawblades.  
3 Thank you for your time and attention.

4 MR. SCHABAKER: Good morning. My name is  
5 Nolan Schabaker. I am the president of Grabber Power  
6 Products. I have been in the construction service  
7 business for over 20 years, including serving time as  
8 a general manager for a nationwide construction  
9 company in the 1990s and 17 years in the construction  
10 service business. During my time in the industry, I  
11 have acquired significant experience in the diamond  
12 tool industry and am very familiar with the marketing  
13 and sales of diamond sawblades.

14 In the mid 1990s, I started Grabber, which  
15 is a supply company that offers concrete cutting  
16 equipment and manufactures and repairs concrete  
17 cutting machinery. Grabber has both purchased  
18 finished blades and has assembled blades from blade  
19 cores and segments. We have purchased from both U.S.  
20 and foreign sources, including Korea and China. In  
21 our supply division, Grabber has supplied blades and  
22 bits ranging in size from four inches to 72 inches and  
23 above.

24 Consistent with the diamond sawblade  
25 manufacturers, we have been forced to lower prices in  
26 order to compete with Chinese and Korean competitors,

1 who have supplied both us and our customers blades in  
2 any grade and in any style, any size. In fact, times  
3 we have purchased from Chinese and Korean  
4 manufacturers simply to be cost-competitive.

5 Even when we attempted to compete by buying  
6 from Chinese and Korean sources, we have then had to  
7 compete with the blade dealers that are directly  
8 supported by these same foreign manufacturers. In  
9 fact, to compete, we have even purchased from these  
10 dealers.

11 Of course, even though it is sold through a  
12 dealer, the product is shipped directly from the  
13 Korean or Chinese manufacturer and the payment for the  
14 sale is sent directly to the manufacturer. These same  
15 Korean and Chinese dealers can send product to their  
16 customers, which are also my customers, at a lower  
17 price than which we can offer on a resale level.

18 They are relentless. To woo customers,  
19 foreign manufacturers will offer to send the  
20 customer's purchasing agent on an all expense paid  
21 trip to their manufacturer factory. The simple fact  
22 of the matter is that Grabber is unable to compete  
23 with the Chinese and Korean manufacturers and their  
24 dealers.

25 Years ago, as an end user, I would purchase  
26 12-inch asphalt and concrete blades for about \$425.

1 That is no longer the case today. Today's sales price  
2 for sawblades has eroded so significantly from these  
3 two sources that it is now nearly impossible to  
4 compete on any level.

5 We have had offers of only 57 cents, about  
6 the price of a Coca-Cola, for a 4-inch blade and only  
7 \$14 for a 14-inch blade. To put these prices into  
8 perspective, we can't even purchase a steel core for  
9 that price. This has simply gone to the extreme. I  
10 thank you for your time.

11 MR. KAPLAN: Good morning, Chairman, Vice  
12 Chairman, Commission. I'm Seth Kaplan from CRA  
13 International, and I wish to run through a couple  
14 issues quickly before our time expires.

15 CHAIRMAN KOPLAN: Mr. Kaplan, has this been  
16 submitted to the other side, your exhibit? Do they  
17 have this? Because we just got it.

18 MR. GRIFFITH: Yes, we have copies, Mr.  
19 Chairman.

20 CHAIRMAN KOPLAN: Oh, thank you.

21 MR. GRIFFITH: Thank you.

22 MR. KAPLAN: I'll need those 12 seconds back  
23 I think now.

24 CHAIRMAN KOPLAN: I only counted nine  
25 seconds, but I'll give you the other three.

26 MR. KAPLAN: Okay. Okay. That sounds good.

1           Briefly I want to discuss head-to-head  
2 competition, the effect of subject imports on the  
3 industry, and the issues related to the Chinese and  
4 Korean producers.

5           Plainly, imports have increased  
6 significantly in terms of value. They've also  
7 increased significantly in terms of volume. What we  
8 see here is the year by year value share of total U.S.  
9 commercial shipments from the subject imports, and you  
10 can see that in every single category and every single  
11 size range, the subject imports have taken share. On  
12 the right-hand side, you see their share of the total  
13 market.

14           But what I've done is I've taken your table  
15 and actually looked at the market share of the subject  
16 imports in each of the categories. And what you see  
17 here is a very alarming story. Subject imports are  
18 increasing significantly in every size range. They  
19 dominate the smaller size ranges, but they are  
20 increasing significantly in the middle and larger size  
21 ranges.

22           At the end of the preliminary investigation,  
23 I spoke to the clients and I said, boy, they make  
24 quite the case that there's no competition, and they  
25 said, that's not true, and you will see the lie when  
26 the final results in the investigation are shown. And

1 that is exactly what we see.

2           What you see is the way this foreign-  
3 dominated industry has taken over the market slowly  
4 but steadily, first in the smaller sizes and now in  
5 the larger sizes. There is competition across  
6 segments, across sizes, across distribution. It's  
7 head to head. It has been confirmed by the purchasers  
8 here today. It's confirmed by the core producers.  
9 It's confirmed by the producers of the finished  
10 sawblades.

11           So what we have are imports increasing both  
12 absolutely and as a share of production and  
13 consumption. We have significant underselling and  
14 price depression, have prices have fallen in all  
15 products. And the imports have negatively impacted  
16 the industry.

17           Now, for the Korean and Chinese products, do  
18 they have common corporate parents? The answer is  
19 that is the case with some of them, and that's why  
20 both countries need to be covered. Otherwise, you  
21 will merely see products shifting from one country to  
22 another country with no effect, beneficial effect, on  
23 the domestic industry.

24           How about increasing quantity share? Both  
25 countries --

26           CHAIRMAN KOPLAN: Mr. Kaplan, even with the

1 12 seconds, the light's on.

2 MR. KAPLAN: Oh. Well, thank you for your  
3 indulgence.

4 CHAIRMAN KOPLAN: Thank you. And I want to  
5 thank the witnesses for their testimony, and I'll  
6 begin the questioning.

7 Mr. Pickard, I'm going to start with you,  
8 although I would be happy to hear from the industry  
9 witnesses as well on this. I note that on page 72 of  
10 Chapter 5 of our confidential staff report, and I'm  
11 quoting, "The staff requested during the final phase  
12 of these investigations that the Petitioners provide  
13 the requested lost revenue and lost sales information  
14 for the general assertions that were cited in the  
15 petition, but the Petitioners did not provide any of  
16 the requested information."

17 Later on the page, it says, "The staff had  
18 sent a similar request during the preliminary phase of  
19 these investigations but did not receive the  
20 information requested." And that's the end of that  
21 quote. Both of these requests were by e-mail.

22 Now I consider compliance with such staff  
23 requests a significant aid in my analysis of the  
24 record. I note that Appendix 3 of your prehearing  
25 brief does not provide, in my opinion does not  
26 provide, the necessary data either.

1           The Commission received usable information  
2 regarding a single instance of lost revenue and four  
3 instances of lost sales, which staff attempted to  
4 verify. The results are bracketed on pages 72 to 74  
5 of Chapter 5 but of course were made known to counsel.

6           Is there anything else either you or your  
7 clients can add to what we have? I note that this  
8 morning, for example, I heard from Mr. Garrison and  
9 Mr. Jedick on matters such as I'm asking about now.  
10 But what I'm talking about is information that is  
11 sufficiently detailed so that it can be verified by  
12 staff or that staff can attempt to verify it. And I'm  
13 frustrated by the fact that I hear, for example, you  
14 know, these generalized allegations, but we need to be  
15 able to run it down. And they haven't been able to do  
16 that, except with the instances that I cited. And you  
17 know the results of their attempts to verify because  
18 that is available to you. So is there anything else  
19 that either you or your clients can add to what we  
20 have?

21           MR. PICKARD: Certainly. There's one thing  
22 that I would like to clarify. As you're aware, in the  
23 preliminary phase, we put our lost sales and lost  
24 revenue allegations in the form of self-certifying  
25 affidavits. In the final phase, we were requested to  
26 put it in the traditional ITC format, as demonstrated

1 in the questionnaire's response.

2 CHAIRMAN KOPLAN: Well, as an alumnus, you  
3 know what it takes for us to be able to verify, right?

4 MR. PICKARD: I certainly do.

5 CHAIRMAN KOPLAN: You're not a rookie.

6 MR. PICKARD: Thank you, sir.

7 CHAIRMAN KOPLAN: Okay.

8 MR. PICKARD: And it's an honor to be back,  
9 just for the record. But I had a feeling that you  
10 were going to ask a question along these lines, so I  
11 brought a copy of -- just the public version -- of our  
12 response to that staff question, and I would just  
13 point it out for your attention. The public version's  
14 dated March 13. It's approximately 27 pages long, and  
15 it provides the attachment in the traditional ITC  
16 format, and then it's got the affidavit behind it.  
17 And I could just give you one example, and then I  
18 think we can go on to really your bigger picture is  
19 why is it difficult to confirm a lot of these things.  
20 But the format's just right out of the questionnaire.  
21 It will be labeled lost revenue.

22 CHAIRMAN KOPLAN: No, I'm saying that we  
23 didn't get sufficient detail to be able to use it to  
24 verify.

25 MR. PICKARD: Okay.

26 CHAIRMAN KOPLAN: Except in the instances

1 that I cited.

2 MR. PICKARD: All right. Well, in that  
3 case, I think it's probably better to turn it over to  
4 the industry witnesses to say in your experiences, why  
5 is it difficult to document specifically the exact  
6 dollar of sale that you've lost or when you've lost a  
7 sale to a Korean or Chinese producer.

8 CHAIRMAN KOPLAN: Well, for example, Mr.  
9 Garrison, I think that you talked about 40 percent of  
10 professional grade sales are being lost to the Chinese  
11 in Atlanta. But I can't, we can't, verify that type  
12 of allegation. It needs to be documented in order for  
13 the staff to run it down, okay?

14 I think Mr. Jedick also discussed generally  
15 this kind of thing, but our staff needs to be able to  
16 go through an analysis, as your counsel knows, and I  
17 can't get in to the details of what we were able to  
18 come up with based on what we got. But we need  
19 documentation for it.

20 Dr. Kaplan, are you going to provide me with  
21 that documentation?

22 MR. KAPLAN: I'd like to discuss this issue  
23 in general. I was here at a hearing, and I represent  
24 the U.S. steel industry, which has been a long history  
25 before this Commission. And a representative attorney  
26 from Skadden Arps got up in a similar situation that

1 we're discussing today and said the industry has  
2 decided to no longer submit these types of  
3 allegations.

4           And this is an industry with incredible  
5 experience before the Commission, incredible  
6 experience before the staff, lawyers who worked at the  
7 ITC, and no shortage of experience and effort going in  
8 to these cases. And the methodology used by the ITC  
9 in trying to collect and verify and certify these  
10 things has made it incredibly difficult for  
11 petitioning firms to supply evidence that will be  
12 verified.

13           And back at that time, you took note of  
14 that. We're in a similar situation here. Usually you  
15 had a domestic purchaser saying well, one of my  
16 customers said, and then you call up. Here we have  
17 circumstances where the witnesses are showing up,  
18 putting in affidavits saying what happened, talking  
19 about the general conditions of competitions.

20           And yet, unless the form is perfect and  
21 exact -- and I'm not criticizing the staff; I mean,  
22 that's what they're doing -- it's something can't be  
23 verified. And if that form is so particular that the  
24 industries that regularly appear can't do it --

25           CHAIRMAN KOPLAN: Let me just break in for a  
26 moment if I may. You're not required to give us this

1 information. It's your choice.

2 But if you do and you want us to take it  
3 into account, if you choose to, okay, then the kind of  
4 information we're looking for is the name of the  
5 customer, the date of the allegation, the product, the  
6 alleged quantity in units, the alleged rejected U.S.  
7 price, total value in dollars, the alleged accepted  
8 import price, total value in dollars, alleged country  
9 of origin, alleged loss sales and total amount, and  
10 then we look to see whether the customer agrees or  
11 disagrees with your response. Now that's the kind of  
12 information that goes into these bracketed tables.

13 What I'm saying is I'm listening to  
14 allegations, for example, this morning, but it doesn't  
15 contain that kind of information. And you don't have  
16 to do this here in this hearing room. That can be  
17 provided as business proprietary information that our  
18 staff can then run down. But that's all I'm saying.

19 And as you know, I mean, I've been here now  
20 almost eight years, and I haven't gotten into this  
21 kind of a discussion in the past, but I find in this  
22 particular instance that our staff has tried and been  
23 unsuccessful in getting the kind of details that we  
24 need for, for example, what I just gave you the  
25 headers on, are lost sales allegations. That's the  
26 kind of information we're looking for.

1                   So I don't want to beat it to death. I just  
2 want to tell you that it would be helpful if you have  
3 that kind of detail and can be that specific to have  
4 provided it or to still provide it. My yellow light's  
5 on. Mr. Pickard, go ahead.

6                   MR. PICKARD: I was just going to add one  
7 additional thought along those lines. There have been  
8 a couple of conversations in the trade bar about this  
9 specific issue, and there's kind of a feeling that  
10 it's a double-edged sword, that it's difficult to  
11 confirm lost sales and lost revenue allegations. But  
12 if you don't allege them, then Respondents will use it  
13 as a club. Look, they won't even allege one lost sale  
14 or one lost revenue.

15                   If you do allege them, there's a certain  
16 specificity that is difficult, especially in these  
17 type of market conditions, for a U.S. producer to be  
18 able to say the exact date or the exact competing  
19 amounts or dollar amount that he was going against.  
20 That's why in addressing this we decided to hopefully  
21 try and take a novel approach with these self-  
22 certifying affidavits. That was unsuccessful.

23                   Following up, we tried to provide as  
24 specific information as possible in the traditional  
25 format, hoping that that would assist the Commission  
26 staff. But it's an issue of concern I think with the

1 whole trade bar about how do we approach this, provide  
2 the Commission with the most useful information that's  
3 going to document the injury to petitioners. It is  
4 not an easy thing to do.

5 And to the extent -- I don't know if any of  
6 the -- oh.

7 CHAIRMAN KOPLAN: Well, my time is up.

8 MR. PICKARD: You bet. Thanks.

9 CHAIRMAN KOPLAN: But I'll be back.  
10 Vice Chairman Okun.

11 VICE CHAIRMAN OKUN: Thank you, Mr.  
12 Chairman. And before I begin my questions, let me  
13 welcome all of you here to our hearing. I very much  
14 appreciate so many members of the industry being with  
15 us and the purchasers as well. I find it particularly  
16 helpful to have you here and to explain how your  
17 industry works, and there's been a lot of information  
18 submitted, so I appreciate that and I appreciate your  
19 filling out questionnaires, and for those purchasers  
20 where we still need additional information, I'd  
21 appreciate seeing that as well.

22 Mr. Pickard, maybe I will let your clients  
23 go ahead and I think respond to what you wanted to  
24 allow them to respond to with regard to the Chairman's  
25 question, which is I would like to hear from the  
26 industry how price competition works for you and how

1 you know that there are imported prices in there, how  
2 you know you've lost a sale. And again, putting aside  
3 the philosophical policy, you know, argument over how  
4 one approaches lost sales, lost revenue, tell me about  
5 how you know and then why it's difficult, as I  
6 understand your counsel is saying, why it's difficult  
7 for you to provide the information in the way that we  
8 have requested, because again, take Mr. Kaplan's  
9 point.

10 It is not required, but, you know, the  
11 Chairman makes a point as well. Once you put it  
12 forward, we ask for particular information, so help us  
13 with that. Tell me about your industry, price  
14 competition, and the difficulty might have or have had  
15 in providing the information. I'll start, Mr.  
16 Garrison, with you and then just work your way  
17 through. And if you can be sure and just respond with  
18 your name again. There's so many of you sitting out  
19 here. It's hard for us to see all the name plates.

20 MR. GARRISON: Thank you. Steve Garrison.  
21 A couple of points. My comment about the 40 percent  
22 loss or 40 percent share, approximate 40 percent share  
23 in Atlanta, Georgia, we're in the position there of  
24 having added a new salesperson recently, so he's  
25 making calls on the prospective customers in the  
26 market that we serve.

1                   And his assessment of who has what business  
2                   from some of our U.S. competitors here and the Chinese  
3                   and Korean suppliers, his assessment was that the  
4                   Koreans' and Chinese blades have something in the  
5                   range of a 40 percent market share of the prosawing  
6                   contractors that he's called on in the Atlanta area.  
7                   So we had no business there before. Here's a new guy  
8                   moving in and knocking on doors, seeking information,  
9                   and this is what he has reported back to me.

10                   In the Los Angeles or Oakland or Seattle  
11                   areas, one of the things that happens, we have  
12                   customers that buy product from us. They do not call  
13                   us and ask us for a price each time. They call us and  
14                   order something. If they have determined that we have  
15                   a good value or we have a product on the shelf that  
16                   they need, they'll buy it. If they choose to buy it  
17                   because of price from a Chinese or Korean competitor,  
18                   they don't usually call us and tell us that or even  
19                   give us a chance to quote on it.

20                   So our salespeople can determine that when  
21                   they take a stroll through the shop of the operation  
22                   that we're selling to and notice the boxes that are  
23                   discarded, the labels on the blades, the markings on  
24                   the blades that are being used.

25                   Quite frankly, it's also not something that  
26                   as a salesperson I'm inclined to do very often is to

1 really emphasize to a customer to get involved in that  
2 deep a discussion about this subject and run the risk  
3 of increasing his awareness of the price  
4 competitiveness of the Korean and Chinese product if  
5 it's someone who has previously not been aware. So  
6 that would be part of an answer.

7 VICE CHAIRMAN OKUN: Okay. And then, just  
8 in your industry, is it typical to use a written quote  
9 that's going out, I mean, or this is all salesmen  
10 calling on a client, having an oral conversation?

11 MR. GARRISON: Very seldom do we ever make a  
12 written or even a verbal quote prior to a sale. The  
13 customer has our price list. He knows what our prices  
14 are. He understands that we have a relationship, and  
15 we generally provide product in a timely manner, and  
16 he likes working with our people. So there are  
17 occasions where we might be asked to quote specific  
18 prices, but those are rare.

19 One other comment that I might make is there  
20 was some information provided earlier about the state  
21 of Missouri by Terra Diamond, and I don't have  
22 specific knowledge of what the total dollar amount  
23 was, but it was several hundred thousand that was  
24 supplied by a protech Chinese, Korean sourced product  
25 this last year in the state of Missouri that was  
26 previously supplied by a U.S. manufacturer.

1                   VICE CHAIRMAN OKUN: Okay. Let me hear from  
2 other members of the industry. Then I'll have some  
3 followup questions.

4                   MR. BARON: Kevin Baron from Western Saw.  
5 It's very difficult for a core producer to know.  
6 Really the only way that we can figure it out is that  
7 at the end of a quarter when we go through our sales  
8 analysis and look at what sizes and what we've sold do  
9 we see that a specific customer is not buying a  
10 certain sized blade from us any longer or the sales  
11 have dropped.

12                   But to be specific is very hard. However, I  
13 believe I filled out mine, and I think I put in there  
14 four or five actual dates. And if there's more  
15 information, I'm sure I could get it. But it is  
16 difficult, and oftentimes it does go unnoticed for  
17 almost a year a certain specific blade, if you're  
18 making so many blades, is not being purchased any  
19 longer.

20                   VICE CHAIRMAN OKUN: Okay. And again, for  
21 yours, and I understand you're in the core business,  
22 is it the same in terms of oral offers, or is it a  
23 customer that usually had to come back to you?

24                   MR. BARON: Pretty much everybody has our  
25 prices. They know what we sell for. And sometimes  
26 they know what -- not sometimes -- often they know

1 what they can buy a Chinese or a Korean product for,  
2 and we don't even get the phone call. So I don't know  
3 that I lost a sale and I did, so it happens quite  
4 often.

5 VICE CHAIRMAN OKUN: Okay. Continue on  
6 then.

7 MR. MCCARTHY: Edward McCarthy. I am the  
8 only -- Madame Okun?

9 VICE CHAIRMAN OKUN: It's okay. It might be  
10 easier just to go by front row, next row, and I'll be  
11 able to hear from everyone if not on this time on  
12 another one. Mr. Wolters.

13 MR. WOLTERS: Yes. I'm Greg Wolters,  
14 president of Dixie Diamond Manufacturing. In a  
15 posthearing brief that if it was not already submitted  
16 to you, I can personally give you a company where we  
17 lost over \$2 million worth of business to Chinese and  
18 Korean imports. I can also give you within the last  
19 three months --

20 VICE CHAIRMAN OKUN: And tell me, you know  
21 that because how?

22 MR. WOLTERS: Because I got it in e-mails  
23 from the Chinese and Koreans that were sent to my  
24 customer, who forwarded that information over to me  
25 because they wanted me to quote. I couldn't even  
26 quote at that pricing.

1                   VICE CHAIRMAN OKUN: And do you have a  
2 response back on that saying you don't quote it or you  
3 can't meet the price?

4                   MR. WOLTERS: At that point in time, I have  
5 to look and see. But I probably went back and said I  
6 can't even get close to that. It's not worth my time  
7 even working the numbers.

8                   And specifically in the last three months,  
9 we lost an additional \$1 million in business that I  
10 can document. On top of that, probably the hardest  
11 thing about collecting information on our end is that  
12 we're dealing with other small business owners who are  
13 busy.

14                   And just like Leo said here, who's testified  
15 and who is one of my customers, he's contacted all the  
16 time by customers like this, people like this buying  
17 12- and 14-inch blades and larger diameter blades.  
18 That contractor or that distributor does not call us  
19 up and tell us that they're buying that, so it takes a  
20 period of time until we realize it. And I'm dealing  
21 with other small business owners. It's hard to get  
22 information from them. That's probably the most  
23 challenging.

24                   VICE CHAIRMAN OKUN: Okay. Next row. Yes.  
25 Mr. Rizner.

26                   MR. RIZNER: Yes. Good morning. It's Ken

1 Rizner with Hyde. As Mr. Baron said, we are a core  
2 manufacturer. I think what we see is just orders just  
3 dry up. They just don't show up anymore. We do have  
4 people calling us on occasion to ask for quotations,  
5 and what we have done over the past couple of years is  
6 we've looked at our quotations.

7 We realize that we cannot make the kind of  
8 margins that we would have liked to have made in the  
9 past, and so we set our pricing accordingly, knowing  
10 they're not going to be what we want them to be, but  
11 at the same time, we have people, materials,  
12 machinery, all of that stuff on our floor that we want  
13 to keep productive. But even at that, we're only at  
14 five percent of what we were just a couple of years  
15 ago, that size of that business to us.

16 VICE CHAIRMAN OKUN: Okay. Continue on.

17 MR. JEDICK: Andy Jedick, Diamond Products.  
18 I concur with the other Respondents on the difficulty  
19 of getting lost market data from the field. Again,  
20 the customers are small. We don't have a  
21 sophisticated marketing department gathering data,  
22 studying markets constantly to see which market we're  
23 losing business in.

24 In a small market area with a single  
25 salesman like in the Atlanta area, as Mr. Garrison  
26 pointed out, you get the data back from your salesman.

1 He can tell you he's been calling on 15 or 20  
2 accounts, and out of those 15 or 20 accounts, maybe  
3 half of them were purchasing a significant amount of  
4 product from Korean or Chinese sources. Again, no  
5 data that can be put on charts and graphs to see  
6 what's going on.

7 One tool we do have that I used a little bit  
8 in my presentation was a line item-by-line item  
9 comparison from year to year of specific SKUs of  
10 diamond tools in the various categories. That shows  
11 the loss in selling price average unit per year for  
12 those three years. At least that was a mathematical  
13 tool we could use to see how they were falling, and  
14 they were consistently falling in all the categories.

15 VICE CHAIRMAN OKUN: Okay. My yellow  
16 light's on, but I can probably hear from one more.

17 MR. MCCARTHY: Thank you.

18 VICE CHAIRMAN OKUN: From the industry  
19 witness, and I'll come back to you. Who's next? On  
20 the back row there? Yes.

21 MR. MCCARTHY: Ed McCarthy.

22 VICE CHAIRMAN OKUN: Yes, Mr. McCarthy.

23 MR. MCCARTHY: I am probably the only true  
24 salesman within this organization in that I spend  
25 eight hours a day trying to sell this product. And  
26 trying to gain data that you're asking for is almost

1 impossible. Have you ever been on a jobsite and tried  
2 to nail down a contractor who's walking around with a  
3 walkie-talkie and you ask him why did we lose your  
4 business, and the only thing he can say, your price  
5 was too high, I have to get up on the third floor?

6 Most of the orders we see, most of the  
7 requests for a quote, are verbal. I need a price on  
8 10 14-inch blades. You give them the price. Two days  
9 later you hear nothing. You call back. They say you  
10 were high. To who? Somebody else. I don't have  
11 time.

12 VICE CHAIRMAN OKUN: Okay. My red light's  
13 come on. I'll have a chance to hear from the other  
14 members of the industry. I appreciate all those  
15 answers.

16 CHAIRMAN KOPLAN: Commissioner Hillman.

17 COMMISSIONER HILLMAN: Thank you very much.  
18 And I too would join my colleagues in welcoming you  
19 all here this morning. We very much do appreciate  
20 your taking the time to help us understand a little  
21 bit more about your industry.

22 If I can go to one of the other issues  
23 that's been raised very clearly in that and help me  
24 understand a little bit more about the product. I  
25 think as you've heard from the Respondents, part of  
26 their argument is that this is a very segmented

1 market, both in terms of, you know, the professional  
2 market versus the DIY market, but they're also arguing  
3 that it is very segmented in terms of the nature of  
4 the product. And so I wanted to try to understand a  
5 little bit more about some of those product issues.

6 And maybe if I can start just by  
7 understanding the distinctions that are clearly laid  
8 out in the data in our staff report by the product  
9 that is laser-welded versus the product that is  
10 sintered versus the product that is soldered or  
11 braised. Again, help me understand it. Maybe  
12 initially from a core perspective, does it matter? I  
13 mean, do you use the same core no matter how you're  
14 attaching the segment to the core? Is the core itself  
15 the same for each of these products?

16 MR. BARON: Kevin Baron, Western Saw. We  
17 use a material that can be laser-welded or does not  
18 have to be laser-welded, so there is really no  
19 difference for us.

20 COMMISSIONER HILLMAN: Okay. So when you're  
21 producing a core --

22 MR. BARON: Yes.

23 COMMISSIONER HILLMAN: -- you don't need to  
24 know what segment is going to be attached to it in the  
25 sense of how it's going to be attached?

26 MR. BARON: Oftentimes we don't know

1 anything.

2 COMMISSIONER HILLMAN: Okay.

3 MR. BARON: We just know the diameter and  
4 the thickness.

5 COMMISSIONER HILLMAN: Okay.

6 MR. BARON: All right?

7 COMMISSIONER HILLMAN: All right. Then from  
8 the finished sawblade producers, again, help me  
9 understand from your perspective these three different  
10 methods of attaching the segment and how significant  
11 is that. Does somebody that buys one, would they be  
12 willing to use the other? Does it matter to the end  
13 use customer whether it's a sintered blade versus a  
14 laser-weld versus a soldered blade? Do they know? Do  
15 they care?

16 MS. O'DAY: Judy O'Day, Terra Diamond.  
17 Essentially there's no difference. In years gone by,  
18 laser welding was a special new technique. It was hot  
19 technology. Now it's extremely common.

20 COMMISSIONER HILLMAN: When you say "in  
21 years gone by", how many years?

22 MS. O'DAY: Twenty years ago when it was  
23 developed.

24 COMMISSIONER HILLMAN: Okay. Twenty years  
25 ago --

26 MS. O'DAY: Twenty years ago.

1                   COMMISSIONER HILLMAN:  -- laser was a big  
2 deal.

3                   MS. O'DAY:  Yes.

4                   COMMISSIONER HILLMAN:  And people would pay  
5 a premium for it.

6                   MS. O'DAY:  They did.  Yes.

7                   COMMISSIONER HILLMAN:  Okay.

8                   MS. O'DAY:  And now, in order to ramp up  
9 production, laser welding is extremely common.  We  
10 virtually laser-weld all of our product.  We still  
11 solder some in large sizes in order to be able to meet  
12 certain demands.  But if it's appropriate to laser  
13 weld, we do it.

14                   COMMISSIONER HILLMAN:  Okay.  And of these  
15 three technologies, the laser, the solder, or the  
16 sinter, is one considered producing the highest  
17 quality blade?

18                   MS. O'DAY:  No.  No.  The only advantage --

19                   COMMISSIONER HILLMAN:  One doesn't wear  
20 better than the other?

21                   MS. O'DAY:  The only advantage that I know  
22 of that a laser-welded blade has is that it can be run  
23 dry without a water coolant.  That's an advantage in  
24 some situations.  But all laser-welded blades can be  
25 run wet as well.  So essentially there's not a lot of  
26 distinction between the two.

1 COMMISSIONER HILLMAN: Okay.

2 MS. O'DAY: Not for my customers.

3 COMMISSIONER HILLMAN: And do your customers  
4 specify again when they're buying, you know, this  
5 blade, do they say I want a soldered blade or I only  
6 want a laser blade?

7 MS. O'DAY: Yes. If they specify at all,  
8 they will say I want a wet blade or a dry cutting  
9 blade for this particular application.

10 COMMISSIONER HILLMAN: Okay.

11 MS. O'DAY: They don't specify --

12 COMMISSIONER HILLMAN: So all they care  
13 about is the diameter and the wet versus dry?

14 MS. O'DAY: Essentially, yes. And the price  
15 now.

16 COMMISSIONER HILLMAN: Okay. And they would  
17 never tell you anything more about the blade?

18 MS. O'DAY: No. I might ask them further  
19 questions about a job application if it looked  
20 unusual, but no, they aren't interested in that.  
21 That's not what they do. They just want a job. They  
22 want a blade that will cut. And our blades cut.

23 COMMISSIONER HILLMAN: Okay. Anybody else  
24 want to comment on this?

25 MR. PICKARD: Well, I would just throw out  
26 the observation that I think it's at Table I-2 of the

1 staff report. It just confirms that. Although I've  
2 heard the Respondents make this argument, the vast  
3 majority of the U.S., the Chinese, and the Koreans are  
4 all laser-welded.

5 COMMISSIONER HILLMAN: Okay. No, I see the  
6 data, although, you know, there's a significant amount  
7 of imported production that's coming in that's in this  
8 sintered blade and in both sintered segmented blade  
9 and sintered continuous blades, and I'm trying to  
10 understand why somebody would purchase a sintered  
11 blade as opposed to a laser-welded blade. Mr.  
12 Garrison.

13 MR. GARRISON: Just to give you an example,  
14 my father walked into a Harbor Freight a couple of  
15 years ago shopping, and he noticed a three-pack of  
16 blades that had continuous rim, sintered, and laser-  
17 welded 4-inch blades in a packet. No instruction on  
18 the packet for the end user to know that there would  
19 be a different application recommended for any of  
20 those different types of products.

21 COMMISSIONER HILLMAN: Okay. And if you who  
22 know, what would you recommend is the better  
23 application for each of these different types of  
24 products? I mean, what would you typically say is the  
25 best use of a sintered versus a laser-weld versus a  
26 soldered blade?

1 MR. GARRISON: Difficult for me to say. I  
2 don't separate --

3 COMMISSIONER HILLMAN: No distinctions in  
4 use at all?

5 MR. GARRISON: Right.

6 COMMISSIONER HILLMAN: Any of the purchasers  
7 out there? Do you all purchase all of them in all  
8 sizes and sell them all the same? Go ahead. Mr.  
9 Guthrie.

10 MR. GUTHRIE: Stacey Guthrie, Ricker  
11 Machinery. Used properly, each of those blades will  
12 work comparably. It's very simple.

13 COMMISSIONER HILLMAN: They're absolutely  
14 interchangeable?

15 MR. GUTHRIE: Absolutely.

16 COMMISSIONER HILLMAN: Okay. Now pricewise,  
17 again, from a purchaser perspective, do you pay more  
18 for one versus the other?

19 MR. GUTHRIE: Very comparable.

20 COMMISSIONER HILLMAN: They're very  
21 comparable in price?

22 MR. GUTHRIE: Very comparable.

23 COMMISSIONER HILLMAN: Okay. And are there  
24 any limitations? Again, you were mentioning earlier,  
25 Ms. O'Day, that for the larger blades, you tend to do  
26 solder, correct? Are there any limitations in your

1 view? Can you use all three technologies no matter  
2 how large or small the blades are?

3 MS. O'DAY: Correct. Just not economically.  
4 We don't sinter any product anymore, but we do laser-  
5 weld and we do solder both large and small.

6 COMMISSIONER HILLMAN: Okay. You don't  
7 sinter anymore because it's more expensive as a  
8 technology to sinter?

9 MS. O'DAY: Right. For us, yes. It's not  
10 cost-effective.

11 COMMISSIONER HILLMAN: Okay.

12 MS. O'DAY: We can produce a lot more  
13 product with the methodology with laser welding.

14 COMMISSIONER HILLMAN: Okay. Other  
15 producers? Is there one technology over another that  
16 is more or less costly as a producer?

17 MR. GARRISON: I can't really answer that  
18 question, but I can tell you that that market, the  
19 sintered market, the sintered technology, is one of  
20 the markets that's been almost 100 percent captured by  
21 the Koreans and Chinese. So the product that we're  
22 selling out of our factories would be primarily laser-  
23 welded and braised products, and in some cases, all,  
24 as in our factory.

25 COMMISSIONER HILLMAN: Okay. Mr. Jedick,  
26 did you want to comment on this issue of cost of

1 production of the various technologies of adding the  
2 segments?

3 MR. JEDICK: Yes. Commissioner Hillman,  
4 Andy Jedick. The smaller sized blades, 14-, 18-inch  
5 even and down, the medium to small sized blades, are  
6 typically laser-welded or sintered. Sintering  
7 technology has limitations in the diameters for the  
8 sintering presses and things. So you can use the  
9 technology interchangeably on the smaller diameter  
10 blades between laser welding and sintering.

11 The braising has just simply become more  
12 obsolete based on the efficiency of making them either  
13 laser-welded or sintered. Braising is typically used  
14 in larger diameter blades where you can't do either  
15 laser-weld or sinter, so there are some manufacturing  
16 I guess limitations to what you can braise. But the  
17 laser-welding and sintering are interchangeable at the  
18 lower size levels.

19 COMMISSIONER HILLMAN: Okay. I appreciate  
20 that. Then if we can go to some of the issues related  
21 to the segmentation of the purchasing market.  
22 Obviously you all have touched on this, but I want to  
23 try to understand a little bit more this issue of the  
24 distinction between the if you will DIY market, you  
25 know, do-it-yourself market, versus the professional  
26 market and try to understand to the extent that there

1 is any line between these two markets where they are.

2 As I read Respondent's brief, an awful lot  
3 of what they're talking about are again the users of  
4 the larger blades, that they describe this as much  
5 more of a very custom kind of an application in terms  
6 of the nature of the blade. Is there a real custom  
7 market out there, and how big is that custom market,  
8 and who's in it?

9 MR. GARRISON: Steve Garrison. There were  
10 several questions that were --

11 COMMISSIONER HILLMAN: Is there a custom  
12 market out there?

13 MR. GARRISON: As Mr. Jedick of Diamond  
14 Products indicated, as favors to our customers we do  
15 still manufacture some product that is custom made for  
16 a special width or a special application. That is a  
17 very small part of our business. Probably 80 to 95  
18 percent of what we manufacture is standard product,  
19 off-the-shelf, either in terms of segments off-the-  
20 shelf, or inventory or finished product.

21 What was your other question?

22 COMMISSIONER HILLMAN: Again, I am trying to  
23 understand whether there is much of a distinction  
24 between the DIY market and the so-called professional  
25 market?

26 MR. GARRISON: Okay. One example there is

1 is that the Respondents have used Home Depot and Lowes  
2 as an indication of a DIY market. We have confirmed  
3 that there are -- you can even go in front of most  
4 Home Depots, especially the ones oriented towards  
5 small contractors, that are professionals. They do  
6 professional concrete work, tile work, stone work,  
7 that sort of thing; and they will be lined up outside  
8 a Home Depot waiting to purchase products, including  
9 12- and 14-inch concrete blades which are used by  
10 professionals in their trade work.

11 Secondly, Home Depot owns several companies,  
12 including one called Whitecap that does market and  
13 sell to those tradesmen specifically, and professional  
14 specialty sawing and drilling contractors. So the  
15 Home Depot --

16 COMMISSIONER HILLMAN: Has moved  
17 professional, if you will.

18 MR. GARRISON: Yes, they are serving the  
19 entire blade market.

20 COMMISSIONER HILLMAN: And then, Mr. Jedick,  
21 from your perspective: What would you say is the size  
22 of the custom market?

23 MR. JEDICK: I agree with Steve's  
24 observation. The custom market has become less and  
25 less. It used to be more customizing the bond  
26 systems, but with technology lately there are much

1 fewer amounts of bond systems.

2 We stock a tremendous amount of product  
3 across the country in warehouses for professional-type  
4 users; and, again, as Mr. Garrison said, the Home  
5 Depot group has purchased many of our customers, many  
6 of our current customers who use the larger diameter  
7 blades for professional tile people and masonry  
8 contractors, et cetera, that we struggle to continue  
9 selling to after they are purchased by companies like  
10 Home Depot. But we continue to try to keep our  
11 product in there. The pressure is coming almost  
12 exclusively from Chinese and Korean pressure in those  
13 markets.

14 COMMISSIONER HILLMAN: I appreciate those  
15 answers. Thank you very much.

16 CHAIRMAN KOPLAN: Commissioner Lane?

17 MR. WOLTERS: Can I offer, Commissioner  
18 Hillman, one quick response?

19 COMMISSIONER HILLMAN: Given that my red  
20 light has come on, I know that Mr. Edmund also had  
21 wanted to respond, so I will come back to this issue  
22 in the next round.

23 MR. WOLTERS: Thank you.

24 COMMISSIONER HILLMAN: Thank you.

25 COMMISSIONER LANE: Well, so we don't lose  
26 your train of thought, go ahead and take it out of my

1 time. Go ahead and respond.

2 MR. WOLTERS: Thank you very much. I will  
3 say briefly that I totally agree with Andy from  
4 Diamond Products, and Steve Garrison from Diamond B.  
5 We do stock product. Specialty product is a very  
6 small portion of our manufacturing, and importers are  
7 aggressively going into that pro market.

8 Now, I bring this here specifically to show  
9 you this is a catalog from Diteq, which is represented  
10 here today, which sells imported products from  
11 Shinhan. On the cover of their product catalog, it  
12 states in two places: pro. They sell the pro market;  
13 they are part of that market. So, therefore, they  
14 bring the product in and stock it just like we do, and  
15 compete with us on a low cost.

16 Thank you.

17 COMMISSIONER LANE: Okay. I understand that  
18 someone else wanted to make a comment. Yes, sir?

19 MR. EDMUND: Leo Edmund, B & W Equipment.  
20 We are a dealer where we rent and sell construction  
21 equipment. The majority of our customers are  
22 contractors, but I have very close friends that are in  
23 the rental business which deal with DIY-type  
24 customers.

25 The majority of those customers, there are  
26 not many DIY customers that would actually use very

1 many blades. They are not going to rent a 65  
2 horsepower saw to cut a sidewalk or anything. These  
3 things are huge. They are going to be using smaller  
4 blades to do tile work in their kitchen or whatever,  
5 and the rental houses rent these blades to them. They  
6 normally don't even buy the blades.

7 I personally have rented a saw and a blade  
8 from a company to do the kitchen in my house. So it  
9 is a very tiny segment of the entire market, as far as  
10 DIY. Like I say, they are not going to invest in a  
11 diamond blade, even if they're cheap, if they're not  
12 going to use the whole diamond.

13 COMMISSIONER LANE: Okay, thank you.

14 Now, did anybody else want to comment on  
15 that?

16 MR. PICKARD: If I could throw two cents in,  
17 Commissioner. This is Dan Pickard from Wiley, Rein  
18 again.

19 COMMISSIONER LANE: Yes, go ahead, and throw  
20 in your two cents.

21 MR. PICKARD: I think it is artificial, to  
22 say the least, trying to construct a DIY market in  
23 this completely separate professional grade,  
24 especially with some of the suggestions that have been  
25 made.

26 I wish I had brought a 14-inch diamond

1 sawblade in with us. It has been suggested by the  
2 Respondents that diamond sawblades, up to 14 inches,  
3 are really for the do-it-yourselfer home repair. I am  
4 fairly handy around the house, but I can tell you I  
5 will never operate a saw that has a 14-inch diamond  
6 sawblade in it.

7 And, to the extent that their allegation  
8 that they are not present in the professional grade, I  
9 think that it is just vastly contradicted by all the  
10 evidence of record.

11 COMMISSIONER LANE: Okay. That sort of goes  
12 into the line of questioning that I wanted to start  
13 with. I would like for you to discuss the extent to  
14 which low-price imports of diamond sawblades from  
15 China and Korea, and possibly such imports from non-  
16 subject countries, may have increased demand by making  
17 the diamond sawblades more competitive with abrasive  
18 blades, and/or by making the diamond sawblades more  
19 affordable for small contractors, do-it-yourselfers,  
20 and other purchasers?

21 MS. O'DAY: This is Judy O'Day of Terra  
22 Diamond. I think the increase in demand may be  
23 artificial because these are now so low-priced that  
24 they are disposable items. So, if you give a diamond  
25 blade to one of your crew, they ruin it and, because  
26 of the low price, you're not worried about it. You

1 just buy another one, you have an increased demand.  
2 You have increased the number of units purchased. The  
3 dollar amount has not increased.

4 We find that even in the professional-  
5 specialty contractors, who are supposedly concrete  
6 sawing and drilling specialists, more and more, they  
7 are looking at their crew members, their concrete  
8 cutters as less than professional, so they are much  
9 more responsive to low price in providing their guys  
10 with a blade that is so cheap that if they ruin it,  
11 they are not worried about it. They will simply buy  
12 another one.

13 Historically, twenty years ago, it was  
14 unheard of. Diamond blades were not a commodity.  
15 They were expensive items and they were taken care of  
16 and used in specific instances. Now, they're used,  
17 especially across-the-board, as disposable items.

18 COMMISSIONER LANE: So you're saying that  
19 the low price has not increased people wanting to use  
20 the blades, whereas, before they didn't?

21 MS. O'DAY: Not in the sizes that we're  
22 concerned about at this point, not in the 12-inch and  
23 beyond. But what Dan said is right: A 12-inch blade  
24 on a saw is a significant beast, whether it is on a  
25 hand saw or a walk-behind saw. It is highly unlikely  
26 that do-it-yourselfers are running those blades.

1                   COMMISSIONER LANE: Okay. Let me just  
2 follow-up there a minute: Does that mean that you are  
3 not concerned about the 12-inch and under market?

4                   MS. O'DAY: I am totally concerned about it.  
5 I am absolutely concerned about it. I think it is  
6 just a false indication -- I think that they're  
7 claiming this is not going to the professional or  
8 contractor market is a misstatement. Those blades are  
9 going to the professional and contractor market, and I  
10 am concerned about the price depressions. Those  
11 markets are our markets.

12                  COMMISSIONER LANE: Okay. I must have  
13 misunderstood.

14                  MR. PICKARD: Commissioner Lane, if I could  
15 clarify something. I think there has been a basic  
16 suggestion that blades before 14-inches aren't used in  
17 highway construction, or for what would have been  
18 suggested to be professional concrete cutters. That  
19 is clearly not the case, and I don't know if anybody  
20 wanted to talk as to that.

21                  COMMISSIONER LANE: Mr. Garrison?

22                  MR. GARRISON: Answering your first  
23 question, my opinion is that the increase in demand is  
24 driven by construction and construction techniques.  
25 Clearly, the advent of the section of Home Depot, or  
26 other stores, where they are really focusing on

1 selling tile and stonework for your kitchen and how  
2 attractive it is. I am under pressure from my wife to  
3 install some in our kitchen. That has driven the  
4 increase in blade sales through Home Depot.

5 Now, in the past, those sales have been  
6 made, but they have made to tile and stone  
7 professionals that do that work installing for the  
8 homeowner that never used to take a look at doing it  
9 before. The reason he is doing it now is not because  
10 diamond blades are cheap. It is because there is a  
11 specific marketing approach by Home Depot, and stores  
12 like that, to promote to the homeowner a tile counter  
13 or a marble counter, or more stonework on the outside  
14 of their house, or those sorts of things. So, the  
15 demand is driven by construction and the specific  
16 construction techniques being promoted.

17 Does that answer your question?

18 COMMISSIONER LANE: I think so.

19 MR. PICKARD: Okay.

20 COMMISSIONER LANE: Dr. Kaplan?

21 MR. KAPLAN: We're living in the era of  
22 granite and stainless. I know when you walk into an  
23 older house, if you're looking for houses, you can  
24 walk into the kitchen and tell when the house was  
25 built, but hadn't been remodeled.

26 What you have seen is enormous increase in

1 construction over this period of investigation, and a  
2 switch to granite and marble countertops. This, in  
3 fact, should be the best of times for this industry.  
4 This is an extraordinary construction era over the  
5 period of review.

6 This is what makes it doubly difficult. It  
7 looks like interest rates are going up. There is  
8 concern about the housing market turning down. Over  
9 this last three years, you saw what should have been  
10 the best of times ever for this industry.

11 And I would like to point you to the graph  
12 up there. You could see there are very large  
13 increases in the 10- to 12-inch range and the 12- to  
14 14-inch range, which is the professional range. Those  
15 are the sheer increases from the subject imports  
16 during the period of review.

17 So they want you to say: Oh, let's just take  
18 a look at the left-hand column, and that's where we're  
19 at. But that's not true, and we have also heard that  
20 in the left-hand column, you do have applications to  
21 the professional market. So they are drawing  
22 distinctions without a difference and trying to  
23 obdurate what is a continuum in size and a continuum  
24 in use.

25 MR. WOLTERS: Commissioner Lane, I think  
26 also --

1 COMMISSIONER LANE: Mr. --

2 MR. WOLTERS: Greg Wolters of Dixie Diamond.  
3 I also agree with what Steve said. And I think  
4 another thing that has really increased the demand  
5 over the last couple of years is that, especially on  
6 the 12s and 14s, these blades are used the bulk of the  
7 time on what are called cut-off saws; and the price of  
8 a cut-off saw is much more competitive today --

9 COMMISSIONER LANE: Could you tell me what a  
10 cut-off saw is?

11 MR. WOLTERS: A cut-off saw is a gas-powered  
12 saw that runs approximately 5,400 rpm that mainly 12-  
13 and 14-inch blades are used on. Over the years, there  
14 are a lot of cut-off saw manufacturers out there,  
15 which has made the cut-off saws more competitive.

16 So you now have a contractor that maybe two  
17 or three years ago would not buy a cut-off saw and  
18 would rent one; and, therefore, would just rent a  
19 blade. Today, you can see, through the numbers, if  
20 you looked at imports of how many cut-off saws come  
21 into the market.

22 That is because these contractors are buying  
23 these cut-off saws and, in turn, are buying their  
24 blades. I feel that is where a good portion of that  
25 increase in demand has come from also.

26 COMMISSIONER LANE: Okay. Thank you.

1 I am reluctant to start on my next round of  
2 questioning. The light is yellow, so I'll wait.

3 Thank you.

4 CHAIRMAN KOPLAN: Thank you. Commissioner  
5 Pearson?

6 COMMISSIONER PEARSON: Thank you, Mr.  
7 Chairman. If you would permit me, I would like to  
8 extend my welcome to the morning panel. For the sake  
9 of full disclosure, my colleagues sometimes wonder  
10 what things I've gotten into in the past, and I have  
11 to confess that I have never run a diamond sawblade of  
12 any sort, so don't look to me as knowing anything  
13 about it.

14 Let me apologize by starting with a question  
15 that goes into confidential information, so those of  
16 you who represent individual companies will not have  
17 seen this. But the question is this: Given the  
18 challenges you've indicated that you face in the  
19 marketplace, how has your industry managed to maintain  
20 what appears to be a comfortable level of  
21 profitability overall?

22 MR. WOLTERS: Commissioner Pearson?

23 COMMISSIONER PEARSON: Yes.

24 MR. WOLTERS: I think that what you'll see  
25 right now is before we participated in the 10-inch-  
26 in-diameter blade business. We no longer do because

1 of the low-cost imports coming in.

2 As the charts indicate, they are making  
3 significant headway in gaining market share on the 12-  
4 and 14-inch range, and also in the 20-inch and plus  
5 range.

6 What you will end up seeing as an owner of a  
7 company, as their market-share gains, our profits are  
8 continuing to decrease. They will end up taking over  
9 those markets and we will be forced out of business. So,  
10 although we do have profits right now, they will be  
11 decreasing, and we will be at a point where they are  
12 coming in at such a low cost I can't compete.

13 COMMISSIONER PEARSON: That, of course, is  
14 part of the confusion because I'm hearing that you're  
15 not doing well financially; and, yet, what we see on  
16 the record for the industry as a whole doesn't really  
17 substantiate that point.

18 Doctor Kaplan, would you care to address it?

19 MR. KAPLAN: I will and, of course, you have  
20 to be somewhat cryptic given the confidential nature.  
21 But the first thing you should notice is that not all  
22 the firms are performing the same; and that many firms  
23 are in awful straits, and that two firms have exited  
24 the industry because of loss of profits.

25 The second thing I think you should be aware  
26 of is that we have argued that certain firms are

1 related parties. I would ask you to look at the  
2 trends in profitability of the related parties  
3 relative to the trends of firms that we don't believe  
4 are related parties.

5           Then, and this is quite cryptic. I apologize  
6 to the panel here, but I would like you to take a look  
7 at one firm we allege is a related party, and take a  
8 look at why we filed the case against both finished  
9 and components. To the extent that -- and we know  
10 that there are imports of components. If someone is  
11 using a dumped component, that might affect their  
12 profitability.

13           Finally, we will put some materials in the  
14 post-hearing brief that go to the cost-saving measures  
15 of certain firms in the industry. From my discussions  
16 with them, they have expressed that any types of cost  
17 savings, some of which were dramatic for individual  
18 firms, are now over. Everything is squeezed out.

19           So, I think you have a variety of factors in  
20 place. Some of the firms are doing poorly, some of  
21 the related parties change the trends. Some of the  
22 parties taken outward dramatically changed the levels,  
23 and you're also seeing the end of cost savings by  
24 certain firms.

25           I think combined that more than explains  
26 what's going on because we know that share has

1 increased. We know that share has increased across  
2 the board; we know that they're in every market  
3 segment; we know there is significant underselling;  
4 and we know unit values have fallen.

5 So the question is: Why this profitability  
6 the way it is? Well, that's part of the answer to  
7 your question because it is confidential and we will  
8 brief it thoroughly in the post-hearing brief.

9 COMMISSIONER PEARSON: Well, I did take a  
10 look at the information regarding industry financials  
11 when some of the related parties were removed. I have  
12 to go back and look at it again, but it didn't rise up  
13 and strike me as being that much different than the  
14 financials when those firms were included in the  
15 industry.

16 MR. KAPLAN: Well, I think the trends  
17 changed for sure. And I think one particular firm has  
18 a significant affect on the level; and then I will  
19 discuss the cost-saving issues. But I want you as  
20 well to keep in mind the survivor bias from the firms  
21 that have existed the industry, and the stress that is  
22 being suffered by many of the individual firms that  
23 are part of the industry.

24 COMMISSIONER PEARSON: Mr. Garrison?

25 MR. GARRISON: One of the things is I would  
26 just say they haven't found all of our customers yet,

1 and this is something that certainly worries us. The  
2 strength with which they undertook the capture of a  
3 lot of the small-diameter blade market, it's marching  
4 on.

5 Now, it's to the 12- and the 18-inch blade  
6 market. This has affected our profitability as that  
7 has marched on, and it will continue to affect it as  
8 they take larger and larger shares of that larger  
9 diameter-blade market.

10 I know -- Well, I shouldn't speak about  
11 confidential matters.

12 COMMISSIONER PEARSON: Well, as I reviewed  
13 the industry's financials, it struck me that they  
14 didn't seem entirely inconsistent with an industry  
15 which may not have any import competition. But it has  
16 active competition among the domestic producers, and  
17 you have some firms with different cost structures  
18 that are doing better than others.

19 So, if you would for a moment think of this:  
20 Does it bear some similarities just to an industry  
21 that may not have import competition, but has  
22 aggressive competition among the domestic players,  
23 some doing well, some doing not so well, based on  
24 factors that are specific to those firms?

25 MR. KAPLAN: I would just ask you to look at  
26 the far right-hand column. In value terms, you've

1       seen import penetration go up by 10 percent. You  
2       haven't seen --

3               COMMISSIONER PEARSON: Right, right.

4               MR. KAPLAN: -- the domestic industry take  
5       10 percent from the imports; you haven't, from the  
6       pricing data, seen the type of underselling going on  
7       among domestic producers as you do between the  
8       domestic producers and the imports, as a signal of  
9       what is driving the market.

10              COMMISSIONER PEARSON: Right. But, Dr.  
11       Kaplan, you're not basically asserting that there is  
12       no competition among domestic producers, and that the  
13       competition only occurs between domestic producers and  
14       imports?

15              MR. KAPLAN: Not at all. I'm saying,  
16       though, that the market is being driven by the imports  
17       judging by their pricing and their share.

18              COMMISSIONER PEARSON: Let me ask if I could  
19       about the competition among domestic firms?

20              Mr. Baron, I think you wanted to say  
21       something.

22              MR. BARON: Yes, I just wanted to add: The  
23       reason that Western Saw still is here today is because  
24       we are simply the only diamond-core manufacturer left,  
25       basically.

26              If you looked at my questionnaire, you would

1 see that our profits have dropped three years in a  
2 row. So I can say that we are not in the same  
3 position we used to be in. In fact, if it continues,  
4 we won't be here. So when you talk about it's a  
5 robust industry, I would definitely have to disagree  
6 with you and say: Even being the last standing core  
7 producer, we cannot compete with the Chinese and  
8 Korean suppliers. They are the only ones we compete  
9 with. We don't compete with anybody else. So, they  
10 are definitely driving the market.

11 COMMISSIONER PEARSON: Hang on just a  
12 second.

13 MR. RIZNER: Ken Rizner from Hyde. Not to  
14 go against my colleague in front of me, but we do  
15 manufacture diamond core as well. He is kicking our  
16 butt, but that's another story.

17 However, up to just a couple of years ago,  
18 we were manufacturing many diamond cores and our  
19 business was very strong. I'm in a little different  
20 situation in that Hyde Industrial Blade Solutions is  
21 part of the Hyde Company that actually manufactures  
22 handles.

23 So the profits and losses get all kind of  
24 mismashed when you look at trying to pull off these  
25 segments of the market. However, in Industrial Blade  
26 Solutions, when we lost this business a couple of

1 years ago, we did run two years in a row in the red as  
2 far as Industrial Blade Solutions, the core  
3 manufacturing business end of our business, lost  
4 money.

5 We are just crawling out. Actually, it has  
6 nothing to do with the diamond-core business because  
7 it isn't there any more. It just so happens that we  
8 are running after cattle today. That's the only  
9 reason that we are still there. If we were trusting  
10 our business to the diamond-core, we would be closed.

11 COMMISSIONER PEARSON: Yes?

12 MS. O'DAY: Judy O'Day with Terra Diamond.  
13 The reason we're still alive is because we are  
14 extremely competitive. We are determined to stay  
15 alive. They haven't found all our customers yet and  
16 we have axed a number of good-paying jobs.

17 We have eliminated our engineering  
18 department; we have eliminated two metallurgical  
19 positions; and we have cut our production staff. We  
20 have to remain profitable because I have a credit line  
21 that depends on certain numbers showing up on my  
22 financials.

23 We have reached the place where there is  
24 very little more that we can cut; and, without the  
25 credit line, there will be a massive attempt to  
26 regroup, but I don't think we would be successful.

1 COMMISSIONER PEARSON: Thank you very much.  
2 Mr. Chairman, my time has expired.

3 CHAIRMAN KOPLAN: Thank you, Commissioner.  
4 Commissioner Aranoff?

5 COMMISSIONER ARANOFF: Thank you, Mr.  
6 Chairman. I join my colleagues in welcoming the  
7 entire morning panel here. It is always really  
8 helpful to us to have the people who actually are in  
9 the business tell us how your market operates.  
10 Let me start my following up on some things,  
11 Mr. Wolters, that you said during your testimony  
12 earlier today, and I heard some more of it during the  
13 discussion with some of my colleagues.

14 You indicated that when you make a custom  
15 blade for a customer that that is a low-margin product  
16 that you basically traditionally threw in as a favor.  
17 Did I hear you right on that?

18 MR. WOLTERS: I actually think Steve  
19 Garrison made that comment or Andy Jedick did.

20 COMMISSIONER ARANOFF: Okay. Who was the  
21 person who said that?

22 MR. JEDICK: Andy Jedick. Custom-made  
23 products for any part of the business, and it could be  
24 in pretty much any size diamond blade, are typically  
25 done in single units, possibly two units, where a  
26 high-efficiency production run could be 100, 200 or

1 500 units.

2           So, yes, I said that the custom-made product  
3 is lower margin, low margin done as favors for good  
4 accounts. With a small account, you can sometimes  
5 charge that account for the extra work you do for a  
6 custom-made product, an account that's not somebody  
7 who is doing a lot of business with your company, that  
8 you owe maybe favors to because of the other level of  
9 good productive, or profitable business that you do  
10 with them.

11           But for a larger customer, yes, it does end  
12 up being a give-away item, close to cost sometimes,  
13 yes.

14           COMMISSIONER ARANOFF: Okay. Now, I just  
15 want to understand why that's the case? Is it because  
16 you're using your production equipment less  
17 efficiently? Is it because you're throwing in  
18 engineering services for free? What is it that makes  
19 that a low-margin product?

20           MR. JEDICK: Yes, good observations; yes, on  
21 both counts. An engineer may have to spend an hour on  
22 a project with somebody who has to, for example, cut a  
23 line thicker than a typical diamond blade would cut.  
24 He will get his draftsman to make a drawing for the  
25 production department to follow; and that blade will  
26 probably only be ordered in one unit.

1           Maybe if it doesn't last for the entire job,  
2 they may have to order a second unit. But, certainly,  
3 not in the quantities that a typical customer would be  
4 ordering standard products. So, yes, that's what  
5 drives the costs up.

6           COMMISSIONER ARANOFF: Okay. Mr. Garrison?

7           MR. GARRISON: Yes. Our pricing is normally  
8 based on the product that we will make dozens and  
9 dozens of, or hundreds and hundreds, depending on the  
10 size; and thousands of segments, individual segments  
11 in a production run.

12           Many times on these custom products, we'll  
13 be making 15 or 25 or 50 segments instead of a 1,000,  
14 or thousands of segments in one production run. So  
15 your tooling and set-up costs, and all of your other  
16 related costs, are also higher.

17           COMMISSIONER ARANOFF: I understand that.  
18 But in some sense, it is a little bit counter-  
19 intuitive because it is a product that you are  
20 specially making for a customer; and one would expect,  
21 in that sort of special-order sense, that you could  
22 actually charge a good margin on that because the  
23 customer really doesn't have a lot of choices in where  
24 to turn for that special products. Yet that doesn't  
25 seem to be the case, and I am trying to understand  
26 why?

1 MR. JEDICK: Commissioner Aranoff, Andy  
2 Jedick. I'm sorry. Did I interrupt you, Steve?

3 MR. GARRISON: No.

4 MR. JEDICK: Maybe we failed early as an  
5 industry to try to get more money for custom-made  
6 products. We would certainly like to but it has been  
7 a tradition for many years that you take care of your  
8 good customers. If they need something made  
9 specially, you try to do it for them. You try to hope  
10 they remember the favor; and again, it could even be  
11 viewed as a marketing ploy. But, yes, we do try to  
12 take care of our customers with custom-made products  
13 at lower prices.

14 COMMISSIONER ARANOFF: Okay. Now, the  
15 Respondents have argued in this case that there is  
16 this big lucrative part of the market that they can  
17 never touch involving both custom products, and I  
18 think they would also argue sort of the larger-end  
19 professional product that they argue requires some  
20 kind of on-going relationship with the manufacturer  
21 for technical support.

22 Do you have customers, not in the design and  
23 production phase, but afterwards that you provide  
24 some kind of engineering or other technical support  
25 to, and what share of your business is that kind of  
26 business, Mr. Wolters?

1           MR. WOLTERS: Yes, Commissioner Aranhoff. I  
2 would just like to say that is a false statement from  
3 the Respondents. I brought this catalog in here for a  
4 reason. This is Diteq, and they say that they are not  
5 participating in the pro market. It is on their cover  
6 two times.

7           You open up the cover here, and you can look  
8 throughout this catalog, they advertise blades up to  
9 54-inches in diameter that are in stock here in the  
10 United States ready to be sold. So their claim that  
11 we are making blades specifically for every  
12 application for a pro market is totally false. You  
13 can go through here and you can see list pricing.  
14 They have the parts numbers, toll-free numbers to call  
15 and they will ship the product immediately.

16           COMMISSIONER ARANOFF: Well, let me ask you  
17 then, Mr. Wolters: Assuming that you are competing  
18 against subject imports in these large diameter  
19 professional, however you define it, are there  
20 customers in that segment, or indeed in any segment of  
21 the market, who require more than buying a blade, who  
22 come back to you during the life of the blade for some  
23 kind of support service that you provide?

24           MR. WOLTERS: They will come to us for  
25 support; they come to them for support, too. They  
26 have knowledgeable people working on their staff that

1 are here in the Untied States who will provide the  
2 same level of support that we do.

3 COMMISSIONER ARANOFF: Okay. Mr. Garrison?

4 MR. GARRISON: Typically, the level of  
5 support is that when there is a problem with the  
6 blade, and as Greg said: If they have a problem with  
7 the application of the blade, whether it's ours or  
8 whether it is something provided by Diteq, they call  
9 and ask what's the problem here?

10 So, as Greg said, when there is a problem,  
11 Diteq and ourselves have to be able to provide an  
12 answer to what might be happening with a problem  
13 blade.

14 COMMISSIONER ARANOFF: Yes, do any of you  
15 gentlemen or ladies in the back who are manufacturers,  
16 do you maintain employees on staff whose job is in  
17 fact this sort of customer-service-after-sale  
18 function, or is that something that somebody does kind  
19 of on the side?

20 MS. O'DAY: We used to maintain that kind of  
21 service. It is not economical any more.

22 COMMISSIONER ARANOFF: You indicated, in  
23 fact, that you had eliminated your engineering  
24 department.

25 MS. O'DAY: Yes, I did.

26 COMMISSIONER ARANOFF: Is that part of this?

1 MS. O'DAY: Exactly, it's part of it and now  
2 we rely on people who have 25 years experience making  
3 and selling these blades to be our support team.

4 COMMISSIONER ARANOFF: Mr. Garrison?

5 MR. GARRISON: It is not typically the  
6 engineer that would make that sort of contact with the  
7 customer. It would be Diteq sales people or our sales  
8 people who have been enough in the industry to give a  
9 response to usually a very simple solution to the  
10 problem that exists. So, it's generally not an  
11 engineering person. It's not a complicated or  
12 detailed issue.

13 COMMISSIONER ARANOFF: Okay. Mr. Edmund, I  
14 thought I saw you raise your hand back there.

15 MR. EDMUND: Yes, most of the manufacturers  
16 go through a dealer like myself to sell the product;  
17 and when there is a problem, they call us up. They  
18 don't call the manufacturer, and we go out to the job  
19 and try to resolve the problem through our expertise  
20 in working with this.

21 My company is in Annapolis Junction,  
22 Maryland. An example is, as I stated earlier, we're a  
23 smaller company. We have about twelve employees. But  
24 one of our major products is diamond blades. I have  
25 roughly \$23,000 of diamond blades that I have not sold  
26 in the last year. I bought them within the last three

1 years, and actually asked Greg Wolters there from  
2 Dixie Diamond if we can return them because they're  
3 not moving.

4 One of the reasons is a 20-inch blade we  
5 paid \$352.00 for it, and I can buy a similar blade  
6 that's made in Korea or China for \$223.00. I would be  
7 selling it for less than what I paid Dixie Diamond for  
8 the blade.

9 North Capital Street was done by Martin's, a  
10 renovation up there. They were buying all their  
11 diamond blades from me and they just suddenly stopped  
12 buying. I went out to the job and they told me: Well,  
13 we haven't been doing any cutting. And I'm standing  
14 right beside a 65 horsepower saw that's on the street,  
15 which they are.

16 They are trying to be polite. They don't  
17 tell you that they've switched over to a less-  
18 expensive blade which is an imported blade, which I  
19 saw in their office trailer on the job site.

20 So, that would answer some of the questions  
21 of why the companies are showing profits. These are  
22 blades I bought two years ago that I now want to  
23 return, and obviously that would bring down the  
24 manufacturers profits because I am going to have to  
25 switch to imports.

26 COMMISSIONER ARANOFF: Okay. I appreciate

1 that. My red light is on, so I can't take any more  
2 answers right now. I will come back if I need to.

3 But I do want to ask Dr. Kaplan and Mr.  
4 Pickard if there is anything that you can do to help  
5 us in the post-hearing in terms of finding evidence  
6 that you can point to us on the record that would  
7 demonstrate either that this part of the market that  
8 needs technical is very small, or that there are low  
9 margins on customized products that would be very  
10 helpful.

11 Thank you, Mr. Chairman.

12 CHAIRMAN KOPLAN: Thank you, and I thank you  
13 all for your answers to our questions thus far.

14 Let me come back to you, if I could, Mr.  
15 Pickard. I understand that several of the purchasing  
16 witnesses appearing today were not among the 100-plus  
17 purchasers issued questionnaires by the Commission.  
18 For the record, I would like to know whether the  
19 purchasers testifying today buy finished diamond saw  
20 blades, or parts produced in the United States, China,  
21 Korea, or other sources?

22 And, further, to the extent that purchasers  
23 are buying domestic products, from which domestic  
24 producers are they typically buying? I think there  
25 are either four or five of you who testified, so can I  
26 hear from you?

1 MR. GUTHRIE: Stacy Guthrie. I am not sure  
2 that I understood your question. Would you like me to  
3 identify the domestic manufacturers as well as --

4 CHAIRMAN KOPLAN: As well as what you're  
5 buying and from whom? By the way, do you want me to  
6 go to you again?

7 MR. GUTHRIE: Please.

8 CHAIRMAN KOPLAN: Okay, sure. Whether you  
9 buy finished diamond saw blades or parts produced in  
10 the United States, China, Korea, or other sources?  
11 That's the first part.

12 The second part is: To the extent you are  
13 buying domestic product, U. S. product, from which  
14 domestic producers are you typically buying?

15 MR. GUTHRIE: I purchase finished saw blades  
16 from domestic, Korean and Chinese suppliers.

17 CHAIRMAN KOPLAN: Okay, which domestic  
18 producers are you buying from?

19 MR. GUTHRIE: Diamond B and Diamond Products  
20 perdominantly.

21 CHAIRMAN KOPLAN: Okay. That's the kind of  
22 information I'm looking for. Could I hear from the  
23 others?

24 MR. SCHABACKER: Nolan Schabacker, Grabber.  
25 We buy saw-finished blades from various suppliers,  
26 Diamond B, Diamond Products.

1                   CHAIRMAN KOPLAN: What about from foreign  
2 countries subject producers such as China, Korea, or  
3 other sources? Do you buy from them as well?

4                   MR. SCHABACKER: About half of what we sell.

5                   CHAIRMAN KOPLAN: Half of what you sell,  
6 from which countries?

7                   MR. SCHABACKER: Korea, solely now. We've  
8 stopped from China.

9                   CHAIRMAN KOPLAN: You've what?

10                  MR. SCHABACKER: We no longer purchase from  
11 China. We are just strictly --

12                  CHAIRMAN KOPLAN: Were you previously?

13                  MR. SCHABACKER: We have in the past, yes.

14                  CHAIRMAN KOPLAN: During the period that we  
15 are reviewing, were you purchasing from China during  
16 part of that period?

17                  MR. SCHABACKER: No.

18                  CHAIRMAN KOPLAN: Not during the last five  
19 years?

20                  MR. SCHABACKER: Yes, in the last three  
21 years, yes.

22                  CHAIRMAN KOPLAN: Within the last three  
23 years?

24                  MR. SCHABACKER: Yes, excuse me for not  
25 understanding the last period we're reviewing, that  
26 three years.

1 CHAIRMAN KOPLAN: Okay. Mr. McCarthy?

2 MR. MCCARTHY: Yes. I am a manufacturer's  
3 representative. I do not buy and sell. I simply sell  
4 for Diamond Products.

5 CHAIRMAN KOPLAN: Okay. What about Mr.  
6 Rizner?

7 MR. RIZNER: No, I'm a manufacturer of the  
8 diamond cores, so I also do not buy or sell.

9 CHAIRMAN KOPLAN: Mr. Edmund?

10 MR. EDMUND: Yes, I buy from nearly all the  
11 manufacturers. I buy from Diamond Products, from  
12 Dixie Diamond, Welco, Norton Clipper, New England  
13 Diamond. There are quite a few of them, and I also  
14 buy from Diteq, whose here; and I buy Champion Blades  
15 that are really through I think MK. There's an  
16 association there somewhere or another.

17 CHAIRMAN KOPLAN: Thank you for that. I  
18 have heard from everyone?

19 (No audible response)

20 Thank you. I want to come back now to you,  
21 Mr. Pickard. The section of your pre-hearing brief  
22 that begins on page 14 and ends on page 19 is heavily  
23 bracketed, including the caption on page 14, but I  
24 acknowledge that it needs to be because the  
25 information in there is basically APO.

26 But, on page 19, you do summarize your

1 argument, saying that we should exclude a particular  
2 domestic producer; and know that if we do, it would  
3 have a significant impact on the aggregated domestic  
4 financial data, but argue, in part, that this is a  
5 multiple national corporation that has "some U. S.  
6 production, and has recently opened a DSB factory in  
7 China."

8 Now, that much is not bracketed on that  
9 page. I don't agree that the bracketed producer only  
10 has some U. S. production. The Commission actually  
11 flagged this issue in our preliminary views,  
12 announcing that we needed to explore further whether  
13 the domestic operations of the company in question are  
14 shielded from the effects of such imports.

15 What I need you to do for me is isolate, if  
16 you will, the effects of their imports on their  
17 financial performance? Will you do that for me for  
18 purposes of your post-hearing?

19 MR. PICKARD: Absolutely, Commissioner.

20 CHAIRMAN KOPLAN: Thank you. That would be  
21 very helpful. Let me stay with you: How should I  
22 factor non-subject imports into my injury analysis?  
23 Are there data that you can provide to assist me in  
24 this regard?

25 MR. PICKARD: I'm sorry, Commissioner, could  
26 you repeat the question?

1           CHAIRMAN KOPLAN: Sure. How should I factor  
2 non-subject imports into my injury analysis? Are  
3 there data that you can provide to assist me in this  
4 regard?

5           MR. PICKARD: I think that I don't have any  
6 particular data. I know the official imports  
7 statistics are a basket category, but I think all the  
8 questionnaire responses indicate that pretty much all  
9 would lead to indicate that all sources of non-subject  
10 imports are negligible or, at the very least, minimal.

11           CHAIRMAN KOPLAN: All right. Let me turn to  
12 Dr. Kaplan. In the pre-hearing Staff Report, Chapter  
13 2, page 73, the Commission's Staff has recommended a  
14 broader substitution elasticity than usual, reflecting  
15 some uncertainty about the substitute ability of  
16 subject imports for domestically produced diamond saw  
17 blades.

18           We know that there are a larger number of  
19 different saw blades, numerous grades, which are not  
20 necessarily uniform across suppliers, and quality  
21 differences within grades. In light of these industry  
22 conditions, could you comment on how reliable the  
23 comparisons are in Pricing Tables 5-1A through 5-7C?  
24 That is in Chapter 5 of our confidential Staff Report,  
25 pages 24 to 44.

26           CHAIRMAN KOPLAN: Do you want to do that now

1 or for the post-hearing?

2 MR. KAPLAN: I'll pick the first one  
3 briefly, and then the post-hearing for the second.  
4 The ranges are very broad. We believe that they are  
5 at the high-end of the ranges. And I think the  
6 evidence presented today, which might not have been  
7 completely on the record as to the competition between  
8 sizes, characterizations of the melding of what the  
9 supposed-to-do-it-yourselfer and professional markets  
10 and the supply and the catalogs here have shown that  
11 the imports compete across the board; and the lost  
12 customers and the price competition by the purchasers,  
13 all new information, should push that elasticity to  
14 the higher range. I will be happy to comment on the  
15 pricing data in the post-hearing.

16 CHAIRMAN KOPLAN: Thank you., Let me stay  
17 with you. The Respondents make the claim, on page 45  
18 of their pre-hearing brief, that "there is little  
19 relationship between the magnitude of underselling or  
20 overselling in U. S. producers' price changes.

21 Could you respond to that?

22 MR. KAPLAN: I would like to roll that into  
23 the other question about the price characteristics.  
24 But in some industries, and it depends on the cost  
25 structure and the strategy of certain producers, what  
26 you see is people matching prices and coming down very

1 quickly; and in other ones, you see them losing sales  
2 to try to maintain prices. I will discuss those  
3 relationships in the post-hearing. It is confidential  
4 in terms of the particular company strategy.

5 CHAIRMAN KOPLAN: Thank you. I appreciate  
6 that. If I can get one short one in. Mr. Pickard, on  
7 page 20 of your pre-hearing brief, you state that "the  
8 Commission should not include financial data from  
9 companies that did not complete the final phase  
10 questionnaire or provide usable financial  
11 information."

12 Now, clearly, if Staff determines the data  
13 are not usable that wouldn't be included. But what  
14 legal basis can you provide that precludes me from  
15 including usable data from the preliminary phase?

16 Do you want to respond to that to me in the  
17 post-hearing or now?

18 MR. PICKARD: I think I will follow-up in  
19 the post-hearing, but I think the statutory authority  
20 provided undo adverse inferences. We will flesh it  
21 out more in the post-hearing.

22 CHAIRMAN KOPLAN: Would you do that?

23 MR. PICKARD: Certainly.

24 CHAIRMAN KOPLAN: We need to have you do  
25 that. Since I don't want to start another question  
26 now, I will turn to Vice-Chairman Okun.

1                   VICE CHAIRMAN OKUN: Thank you, Mr.  
2 Chairman. And, again, thank you for all the responses  
3 you have given thus far this morning, and now this  
4 afternoon. It has been very helpful.

5                   I am going to return, for a completeness of  
6 the record, to where I started and let those producers  
7 or purchasers who didn't have a chance to respond,  
8 they may do so.

9                   Ms. O'Day, I think I was with you. Again,  
10 the question was: How do you know what the price  
11 competition is in the market? How do you know that  
12 you've lost a sale to Chinese or Korean importers and  
13 how it works? How do you know it's not another  
14 domestic?

15                   MS. O'DAY: We are a relatively small  
16 company. We have a dozen salesmen, people out in the  
17 field. They call in on a daily basis. They call in  
18 for price quotes, or for product availability, as they  
19 see their customers, and it is very frequent.

20                   It's daily that they will call up and say: I  
21 have a chance to sell this 18-inch blade to so and so,  
22 but I need to match this price, Diteq or one of  
23 Prolink, or Protech have come in at this price; and if  
24 I can match that price, I can get this sale. I can  
25 get it now, and it will get my foot back in the door.  
26 Can we do it?

1                   And more often than not, I will say:  
2 Absolutely. Suck it up. We'll do it and a note to  
3 that effect is put on the initial paper work, that we  
4 matched prices. So that when we go back and we look  
5 at the pricing, if it looks startling, which it often  
6 does, I know what my decision was based on, that it  
7 wasn't just a typo. Does that answer it?

8                   VICE CHAIRMAN OKUN: Okay. Mr. Edmund, you  
9 are in a different position as a purchaser, so I don't  
10 know if you can talk a little bit more just in terms  
11 of how you see price competition. You have talked  
12 about the fact that your customers are saying that you  
13 have to shift into the import product to be able to  
14 meet the prices that are being demanded.

15                   MR. EDMUND: Right.

16                   VICE CHAIRMAN OKUN: If you could just on  
17 that help me understand: If you are purchasing from a  
18 domestic producer and you responded to the Chairman  
19 that you were, whether you know that you are selling  
20 their domestic product, as opposed to -- one of the  
21 allegations here is that because the domestics also  
22 import that it is just simply imports all competing in  
23 at least some of the ranges.

24                   So help me understand, if you can, a little  
25 bit about that as well?

26                   MR. EDMUND: Leo Edmund, B & W Equipment.

1 One of the things is that I actually go to the job  
2 sites. We have twelve employees in our company. I am  
3 the owner, but I go to the jobs and I'm the one who  
4 really sells most of the diamond blades.

5 When I go out, I have steady customers that  
6 buy at a certain time like every week, or once a  
7 month, or what it might be. They are pretty  
8 consistent in that with their work load. What happens  
9 is suddenly you notice they're not buying from you. I  
10 will call them up, or visit them, and talk to them,  
11 and they will say: Oh, well, we're just not cutting at  
12 the moment. We don't have any jobs like that.

13 I take that to be the truth and then over a  
14 period of time when you find four months later, they  
15 still haven't bought any blades, I get into a little  
16 more depth talking to them and come to find out  
17 they're buying foreign blades. They will show them to  
18 me. I'll ask to see them to see if I can match the  
19 price. That's kind of how I know it.

20 That's the same as North Capital Street with  
21 Martin's. They are trying to be polite and just not  
22 say you're overpriced, or you're charging too much, or  
23 whatever. Metro Paving the same way.

24 VICE CHAIRMAN OKUN: Okay. So, in that  
25 circumstance, you would then switch to a foreign  
26 supplier the next time around to try to hold them?

1           MR. EDMUND: Yes, that's the only  
2 alternative I have is to be competitive in price. I  
3 am kind of forced to do that. Some of the  
4 manufacturers here are selling import blades to be  
5 competitive with the less expensive blades like your  
6 12-inch blades and so forth.

7           Like Target, all these companies are selling  
8 out to different people now, so they are not all  
9 American owned. But Target Manufacturing, they have a  
10 less-expensive line. They are made either in Korea or  
11 China, because they can't make them here for those  
12 prices.

13           VICE CHAIRMAN OKUN: Right. I have some  
14 follow-up questions on that, but let me see from  
15 anyone else on that? Yes, Mr. Schabacker?

16           MR. SCHABACKER: Nolan Schabacker. We  
17 purchase whether it be product from U. S.  
18 manufacturers or foreign manufacturers and we pay for  
19 it. We put it on the shelf. We inventory it, and we  
20 have a one-on-one basis with customers, and they have  
21 no qualms about telling you what they can purchase  
22 for; and we also end up competing, in essence, with  
23 the company store.

24           So there are dealers such as Prolink, Davy  
25 Diamond, who are supported -- they, in essence, have  
26 no inventory. The product actually comes from the

1 manufacturer and the payments go to the manufacturer.  
2 They do not go through these dealers. So the  
3 responsibility of even bad debt, credit lines don't  
4 exist on that. They are supported by that company's  
5 store. So we have a limit on where we can go, plus  
6 the fact that they actually are the manufacturer.  
7 They, in essence, buy better than what we can buy for  
8 resale.

9 VICE CHAIRMAN OKUN: Okay. Yes, Mr.  
10 Garrison, did you want to add something?

11 MR. GARRISON: To your question about: Does  
12 the end user know whether it is a Korean or Chinese  
13 product? In our company, we do permanently mark the  
14 core as: Made in China, Made in Korea.

15 Unfortunately, most companies do not. Many  
16 times the blade will come with a little sticker that  
17 says Made in China or Korea. The distributor will  
18 peel it off and sell it. So the end user is not aware  
19 of where that product is coming from.

20 We do have a customer that has explained how  
21 he wants to hide where the product is coming from. So  
22 some of the U.S. producers that also buy blades from  
23 Korea and China also do not mark the cores of the  
24 boxes with the proper made-in-country information.

25 VICE CHAIRMAN OKUN: Which presents some  
26 difficulty for us as well, and that is why I think

1       there have been so many questions about the lot sales  
2       and everything. I am just trying to understand how  
3       much of what we are talking about is in competition  
4       with U.S.-produced product in the same size, and is  
5       going to get me out of statistics on one way you  
6       produced, and the range of sizes to try to understand  
7       where the price competition is currently, and looking  
8       forward?

9               So, let me ask a few more questions about  
10       just I guess on the argument by the Respondents about  
11       the smaller end not being where the domestics are?  
12       Again, we have the chart and the table and the Staff  
13       Report to look at the raw numbers. But help me out on  
14       just -- you have responded to what the Commission  
15       asked for in the preliminary about talking about where  
16       you ever in the smaller blades, and is demand growing  
17       just because the subject imports are in the market?

18               I just want to make sure that I understand  
19       now based on the producers. Do you currently sell  
20       U.S.-produced product in the lower-end range, the 14  
21       and below? I will use that cut-off because you guys  
22       have been using it, or maybe it should be 12 and  
23       below, actually.

24               Well, let me start here. Up on your chart,  
25       Mr. Kaplan, you have got where still the meat of the  
26       subject imports are in the less-than 7-inch, and the

1 7- to 10-inch range. For the U. S. producers --

2 MR. KAPLAN: Yes, if you could go back one,  
3 that's their share. But if you look where their value  
4 share is in the market, they are head-to-head now 12  
5 to 14. That's in terms of the total value of their  
6 sales as a percent of consumption. It is in a pro-12  
7 to 14 range.

8 VICE CHAIRMAN OKUN: Right.

9 MR. KAPLAN: But if you look at their market  
10 share --

11 VICE CHAIRMAN OKUN: I am just trying to  
12 make sure that I understand first from the producers.  
13 For the 10 and below, and I understand that you're now  
14 saying to me that's it's 12 to 14. Is that something  
15 you think you could produce and you could sell, and  
16 that's still something that you're very concerned  
17 about right now?

18 MR. KAPLAN: There are catalogs. And I have  
19 passed this off to all the producers, that they have  
20 these ranges in all their catalogs. I don't know if  
21 Mr. Jenick should start or Mr. Garrison, but there is  
22 --

23 VICE CHAIRMAN OKUN: Mr. Garrison is out at  
24 the moment, so let me start with him and then I'll go  
25 to Mr. Jedick. My yellow light is on, but try to  
26 respond.

1 MR. GARRISON: We do still manufacture  
2 blades starting from 5-inch up to 10-inch. Well,  
3 obviously larger. But, in that 4- to 10 range, we  
4 manufacture 5-to 10-inch blades.

5 VICE CHAIRMAN OKUN: Okay. Mr. Jedick?

6 MR. JEDICK: Yes, at Diamond Products, we  
7 manufacture 3-inch to 10-inch blades in that range, so  
8 there are even some smaller ones. But, yes, the 4-  
9 inch size range is still very interesting to us.

10 Just a quick note: From prior to the  
11 investigation period, we actually made small-diameter  
12 blades in 4s and 7s for a private label account: Black  
13 & Decker that were sold in ACE Hardware prior to Home  
14 Depot being a large, I guess, VIY entity and lost  
15 that, of course, to the lower pricing. It was just a  
16 little earlier than the investigation period.

17 VICE CHAIRMAN OKUN: Okay. I have some other  
18 questions, but my red light has already come on, so I  
19 will have to come back. Thank you.

20 CHAIRMAN KOPLAN: Commissioner Hillman?

21 COMMISSIONER HILLMAN: Thank you. If I  
22 could follow-up just a little bit more to understand  
23 this issue of the price competition, and how the  
24 products get sold, and how you're viewed in the market  
25 versus imported products?

26 Let me start by trying to understand the

1 role that brands play. Some of you have discussed  
2 this issue. Can you help me understand what portion  
3 of product is sold under some sort of a brand name?  
4 Whose brand is it? Are the imported and the domestic  
5 products branded the same, and how do you see that  
6 working in the marketplace?

7 Mr. Wolters, do you want to start?

8 MR. WOLTERS: Well, I think with the  
9 branding out in the marketplace right now, you know  
10 they are interchangeable to the extent that a lot of  
11 the imports that come in, they sell under a different  
12 brand, you know like a Diteq or a Vantage. There are  
13 lots of different names, maverick out there. And  
14 then, obviously, we have all of our brand names based  
15 upon our company, what we have been selling under all  
16 these years.

17 VICE CHAIRMAN OKUN: How much loyalty is  
18 there to a brand?

19 MR. WOLTERS: Well, right now in the market,  
20 as it has been stated many times, I am out every week  
21 making sales calls. The first question I'm asked is  
22 price.

23 VICE CHAIRMAN OKUN: Okay. So you're  
24 saying: no loyalty to the brand.

25 MR. WOLTERS: Very little.

26 VICE CHAIRMAN OKUN: Again, loyalty by whom?

1 I mean this is what I am trying to understand. The  
2 maker of the equipment into which the blade goes, the  
3 general contractor, the distributor, who even knows  
4 about these brands?

5 MR. WOLTERS: Well, like I said, a lot of  
6 times the contractor is out there. They don't know  
7 all the different brands. They are sitting there, as  
8 someone stated earlier, I think it was the rep from  
9 Diamond Products.

10 VICE CHAIRMAN OKUN: They are trying to get  
11 to the third floor. Hurry up.

12 MR. WOLTERS: They're trying to get to the  
13 third floor. What's your price? I need it. Throw it  
14 on my saw. Let's go.

15 VICE CHAIRMAN OKUN: Do they know the  
16 brands? If you ask these general contractors, are  
17 they familiar with them?

18 MR. WOLTERS: I'm sure they're familiar with  
19 some, obviously.

20 VICE CHAIRMAN OKUN: Now, would they  
21 associate a given brand with U.S. production and a  
22 different brand with Korean or Chinese?

23 MR. WOLTERS: Not necessarily.

24 VICE CHAIRMAN OKUN: Okay. Mr. McCarthy,  
25 did you want to comment on this issue?

26 MR. MCCARTHY: In my particular territory,

1 which is where we live right here, there is a lot of  
2 knowledge about brand names. It is being chipped away  
3 at by price. There is a lot of loyalty on the  
4 distributor level; there is a lot of loyalty on the  
5 end-user level. But the lower the price, the faster  
6 the loyalty goes away.

7 VICE CHAIRMAN OKUN: Okay. And you would  
8 say a certain brand is definitely associated with U.  
9 S., another brand with Korea, another brand with  
10 China, or --

11 MR. McCARTHY: It's more with U.S.

12 VICE CHAIRMAN OKUN: Okay.

13 MR. McCARTHY: Often cases when the importer  
14 started, they would actually mimic our colors and our  
15 names in order to gain acceptance.

16 VICE CHAIRMAN OKUN: Okay. So who is  
17 putting the packaging and the brand on it? It is  
18 being done by whom for the imported products?

19 MR. McCARTHY: By the importers themselves  
20 and their front companies?

21 VICE CHAIRMAN OKUN: You would say their  
22 front companies?

23 MR. McCARTHY: Yes.

24 VICE CHAIRMAN OKUN: Okay. And the front  
25 companies are doing nothing other than repackaging, or  
26 are they doing something else to these blades?

1           MR. McCARTHY: They are simply selling them  
2 mostly by telemarketers.

3           VICE CHAIRMAN OKUN: But when they are  
4 importing them, are they coming in in a package ready  
5 o sell from, or are they doing something else to  
6 further the brand, put them in some sort of packaging  
7 material that conveys this brand, or are they coming  
8 in immediately ready to be sold?

9           MR. McCARTHY: It's both.

10          VICE CHAIRMAN OKUN: It's both, okay. I see  
11 a number of hands. Let me go. Ms. O'Day?

12          MS. O'DAY: In our case, we have been  
13 approached by a number of suppliers to resell rather  
14 than manufacture. They are more than willing to pre-  
15 package, pre-label anything we want, and it will come  
16 to the shore ready to go to any one of my customers.  
17 There is not a thing I need to do with it. I don't  
18 even need to touch it.

19          VICE CHAIRMAN OKUN: Okay. Dr. Kaplan?

20          MR. KAPLAN: I think there is a condition of  
21 competition that takes place in these kinds of  
22 industries that you should be aware of. What happens  
23 is that when these surge of imports occur, there is a  
24 couple of producers that decide maybe I should be on  
25 the foreign side, maybe they should realign  
26 themselves.

1           These people have a long history in the  
2 business. They know all the customers. They know the  
3 distribution streams. They used to make it  
4 domestically. They know the labels; they know the  
5 brands. So it is not as if it is a commodity showing  
6 up and there's a guy with a facsimile necessarily.  
7 There is a distribution system that used to be a  
8 distribution system of an American-produced product.

9           So there is a sophistication there of how to  
10 enter the market based on U.S. sales people and  
11 manufacturing people with prior and current knowledge.  
12 So that might help explain why they do these things.  
13 How would some guy in China know which colors and name  
14 to mimic? How would they figure all that out?

15           Well, there is a producer that said: You  
16 know I could make it here, or maybe my future is in  
17 Asia. Or there is a foreign company that's large, a  
18 sophisticated Korean company that says: Well, maybe I  
19 should make some of it in China, and maybe I should  
20 find a distributor in the United States. That's the  
21 way things work: Who knows the industry?

22           So it is not as if these things show up  
23 without any prior knowledge all the time.

24           VICE CHAIRMAN OKUN: Are all of the blades  
25 sold under a brand name of some kind? Mr. Edmund?

26           MR. EDMUND: Well, to answer your question

1 earlier when you asked about brand preference. Back  
2 in the '70s and '80s in this area, it was definitely a  
3 thing that was in existence. As time has progressed  
4 and more suppliers have gotten into the thing like  
5 imports and all that, now it's strictly price on  
6 everything.

7           The import blades, most of the ones that  
8 I've sold, do not have markings on the blades. They  
9 don't tell -- most all U.S. manufacturers have serial  
10 numbers on it. If I have a problem with a blade for a  
11 product liability or whatever, their name is on the  
12 blade, the serial number is on the blade. They can go  
13 back and go to Greg at Dixie Diamond, and he can tell  
14 me who in his plant made that diamond blade and they  
15 can regulate quality control and everything with that.

16           With the import blades, I don't have that.  
17 I don't have serial numbers. I can't prove who made  
18 the blade or anything on that order in most cases.

19           VICE CHAIRMAN OKUN: Okay. I appreciate  
20 those answers. Then if I can go to understanding the  
21 issue of the assembly, if you will.

22           There has been all of this debate about  
23 whether if what you are in the business of doing is  
24 affixing the segment to the core, let me just  
25 understand from those who do it. How much work, how  
26 much value added, how much is entailed, if you are

1 starting with, in essence, an imported core and an  
2 imported segment and your job is to put the two  
3 together and sell it as a finished blade, what are you  
4 doing and how much value are you adding to that  
5 product?

6 MR. JEDICK: All the technology for the  
7 cutting of the material, the concrete, the brick, the  
8 masonry, whatever it happens to be is in the segment  
9 manufacturing. It's in the bond system for the  
10 segment, the type of diamonds that are use. All our  
11 technology that is considered either proprietary or  
12 secret information at our company is all up to the  
13 manufacturing of the segment, itself. The secret  
14 technology or proprietary technology from the core  
15 manufacturers end has to do with the metallurgy of the  
16 blade core, how it's pressed or ground or finished, so  
17 that it will spin at the proper speeds.

18 Putting the two parts together is simply  
19 light assembly. It can be done very easily from a  
20 variety of different types of job shops. There are  
21 assembly shops across the country that can assemble  
22 those two units together.

23 COMMISSIONER HILLMAN: And they can equally  
24 well assemble a product using solder-brazing  
25 technology or a laser weld?

26 MR. JEDICK: Well, soldering technology is

1 for blades that aren't necessarily used dry. So, it  
2 would probably be the laser-welding technology.  
3 There's laser welding shops or laser job shops in  
4 every major city in the country now. It's become a  
5 more common technology. So, even laser welding can be  
6 accomplished by light assembly shops.

7 COMMISSIONER HILLMAN: Mr. Garrison?

8 MR. GARRISON: I wish I could tell you --  
9 Steve Garrison. I wish I could tell you the exact  
10 percentage, but the percentage of cost of laser-  
11 welding in our plant is a very small percentage of the  
12 total cost of building a product, as Mr. Jedick has  
13 said.

14 COMMISSIONER HILLMAN: And is that all it  
15 is, is the welding or are there other steps connected  
16 to it? In other words, if you've got a core, you've  
17 got a segment, to go from that to selling a finished  
18 blade, you've got to attach the two together. What  
19 else do you have to do?

20 MR. GARRISON: Grind it open.

21 COMMISSIONER HILLMAN: Grind it open, okay.  
22 Again, is that a lot of work?

23 MR. GARRISON: No.

24 COMMISSIONER HILLMAN: Okay. What else?

25 MR. GARRISON: Package it.

26 COMMISSIONER HILLMAN: Okay.

1 MR. GARRISON: And that's not a lot of work.

2 COMMISSIONER HILLMAN: All right. Anyone  
3 else want to comment on this issue? Okay.

4 MR. PICKARD: Let me just throw one thought  
5 in this, that when I was touring one of the diamond  
6 saw blade factories, it was made clear to me that they  
7 refer to it as the art and the sciences in the segment  
8 manufacturing. And I was talking to a finished  
9 diamond saw blade producer and he said, you know,  
10 really what we do is we're segment producers and then  
11 later we just weld it on to a core that we purchase.  
12 So, the value added is -- well, you've got some  
13 statistics in the staff report.

14 COMMISSIONER HILLMAN: I appreciate those  
15 answers. Thank you.

16 CHAIRMAN KOPLAN: Thank you. Commissioner  
17 Lane?

18 COMMISSIONER LANE: Dr. Kaplan, this may be  
19 for you. In the three-year appeal, the operating  
20 income ratio has remained somewhat consistent and the  
21 return on investments over the same period of time  
22 have also been fairly consistent. How should we  
23 evaluate these ratios when we determine -- make our  
24 determination in this case?

25 MR. KAPLAN: I'll go into some more detail  
26 in the post-hearing, but I do believe that you have to

1 consider it in the context of the related parties. I  
2 think you have to consider it in the context of any  
3 advantages that a domestic producer would get for  
4 importing part of the finished product. And I think  
5 you should consider in the sense of the adjustments  
6 that individual producers have made to hold costs  
7 down, despite the price declines. The ones that have  
8 been mentioned publicly have to do with Terra Products  
9 in Utah and, basically, it involved letting whole  
10 segments of their employees go. Their engineers are  
11 gone. And that, in the long run, is something that's  
12 going to hurt the business if those employees were  
13 adding value before, and I'm sure they were.

14 So, you have to consider it over the period  
15 of review. You have to consider what it means for the  
16 future of the business. And you, also, have to  
17 consider the related party issues that are involved.  
18 As you've seen from the other graph that you're -- the  
19 business is being pushed toward the larger size. And  
20 the question is, what can you do to maintain operating  
21 income, while that is going on, and how long is that  
22 sustainable. And I think if you look at the other  
23 statutory criteria for injury, you will see that the  
24 operating income trend is an anomaly, which we will be  
25 able to explain, and all or almost all the other  
26 factors, the decline in employees, the shipments, the

1 loss of market share are more apposite in evaluating  
2 the effect of the imports on the industry.

3 COMMISSIONER LANE: So, you will be able to  
4 explain to me why I shouldn't pay too much attention  
5 to the fact that the operating income ratio has been  
6 fairly consistent? Because, normally, we see high and  
7 then going low or we see wide variations. And in this  
8 particular case, it doesn't look like that much has  
9 been affected by everything that has happened.

10 MR. KAPLAN: Yes. I am not going to ask you  
11 to ignore it. In fact, I'm going to encourage you to  
12 look at it very closely.

13 COMMISSIONER LANE: And you are going to  
14 explain to me why I should -- how I should evaluate  
15 those numbers?

16 MR. KAPLAN: That's correct. In a growing  
17 market where actually profit should be increasing  
18 significantly, because of the growth of the market and  
19 the growth of end demand, that, in fact, the operating  
20 income margin is inconsistent with the other factors  
21 of indicia and that can be explained, rather than  
22 saying why all the rest of them are wrong, which is  
23 what I think this afternoon you're going to hear, look  
24 at that one, don't worry about the other twenty and,  
25 by the way, no one is related.

26 COMMISSIONER LANE: And you are going to be

1 able to provide the same explanation for the  
2 consistent return on investment?

3 MR. KAPLAN: It's similar analysis. Yes, I  
4 will.

5 COMMISSIONER LANE: Okay. Thank you. Now,  
6 I have a question on -- you've all been talking about  
7 Home Depot and Lowe's and all of those. Do those  
8 stores sell both U.S. product and imported product?  
9 Mr. Garrison?

10 MR. GARRISON: I'm not an expert on Home  
11 Depot, but my understanding is the Home Depot  
12 Corporation does sell both -- well, sells four-inch to  
13 very large, probably 36-inch blades either directly at  
14 their Home Depot stores or through the subsidiaries  
15 that they own that are more focused toward the tile,  
16 masonry, plumbing, electrical, concrete, paving  
17 contractor, that sort of thing.

18 COMMISSIONER LANE: And so, they do sell  
19 both subject imports and U.S.-produced?

20 MR. GARRISON: Yes.

21 COMMISSIONER LANE: Okay, thank you. Now, I  
22 note from press reports that there appears to be a  
23 downturn in the sale of new and existing homes in the  
24 United States. Do you see a slowdown in sales of  
25 diamond saw blades and parts in the United States  
26 market?

1           MR. GARRISON: Well, I wish I had a crystal  
2 ball, but I can tell you that the last few years have  
3 been some of the best years this industry has ever  
4 seen, in terms of volume growth. The market in  
5 highway construction, in building construction has  
6 been very favorable and we've been prevented from  
7 taking advantage of that big growth. It does worry us  
8 very much that if the building construction market  
9 turns down, that -- and the Korean and Chinese share  
10 keeps increasing, that we will be severely injured.

11           COMMISSIONER LANE: Does anybody --

12           MR. BARON: Kevin Baron, Western Saw. I  
13 would just like to agree that it's been a very busy  
14 time for our industry and being pretty much the only  
15 core supplier left in the United States, if you were  
16 to look at my questionnaire, you would have seen that  
17 over the last three years, that we have lost diamond  
18 core sales and our profits are down. So, we have not  
19 been able to share in this robust time. And,  
20 strictly, I can tell you, we have a very --

21           COMMISSIONER LANE: Would you sit closer to  
22 your microphone?

23           MR. BARON: We have a very good relationship  
24 with our customers. It's a very small -- the core  
25 industry is very small and I know them all personally.  
26 So, I know when I lose a sale, why I lose it. Ninety-

1 nine out of 100 times, it is price and it's to a  
2 Korean and Chinese manufacturer.

3 COMMISSIONER LANE: Okay. Let me stay with  
4 you for a moment. If antidumping duties were applied  
5 against subject imports from China and Korea, would  
6 you expect to see greater sales by your company of  
7 diamond cores and would you be able to increase your  
8 production of cores, especially during peak season?

9 MR. BARON: Yes, I would expect to see a  
10 huge increase and hope to see a huge increase in  
11 diamond core sales. And we could increase our  
12 production two, three times by adding a second or  
13 third shift very easily. We have put a lot of  
14 automated equipment in over the last five years using  
15 family investments. So, yes, we could increase very  
16 quickly.

17 COMMISSIONER LANE: Okay. Does anybody else  
18 want to respond to that? Yes, sir? I'm sorry, I  
19 can't see your name plate.

20 MR. RIZNER: Ken Rizner with Hyde in  
21 Massachusetts. Again, we do supply cores. Right now,  
22 I believe we are -- our capacity, equipment capacity  
23 is about 10 percent usage right now, 90 percent  
24 unused. So, therefore, I think we have tremendous  
25 capacity available if the business -- that's why I'm  
26 here. I mean, if the business picks up, this works.

1 We want to be back in that business. We're good at  
2 it. We've been doing it for 50-60 years and we want  
3 to remain.

4 COMMISSIONER LANE: Okay. Thank you. Ms.  
5 O'Day?

6 MS. O'DAY: My concern is that if the issues  
7 aren't addressed now, we will be forced to look at  
8 Chinese core suppliers, in order to cut costs out of  
9 our -- the product that we currently manufacture.  
10 That can only hurt Kevin, as we currently buy from  
11 Western Saw and he knows that he is bidding against  
12 foreign imports. So, even though we don't -- we're  
13 not reselling finished product, I'm going to look  
14 elsewhere for my steel, in order to remain  
15 competitive.

16 COMMISSIONER LANE: Okay. Let me stick with  
17 you for a moment. According to the pre-hearing brief  
18 of Respondents, employment decreased slightly during  
19 the period for which data were collected and  
20 productivity increased. Did productivity gains upset  
21 the loss of employees?

22 MS. O'DAY: Different kinds of employees,  
23 but the production employees that have remained are  
24 compensating for the lost production employees.

25 COMMISSIONER LANE: Okay.

26 MS. O'DAY: Did that answer it?

1                   COMMISSIONER LANE: Yes. And what role does  
2 increased automation have in the decline of employment  
3 figures?

4                   MS. O'DAY: In our case, none; in our case,  
5 none. We automated over the past seven years and have  
6 retrained the people, who have worked for us, to pick  
7 up new jobs within our business. So, even some of our  
8 production people have moved into sales positions or  
9 order-taking positions. So, we've been very careful  
10 to never layoff people that we could possibly keep.

11                   COMMISSIONER LANE: Okay. Does anybody else  
12 want to respond to that? Mr. Baron?

13                   MR. BARON: Yes, Western Saw. We have  
14 brought in a lot of automation, as I've said, but the  
15 only people that we were forced to layoff -- we used  
16 to have four engineers. Like Judy O'Day, we've laid  
17 off three engineers and currently only have one  
18 engineer. But, our production is up with the  
19 automation, but we have cut some jobs.

20                   COMMISSIONER LANE: Okay, thank you. Mr.  
21 Chairman.

22                   CHAIRMAN KOPLAN: Thank you, Commissioner.  
23 Commissioner Pearson?

24                   COMMISSIONER PEARSON: In my previous round,  
25 we were speaking a bit about the variation and  
26 financial performance among a number of -- among

1 different firms and it was pointed out that some of  
2 that variation may be due to relations they have with  
3 foreign suppliers and so on. But, if we set aside  
4 that subset of firms, it looks to me like there still  
5 is a variation in profitability among firms. So, what  
6 I'd like to know, is there some reason why we should  
7 expect that to be the case? Are there different  
8 manufacturing techniques or different machines used in  
9 the manufacture? Are there something related to  
10 geography? It's easier to make money in one part of  
11 the country than another? Can you talk to me about  
12 why there might be differences among firms? Mr.  
13 Garrison?

14 MR. GARRISON: I guess I'm not privy to what  
15 some of those differences are, but --

16 COMMISSIONER PEARSON: I understand.

17 MR. GARRISON: Typically, the manufacturing  
18 machinery that we would all be using is machinery  
19 purchased from various other companies that make that  
20 machinery and sell it to the industry and/or we would  
21 build our own that is an approved version of that.  
22 So, the equipment is -- you know, each one of us  
23 probably feels we have a much better and smarter way  
24 to do it. The equipment is fairly well available to  
25 all of us through various suppliers around the world.  
26 Possibly scale.

1 COMMISSIONER PEARSON: Okay.

2 MR. GARRISON: That's the only -- not  
3 geography. I can't imagine that geography has much  
4 affect.

5 COMMISSIONER PEARSON: Okay. So, we don't  
6 have regional demand factors that would be supporting  
7 a higher price in one area than in another. Mr. --

8 MR. JEDICK: Andy Jedick.

9 COMMISSIONER PEARSON: Please.

10 MR. JEDICK: Yes, I agree. I don't think  
11 that geographic issues are probably a big factor. We  
12 all sell coast-to-coast, so I don't think the market  
13 geography is a factor either. I will say, it's  
14 confidential information, of course, I can't say a  
15 lot, but over the last six to eight years, we have  
16 lost several percentage points of operating income and  
17 consistently through the period of the investigation,  
18 we've lost operating income maybe not as dramatically  
19 as previously. But, we have made a lot of cost  
20 improvements and cost controls that came into effect  
21 over the last few years, so that could probably be  
22 part of the reason. Also, I'm sure profit  
23 expectations vary from company to company, basically.  
24 What's an acceptable profit for one company might be  
25 different for another.

26 COMMISSIONER PEARSON: Okay. Dr. Kaplan?

1           MR. KAPLAN: There's a series of variations.  
2       Some of it has to do with the quality of the capital  
3       equipment and the ability to invest in it, the access  
4       to credit. Some of it has to do with product mix.  
5       Some of it has to do with idiosyncratic things, like  
6       the relationship with certain customers. Some of them  
7       are more loyal than other ones and that can be  
8       distributed randomly and affect the performance of the  
9       firm. I would say that the -- there's considerable  
10      variation typically in the profitability of firms that  
11      come before the Commission. I think there's a couple  
12      of particular stand outs here that I'll go into, but  
13      part of the trends in those have to do with related  
14      party issues or whether or not they import components.  
15      And so, I don't think you're necessarily seeing  
16      anything out of the ordinary, but there is  
17      considerable variation depending on productivity,  
18      access to capital, product mix issues, customer  
19      relationships, and other business management factors.

20           COMMISSIONER PEARSON: Okay. And you intend  
21      to shed additional light on that in the post-hearing?

22           MR. KAPLAN: Yes, I do.

23           COMMISSIONER PEARSON: Okay, good. The  
24      question of big box retailers has come up previously.  
25      But, just perhaps we can go through this quickly, are  
26      any of the companies currently selling to either Home

1 Depot or Lowe's blades smaller than seven inches,  
2 seven inches and below?

3 (No verbal response.)

4 COMMISSIONER PEARSON: How about the seven  
5 to 10 size?

6 (No verbal response.)

7 COMMISSIONER PEARSON: Ten to 12?

8 (No verbal response.)

9 COMMISSIONER PEARSON: Twelve to 14? Mr.  
10 Garrison?

11 MR. GARRISON: Steve Garrison.

12 COMMISSIONER PEARSON: This is kind of like  
13 an auction. I finally got a bidder.

14 (Laughter.)

15 MR. GARRISON: Did I win?

16 COMMISSIONER PEARSON: Yes.

17 MR. GARRISON: In saying Home Depot, are you  
18 including Whitecap and the three or four other  
19 companies owned by Home Depot, as well?

20 COMMISSIONER PEARSON: Probably, unless  
21 given your knowledge of the industry, there's a reason  
22 to look at them separately. Because, frankly, you  
23 know a lot more about this than I do. Mr. McCarthy?

24 MR. MCCARTHY: Ed McCarthy. At present, my  
25 last walk through of a Home Depot showed everything  
26 within the Home Depot store, itself, was a foreign

1 manufacturer. If you look at Whitecap, it's a mix,  
2 predominantly American, at this point, but Whitecap  
3 was just purchased last year. The same thing is true  
4 with other people it bought, such as Brock Tool, which  
5 currently is 100 percent American. They bought Hughes  
6 Supply. That's a mix. They bought a company called  
7 Water Works. That was recently. I don't know what  
8 they're selling. But, the trend is to lower the  
9 price.

10 COMMISSIONER PEARSON: Okay. So, I think  
11 I'm understanding now what you're saying. If I am a  
12 more active home -- do it yourselfer than I am and I  
13 walk into Home Depot, I'm going to only buy an  
14 imported diamond blade. However, if I'm a contractor  
15 and I need a special blade for a special project and  
16 go to one of their affiliated companies, then I would  
17 very likely get an American blade. Is that correct?

18 MR. GARRISON: Well, you can buy a U.S.-made  
19 blade in sort of the 12 inch or 14 inch, I believe,  
20 from what I've heard -- you might want to ask one of  
21 the others -- but directly at Home Depot. But, the  
22 other subsidiaries also would sell larger diameter  
23 blades, as well, both American made and Korean and  
24 Chinese made. And your question before was oriented  
25 toward four-inch to 10-inch blades, I believe.

26 COMMISSIONER PEARSON: Right, started there,

1 yes.

2 MR. GARRISON: Our company used to sell  
3 blades to M.K. Diamond that sold to Home Depot. So,  
4 we have lost that business due to the Korean and  
5 Chinese imports.

6 COMMISSIONER PEARSON: Did that change  
7 happen during the period of investigation, during  
8 these three years?

9 MR. GARRISON: I don't know. It may have  
10 ended about the time this period of investigation  
11 started. I'd have to look at the years involved.

12 COMMISSIONER PEARSON: Okay. But, it would  
13 be correct to say that within your experience in the  
14 industry, a portion of the market that had been served  
15 at Home Depot by U.S. manufacturers no longer is? I  
16 mean, there was a change?

17 MR. GARRISON: That's my understanding, yes.

18 COMMISSIONER PEARSON: And is that -- any  
19 other comments on that? Is that consistent with  
20 knowledge that others of you have, that a change may  
21 have occurred before this investigation began?

22 Anybody want to say anything about the big boxes?

23 Otherwise, I'm going to leave that topic. Mr. --

24 MR. JEDICK: Andy Jedick. I can just maybe  
25 clarify one issue on the holdings of Home Depot, the  
26 Brock Tools, and the Whitecaps that Mr. McCarthy

1 mentioned, is that they could be branch specific  
2 buying the foreign -- the imported product versus the  
3 American product. You mentioned that maybe if you  
4 went to one of those companies, you would be likely to  
5 buy an American-made product. Not necessarily now.  
6 Now, there's been changes and the sales force for the  
7 importers can work on the individual branches of some  
8 of these companies to change them over. It's not  
9 necessarily consistent throughout the whole company.

10 COMMISSIONER PEARSON: Okay, thank you. Are  
11 there any safety issues that would discourage the use  
12 of imports, particularly as we get to the larger  
13 sizes? This is a product that rotates at a high rate  
14 of speed. Someone mentioned more than 5,000 rpms. I  
15 mean, I assume it would be particularly nasty if there  
16 was any fragmentation of a blade at that speed. Mr.  
17 Garrison?

18 MR. GARRISON: Steve Garrison. The blades  
19 turn at a fairly consistent surface feet per minute.  
20 So, a four-inch blade might turn at a very high rmp,  
21 like 8,000 or so, but a 14-inch blade at 2,500 and a  
22 48-inch blade in the 800 rpm range. And as far as I'm  
23 aware, I have not heard of any safety issues involved  
24 with subject imports.

25 COMMISSIONER PEARSON: Okay. Well, thank  
26 you for that clarification, because I'm thinking of

1 the poor guy out there running a walk-behind machine  
2 with a blade -- if it's only spinning at 800, I feel a  
3 little more comfortable.

4 So, as the Korean and Chinese product came  
5 into the market, they have been accepted relatively  
6 quickly. I mean, there's not been a lot of either  
7 safety or quality concerns about those blades? Mr.  
8 Garrison?

9 MR. GARRISON: Steve Garrison. Given the  
10 price they're being sold at, no, there's not been any  
11 problem.

12 MR. KAPLAN: The share increases speak for  
13 themselves.

14 COMMISSIONER PEARSON: Okay. Mr. Chairman,  
15 it's over to you.

16 CHAIRMAN KOPLAN: Thank you. Commissioner  
17 Aranoff?

18 COMMISSIONER ARANOFF: Thank you, Mr.  
19 Chairman. I will pick up right where Commissioner  
20 Pearson left off. One of the things that we've heard  
21 all this morning have been that the Chinese product is  
22 comparable, I guess, in pretty much every respect to a  
23 domestic product of the same dimension, except that  
24 it's cheaper and maybe less durable. Essentially what  
25 I've heard is if it's cheaper, people don't care if  
26 it's less durable, because it's disposable, the same

1 way nobody gets their toaster repaired anymore. So, I  
2 guess my question to you is, in attempting to compete  
3 with that kind of a mentality, have you sort of  
4 reduced the durability of your own product? Have you  
5 made cost cuts by -- or do you feel that you are  
6 selling a product, which is, at this point, over  
7 engineered, because nobody wants to pay for the  
8 quality anymore? Have some of the manufacturers --  
9 Ms. O'Day, did you want to respond?

10 MS. O'DAY: I would say yes to both of  
11 those. Yes, we've had to make cost cuts, in order to  
12 compete. I mean, clearly, I can't put the same level  
13 of diamond concentration in a blade that's going to  
14 sell for \$100, that I used to put in a blade that  
15 would sell for \$400. So, yes, very frequently I've  
16 had to make adjustments in what we're putting out  
17 there in the marketplace, in order to stay alive, and  
18 that will account for some of the fact that we're  
19 still alive. The other part is -- I forgot, I'm  
20 sorry.

21 COMMISSIONER ARANOFF: Okay. I'll come back  
22 to you. Did any others want to comment? I mean,  
23 other than the concentration of diamonds that you can  
24 put on a blade, are there other ways that you can sort  
25 of dumb down the durability of the product to get the  
26 price down?

1           MR. JEDICK: Commissioner? Andy Jedick. We  
2 have several quality -- I can maybe qualify a little  
3 bit -- we have several quality grades and what we've  
4 done, we haven't necessarily cheapened up any products  
5 over the years. We've just added lower quality level  
6 and not quality meaning quality control or safety  
7 quality. We both say the diamond content or the rim  
8 height of the blade or whatever it takes to make the  
9 blade less expensive. We've add consistently every  
10 couple of years a new lower-priced blade to our line,  
11 to try to compete with the blade qualities that are  
12 coming out in the lower-priced ranges.

13           COMMISSIONER ARANOFF: Is that true across  
14 all size ranges and end-uses, that you've sort of  
15 extended your product line down into more value lines  
16 of products, or is it particularly true in particular  
17 diameters or particular end uses?

18           MR. JEDICK: It's true in most sizes. We  
19 haven't added a lot of different quality grades to  
20 blades maybe up in the 24- or 30-inch size range.  
21 Certainly, down in the 18s, 14s, 12s, and down to the  
22 four-inch blades, we've added a quality range --  
23 different ranges over the years.

24           COMMISSIONER ARANOFF: Okay. Ms. O'Day, you  
25 remembered what you were going to say?

26           MS. O'DAY: More or less, yes. We have done

1 basically the same thing, in that we have created  
2 lesser cost and lesser value lines. In the larger  
3 diameter product, we find that our customers rather  
4 than buying top of the line, now are price shopping.  
5 And so, they've slid down several brackets. We  
6 offered initially three lines of product and now we're  
7 finding people shopping almost exclusively in not the  
8 bargain basement, but the next to the bargain basement  
9 line. So, price depression is very real and the only  
10 way we can stay alive is to be able to offer stuff  
11 that still generates some profit for us, but is in a  
12 cost where our customers will pay.

13 COMMISSIONER ARANOFF: Mr. Garrison?

14 MR. GARRISON: Steve Garrison. This is  
15 true, but in many, perhaps most cases, if we took all  
16 the diamond out of a diamond saw blade, in order to  
17 get our cost down low enough to compete, it still  
18 would not be low enough to compete.

19 COMMISSIONER ARANOFF: I appreciate that.  
20 In any particular category, who is buying the top of  
21 the line? Are there people, who value durability,  
22 value a blade that's going to last longer and cost  
23 more or is everybody looking at their cost, only in  
24 terms of what comes out of their pocket this week? Go  
25 ahead, Mr. Jedick.

26 MR. JEDICK: Less and less. There are fewer

1 people, who are actually tracking the life of the  
2 blade and calculating their value of the blade. With  
3 the dramatic price differences, I guess it's easier to  
4 throw a lot of time-consuming calculations aside, I  
5 think as Mr. McCarthy said earlier, and just say,  
6 well, if I can buy two of them for the price of one,  
7 if one breaks, that's fine, then I'll just use the  
8 second one. There are some people who do, though. To  
9 answer your question, specifically, yes, there are  
10 some people, who can still figure the value in a  
11 blade, but there's fewer.

12 COMMISSIONER ARANOFF: Because I was going  
13 to say, I mean, I don't know have you folks, from a  
14 marketing standpoint, have tried to demonstrate that,  
15 in fact, one of your blades that cost twice as much  
16 lasts three times as long.

17 MR. JEDICK: Yes. To answer your question,  
18 I can say, yes, we have tried that. We've tried Power  
19 Point presentations and charts and little CDs to take  
20 into businesses for the salespeople to show them the  
21 relative value of blades. And what it comes down to  
22 is a lot of times we're told that if they give the  
23 blade to someone who is going to take it out in the  
24 field and possibly run it over or leave it on the site  
25 or throw something in the truck on top of it when  
26 they're leaving the site, they'd rather just have two

1 of them and not worry too much about the value in the  
2 blade. Because, they have to run to its finish to get  
3 the value out of it. So, those are some of the  
4 stories we get back.

5 COMMISSIONER ARANOFF: Okay. Dr. Kaplan?

6 MR. KAPLAN: I just want to emphasize two  
7 things of what Mr. Garrison made. It's not as if it's  
8 twice as expensive and twice as long. It's below  
9 cost. And I want to talk further about the size of  
10 the underselling margins. Now, there are issues we'll  
11 discuss with the pricing products. I would add that  
12 the pricing products were the products chosen by  
13 Respondents. But, we're hearing of underselling  
14 margins at 30 and 40 and 50 percent. And those are  
15 real margins and those are moving sales. They aren't  
16 evidence that they don't compete, because the margins  
17 are so high. It's evidence of how dramatic the  
18 dumping is that the margins are high and you're seeing  
19 these share shifts. And that's what you've been  
20 hearing, in answer to so many of these questions. And  
21 I think it goes to your point, or, okay, it's the  
22 lightbulb, if it lasts twice as long, convince them,  
23 you don't have to change it. It's not that. You  
24 can't pay for the glass and for the filament, you  
25 know, to make it for what they're selling it for. And  
26 I just want to emphasize that.

1           And one more point, they are trying to meet  
2 these. They are adding other lines. They're adding  
3 lower lines. They are having the CDs. You know, they  
4 aren't standing by letting this happen to them. And I  
5 think they heard about this law a year or two ago.  
6 They never heard of this before. They aren't the  
7 steel industry, where you open up metal markets  
8 everyday and say, oh, there's this thing called the  
9 dumping law. They were at wits end. What could we  
10 do? We're doing everything. They heard about that  
11 the government will stop this, if it's below cost  
12 production, if it's a dumped product from a non-market  
13 economy, and that's why they're here. They've done  
14 everything else.

15           MR. WOLTERS: Commissioner Aranoff, I would  
16 like go back to your question earlier, in regards to  
17 our company. When I came on board 13 years ago, and  
18 I've owned it for the last 10, the lowest grade we had  
19 available at that time was a premium grade. And I'll  
20 never forget seeing cheaper product coming in at that  
21 time and my grandfather is like we've got to do  
22 something about it. So, we came out with a budget  
23 series. Then, we came out with a value series. And  
24 as I sit in my office everyday, I'm sitting there and  
25 I have cores, I have powders and segments sitting  
26 there, trying to figure out how I can compete and make

1 a blade that I have a quote on for in a 12-inch blade  
2 for \$17 from an importer and, let's see here, \$22 on a  
3 14-inch. And when my plant manager in R&D come back  
4 to me and they say, that's below our cost of raw  
5 materials alone, I don't have anywhere to turn to, at  
6 that point.

7 COMMISSIONER ARANOFF: Well, let me ask,  
8 since the light is turning yellow, for you folks to  
9 follow-up in the post-hearing, in terms of when you  
10 introduce these value lines, what are the cost savings  
11 that you are making and where do they come in. And,  
12 in particular, I, also, want to ask the core  
13 manufacturers what role they've played in this  
14 creation of the value line. Have there been any  
15 changes made to cores that have reduced their costs to  
16 the blade manufacturers or is the core sort of a given  
17 that can't be adjusted in this cost calculus? So,  
18 with that, I'll turn it over, Mr. Chairman.

19 CHAIRMAN KOPLAN: Thank you, Commissioner.  
20 Dr. Kaplan, in your post-hearing submission, if you  
21 could please address Respondent's financial analysis  
22 of U.S. firms operating margins, starting in their  
23 brief, at the middle of page 51 and running through  
24 page 52? If you could address possible reasons for  
25 the profitability we see with firms serving primarily  
26 the professional construction market versus those that

1 do not?

2 MR. KAPLAN: I will.

3 CHAIRMAN KOPLAN: Thank you, very much. Mr.  
4 Pickard, Respondent's brief, Akin's brief, argues for  
5 our using value data rather than quantity data when  
6 conducting our related party analysis, because to do  
7 otherwise, we would erroneously equate vastly  
8 different types of products. They state that you  
9 acknowledge that problem when you calculated industry  
10 support for the petition based on sales value not  
11 volume. Do you disagree?

12 MR. PICKARD: Just be mindful of the APO. I  
13 would encourage the Commission to look at both.  
14 There's a special role that value has in this  
15 investigation. There are going to be issues --

16 CHAIRMAN KOPLAN: Would you rather elaborate  
17 on that post-hearing?

18 MR. PICKARD: Yes, in our post-hearing  
19 brief, if I could do that.

20 CHAIRMAN KOPLAN: Would you do that? Yes.  
21 I see Dr. Kaplan is nodding his head in great  
22 agreement with you. Postponing your response, okay,  
23 but I would like to get as detailed an answer to that  
24 as I can. Thank you.

25 Mr. Jedick, Ms. O'Day, or Mr. Kevin Baron,  
26 on pages 31 and 32 of your brief, it's claimed that

1       there is ample domestic -- and this is a follow-up to  
2       Commissioner Lane, actually. She got into this on  
3       this last round. It's claimed that 'there is ample  
4       domestic capacity to meet diamond saw blades demand  
5       and that U.S. producers of segments in diamond saw  
6       blades likewise testified at the staff conference that  
7       they could easily triple their production using just  
8       the existing equipment by adding one additional  
9       shift.' Now, those are quotes from the brief. I  
10      notice on Table 4-3 of our confidential staff report,  
11      and this is at page 4-8 of the report, that apparent  
12      U.S. consumption in 2005 was 6.7 million units. On  
13      the other hand, Table 3-4 of the report at page 3-9  
14      shows U.S. production capacity to be a million units  
15      in 2005. And at page 3-1, it states, 'that 16 firms  
16      provides responses to the Commission's producer  
17      questionnaire and the belief to have accounted for  
18      approximately 90 percent of the U.S. production of  
19      finished diamond saw blades and parts in 2004.'

20               Now, by my calculation, tripling domestic  
21      capacity wouldn't provide even half of U.S. apparent  
22      consumption in 2005. How do I reconcile our data with  
23      what's in the brief?

24               MR. PICKARD: I can start it off, if I  
25      could, Mr. Chairman. I believe the comment was just  
26      could easily triple their production, but I don't

1 think there was any attempt to exactly quantify it.  
2 But, if the domestic producers would like to address  
3 just how easy it would be.

4 CHAIRMAN KOPLAN: The figures that I've  
5 pulled out of the report are public figures, so -- I'm  
6 saying the numbers that I quoted, 6.7.

7 MR. PICKARD: I understand. I guess I would  
8 turn it over to the domestic producers --

9 CHAIRMAN KOPLAN: Good.

10 MR. PICKARD: -- just talk about how quickly  
11 they could increase --

12 CHAIRMAN KOPLAN: Mr. Jedick?

13 MR. JEDICK: Yes, I can answer, in probably  
14 three stages for capacity increase. First off, you  
15 can make more things in a typical manufacturing  
16 environment just by changing -- quickly changing a few  
17 things around, possibly adding overtime, adding  
18 weekend work or something. There are instant ways to  
19 increase capacity. Then, longer-term, in our case,  
20 for example, we would hire another shift, which is  
21 wide open to utilize the capital equipment that we  
22 have available on the shop floor to fill a complete  
23 other shift, which is a 50 percent increase in  
24 capacity immediately. And then there's expansion,  
25 because this is what we do. We make diamond tools.  
26 So --

1                   CHAIRMAN KOPLAN:  You're doing one shift  
2                   now?

3                   MR. JEDICK:  We're doing two.

4                   CHAIRMAN KOPLAN:  Two shifts.

5                   MR. JEDICK:  Well, one shift and a partial  
6                   second shift.

7                   CHAIRMAN KOPLAN:  And when you estimated  
8                   capacity for us, were you estimating it on that basis  
9                   or estimating it on the basis of operating --

10                  MR. JEDICK:  It was a while ago and I don't  
11                  want to -- I'm not 100 percent sure how we did it.  I  
12                  know that I used a couple of people to concur with me  
13                  on the capacity issues.

14                  CHAIRMAN KOPLAN:  Maybe you can check that  
15                  for me, for post-hearing.

16                  MR. JEDICK:  I can do that, certainly.

17                  CHAIRMAN KOPLAN:  Thanks.  Can I hear from  
18                  Mr. Garrison?

19                  MR. GARRISON:  Steve Garrison.  We currently  
20                  run one shift, so we certainly could go to three  
21                  shifts, as we were in 1999.  And I think Mr. Jedick  
22                  indicated Saturdays are certainly an option there.  
23                  Also, there certainly may be a requirement to purchase  
24                  a couple of small pieces of machinery to get us to  
25                  that level, to fill in the holes, so to speak, but it  
26                  should be something that would be able to happen very

1 quickly.

2 CHAIRMAN KOPLAN: Okay. Mr. Baron?

3 MR. BARON: Mr. Baron, Western Saw.

4 Currently, we have one-and-a-half shifts and a very  
5 small partial second shift. We could easily triple  
6 our capacity with a third shift. But, basically, it  
7 comes down to, if you don't have the orders, why would  
8 you invest the -- why would you continue to invest and  
9 why would you build capacity that's going to be  
10 unused? And, currently, we can't compete with the  
11 Chinese and Korean imports, so why would we do that?

12 CHAIRMAN KOPLAN: But, I guess what I'm  
13 trying to understand is even if you did triple, if  
14 consumption was 6.7 million units, you're less than  
15 halfway there. I understand you're a little animated  
16 back there, Mr. Kaplan. I just want to get the  
17 thought out. I'm not ignoring you. Go ahead, Mr.  
18 Baron. That's what I'm driving at.

19 MR. BARON: Well, I understand.

20 CHAIRMAN KOPLAN: I understand you're saying  
21 how you can get to triple. I'm saying, even if you  
22 get to triple, you're still way short of what I'm  
23 looking at, in terms of consumption.

24 MR. BARON: Agreed, but I think when I'm  
25 looking at, again, Hyde Corporation, using 10 percent,  
26 and I know that there are other -- they're not diamond

1 core manufacturers today, but they produce plate and  
2 they produce carbide plate -- carbide is a much bigger  
3 market actually in our industry and we do sell a  
4 little bit of it. It makes up about 10 percent of our  
5 business -- actually, about less than that, about  
6 eight percent of our business. So, if we could go to  
7 the other carbide plate manufactures, who would want  
8 to get back into the business, if they could get the  
9 prices that they used to get, then they would come  
10 back to the industry. They have left the business.  
11 Peerless has left. I mean, there are several  
12 companies that I know that would come back. And you  
13 could easily bring three or four companies back into  
14 the mix that could be able to supply cores. And so, I  
15 know we could meet the demand. You just have to have  
16 the orders. In order to get the orders, we have to do  
17 something about the prices. Otherwise, these guys are  
18 not coming back. If the Chinese and Koreans continue  
19 to do this low price, ridiculously low pricings,  
20 you're not going to get them back. And right now, why  
21 would they invest the money?

22 CHAIRMAN KOPLAN: Thank you. Now, Mr.  
23 Jedick, what is it that Dr. Kaplan thinks you've left  
24 out of your first response to me?

25 MR. JEDICK: As far as capacity goes, I  
26 guess, and this rightfully so, if the demand is for

1 smaller units -- we're using a unit number of demand.  
2 But if the demand is for smaller units, certainly our  
3 capacity is based on -- our capacity calculating is  
4 based on an average sized unit. We've lost much of  
5 the small diameter blade business. Although we do  
6 make blades domestically, four inch through 10, to  
7 make four-inch blades or seven-inch blades using that  
8 50 percent capacity level that we have left, the  
9 quantity figures would be staggering. The unit  
10 figures of available capacity would be staggering. It  
11 wouldn't be just the average unit growth that we could  
12 achieve, if it was in the smaller diameters.

13 CHAIRMAN KOPLAN: Thank you. Ms. O'Day?

14 MS. O'DAY: Yes, I had misunderstood, also.  
15 We could scale up vastly, because if you look at an --  
16 what we consider to be an average, it may have 25  
17 segments around it. And a big part of our labor  
18 production costs are in making those segments. A  
19 four-inch blade may have five or six segments on it.  
20 So, clearly, we can make a whole lot of units out of  
21 the same labor that makes a 14-inch unit.

22 CHAIRMAN KOPLAN: Thank you. Mr. Rizner,  
23 you had your hand up?

24 MR. RIZNER: I did. Thank you, Mr. Koplan.  
25 Yes, as Mr. Baron mentioned, we're only at 10 percent  
26 utilization of our equipment right now and I think

1 that's even stretching it. I think it's less than  
2 that. But, also, as I said in my testimony, we went  
3 from 21 employees to less than two. So, that's going  
4 to tell you there is plenty of meat left on that bone,  
5 if we could ever get it back here to be gnawing away  
6 at it. So -- thank you.

7 CHAIRMAN KOPLAN: Thank you. Did I leave  
8 anyone else?

9 MR. PICKARD: Mr. Koplan, I would -- Mr.  
10 Chairman, I would just add to Mr. Baron's remarks,  
11 that if there was the incentive there for the domestic  
12 producers to increase the capacity, I don't think  
13 there's any doubt that it could go beyond triple.  
14 But, there are also those U.S. entities, who have left  
15 the industry. They're still producing other products,  
16 although they used to produce the domestic-like  
17 product, where if there was a way to operate  
18 profitably, there's no doubt that they would re-enter  
19 the U.S. market.

20 CHAIRMAN KOPLAN: Thank you. Thank you for  
21 those responses. I'm trying to visualize meat on the  
22 bone compared to a diamond saw blade, Mr. Rizner, but  
23 I'm sure I'll be able to get there eventually. Thank  
24 you. Vice Chairman Okun?

25 VICE CHAIRMAN OKUN: Thank you, Mr. Chairman  
26 and, again, thank you for all the responses thus far.

1 I wanted to go back to something that Commissioner  
2 Aranoff had asked you about and, again, just one of  
3 the things that jumps out when I read this record is  
4 the vast differential and the prices that we've  
5 collected in pricing data with regard to the subject  
6 import product and the U.S. industry product. And  
7 often in cases where you have that big of a  
8 differential, that big of an underselling, that  
9 consistent, I think you have to ask questions, are you  
10 guys even selling to the same people. And so, I think  
11 that's some of the responses you've given on, you  
12 know, do you have -- is there brand loyalty to you?  
13 Does it command a premium? And I know you've  
14 responded to that. Are there people out there for  
15 whom durability is an issue? Because, again, if  
16 you've got this much price differential, I'm just  
17 trying to understand if the competition is as head-to-  
18 head in every segment, as I'm hearing. So, I'm trying  
19 to see what other information we might be able to  
20 gather to help me better understand that.

21 Because, the other thing that -- and I ask  
22 this, and Mr. Kaplan may want to take the first crack,  
23 but then I'll go back to industry, which is, again, if  
24 I look at the subject import volume and the charts  
25 that are in the staff report and in Table C-1 and in  
26 Mr. Kaplan's charts, I see the value of U.S. shipments

1 of the subject imports increasing by nearly two-thirds  
2 between 2003 and 2005 and gain 11 percentage points in  
3 market share, but U.S. shipments only go down during  
4 that period of 2.2 percent. And, again, you may say  
5 to me that is significant enough in a market that is  
6 growing, we should have been able to capture that, and  
7 that may be your argument. If it is, then I want to  
8 make sure I understand that. But, I guess, I'm also  
9 trying to understand, what do I make of that? I mean,  
10 if these imports are so low and I can look at the  
11 pricing data and, you know, why haven't they captured  
12 the whole market, the whole way? If they're producing  
13 everything you guys can produce in every range, why  
14 haven't I seen even more significant gains than I have  
15 on the record? So, it's a little bit of a legal -- I  
16 want to hear the industry, but I think I want to hear  
17 your counsel and maybe Mr. Kaplan on that first. Mr.  
18 Pickard?

19 MR. PICKARD: I'd be more than happy to  
20 start off. This is obviously been something that  
21 we've talked about and I would suggest that the reason  
22 that there's vast instances of underselling by such  
23 huge margins is the fact that subject imports  
24 generally undersell by vast margins. And we've --  
25 it's the most simplest explanation and it's confirmed  
26 by all the testimony that you've heard today.

1 Straight from the preliminary conference, these guys  
2 have been talking about the fact that they're not  
3 competing -- it's not rational prices that they're  
4 competing against. They're frequently competing  
5 against import sources that are below their cost of  
6 raw materials. And then the question is, why haven't  
7 they lost all of their sales? I think they're  
8 imminently faced with doing so. They have lost the  
9 small diameter market for all intensive purposes. It  
10 is being fiercely fought out in the 12- to 14-inch  
11 range. But unless relief is granted, they're going to  
12 lose that. And the evidence is overwhelming that  
13 they're in the higher diameter ranges.

14 It, also, emphasize that the pricing  
15 products that were selected in the multiple channels  
16 of distribution that were ultimately used, they were  
17 all Respondents' suggestions. So, in the preliminary  
18 phase, the Respondents' suggestions as to the pricing  
19 products were incorporated. And what did that show?  
20 Vast instances of underselling by huge margins. They  
21 were tweaked again in the final phase and they  
22 generally reflect the Respondents' choices again.  
23 What did they show? Massive underselling, because  
24 that's what is going on in the market.

25 VICE CHAIRMAN OKUN: Mr. Kaplan, anything  
26 you want to add to that?

1           MR. KAPLAN: No. I think the underselling  
2 is plain. I think it's difficult to craft the exact  
3 comparisons. I think the products that are chose are  
4 reflective, but I do want to make the point, though,  
5 that this was the Respondents' choice of products and  
6 we'll document that. Now, they're coming in and  
7 saying, well, we chose these products for head-to-head  
8 competition. Lo and behold, we've demonstrated  
9 there's no head-to-head competition from the products  
10 we've chosen. I think that the weight given to that  
11 argument speaks for itself, the weight that should be  
12 given to that argument.

13           VICE CHAIRMAN OKUN: Okay. And remind me,  
14 and the response about the big box stores and the  
15 purchase -- Home Depot's purchase of these, I guess,  
16 more, how do you describe them, the more professional  
17 -- the somewhat more of a professional grade. Mr.  
18 Garrison, did you call them -- what are they called?

19           MR. GARRISON: Well, oriented toward sales  
20 to contractors that you consider professional  
21 tradesmen, like plumbers, electricians --

22           VICE CHAIRMAN OKUN: Okay.

23           MR. GARRISON: -- concrete workers.

24           VICE CHAIRMAN OKUN: Okay. So, if there's  
25 any -- I mean, I found that discussion very  
26 interesting on what that means for the larger diameter

1 or to the sales to the professional contractors. So,  
2 if there's any information that you haven't already  
3 provided that you could provide with regard to the  
4 composition makeup of who has been selling to those  
5 arms of what is now Home Depot's expanding empire, if  
6 you could provide that, as well, that would be very  
7 helpful.

8 Now, let me go back on related parties and I  
9 know there have been a number of questions and a lot  
10 of the information is confidential, so most of this  
11 I'm asking for post-hearing. But, I do want to raise  
12 one of the Respondents' arguments, which is, all the  
13 specifics we look on related parties in deciding  
14 whether appropriate circumstances exist to include  
15 them, and you've all briefed on those. The  
16 Respondents, I think, make this at a broader point,  
17 which is, in this industry, where you have a number of  
18 producers of the domestic like product importing, some  
19 stating they're importing for one reason or another,  
20 should we be looking at that differently when that  
21 includes producers, who are very large? And I wanted  
22 to see if you could respond to that publicly. I want  
23 you to look at the data separately -- I mean, look at  
24 the data post-hearing. But, it always -- but, this  
25 strikes me as an industry where we have to pay a lot  
26 of attention to the related parties, because while you

1 can -- there are differences in the trends, as Mr.  
2 Kaplan said, if you exclude one or more of the related  
3 parties and the additional related party that the  
4 Commission didn't exclude changes it even more. So,  
5 just in applying the related party provision, what  
6 does it mean in this industry, where you have so many  
7 producers, who are already importing for whatever  
8 reason? Should we look at it any differently?

9 MR. PICKARD: There's a lot there and that's  
10 clearly something that we'll probably want to flesh  
11 out in our brief. But, I think the question is really  
12 ultimately looking at the domestic producers, who see  
13 that their future lies in domestic production. That's  
14 where their interest is. And those entities that have  
15 some U.S. production, where it's clear that their  
16 primary motivation or interest is in foreign  
17 production or importation, so is it -- if I understand  
18 your question correctly, please correct me if I'm  
19 going down the wrong path, if you're asking is it  
20 relevant that some U.S. producers see their future as  
21 U.S. producers, but are forced to import in order to  
22 round out their product line and that there are some  
23 entities, who clearly have been shielded by the  
24 injurious effects by the subject imports because  
25 they're benefitting from those imports and that's  
26 where their primary business interests are, is that a

1 legitimate source for the Commission to examine,  
2 absolutely.

3 VICE CHAIRMAN OKUN: Well, I guess with  
4 this, it raises kind of a secondary question from the  
5 first one, which is, if in looking at some of this  
6 data, what you see or what you can characterize as a  
7 U.S. producer, who has decided for one portion of the  
8 market, where they think they can never -- let's just  
9 say the hypothetical, they have decided, I need to  
10 import to fill out my product line, because where I  
11 can really still make money, where I am still making  
12 money, looking at their statistics, is by  
13 concentrating on the larger sizes and they're  
14 importing in other sizes, but they're still producing  
15 a lot in the U.S. market. I mean, their percentages  
16 may not be any different than someone sitting at this  
17 table, their actual percentage of imports. Does that  
18 matter?

19 MR. PICKARD: I think I know what the next  
20 logical statement would be and I think that comes very  
21 close to APO information. I think I know where you're  
22 going with this question, but it's probably better  
23 addressed in a brief.

24 VICE CHAIRMAN OKUN: Okay. Well, just to  
25 keep it in mind and that's how I'm asking the  
26 question, which is not just throw out the normal

1 percentages, just look at each producer here and  
2 respond to that question. So, I appreciate that and I  
3 will look forward to seeing that in post-hearing. Mr.  
4 Kaplan -- Dr. Kaplan?

5 MR. KAPLAN: I think there's a peculiar  
6 condition of competition with this firm, as well, that  
7 has to do with generically importation of finished saw  
8 blades and importation of parts that might affect how  
9 they're viewed and the context related parties, as  
10 well.

11 VICE CHAIRMAN OKUN: Okay. Well, I will  
12 look forward to the post-hearing submissions on that.  
13 And with my yellow light on, I won't ask my next  
14 question. Maybe someone else will, so I won't have to  
15 come back. Thank you, Mr. Chairman.

16 CHAIRMAN KOPLAN: Sure. Commissioner  
17 Hillman?

18 COMMISSIONER HILLMAN: Thank you. I want to  
19 jut follow-up a little bit on the line of question  
20 that I had before, because I do want to make sure I  
21 understand it, in light of the decision that the  
22 Commission will need to make, in terms of whether or  
23 not to include or not the firms that do, as you  
24 describe it, assembly, meaning attach the core to the  
25 segment. I mean, do they count as domestic producers?  
26 I heard your answers to my previous line of questions.

1 I have to say, I would ask counsel to look at the  
2 value-added data that we have and see whether you  
3 would continue to describe that as sort of an  
4 insignificant number, in terms of the percentage, and  
5 the other cases that we've looked at.

6 But, I guess if I could try to then ask the  
7 other legal question with it. It's my understanding,  
8 at least, for the purposes of the prelim, the  
9 Department of Commerce determined that the assembly,  
10 meaning the -- you know, fixing the core and the  
11 segment together confers origin, which technically for  
12 us would normally mean that we would count as domestic  
13 production anybody that is putting the two pieces, the  
14 core and the segment together, would be -- those  
15 shipments would be counted as domestic production,  
16 domestic shipments, in terms of our ratios of imports  
17 to everything else. So, if you are now arguing  
18 something different, that the assembly, itself, and,  
19 again, should not confer origin and/or should not be  
20 sufficient to deem a producer -- a domestic producer,  
21 I need to understand how we're going to do that, if  
22 what we're doing is different than what the Department  
23 of Commerce has done.

24 MR. PICKARD: I think there are two issues  
25 there. First off, our arguments have been consistent  
26 in front of both agencies, that we have suggested that

1 mere assembly of the product is not sufficient to  
2 confer a country of origin. The Department's  
3 decisions -- I'm sorry.

4 COMMISSIONER HILLMAN: Okay. Let me just  
5 stop you. At least, it's my understanding, again,  
6 that the petition and some of the other documents have  
7 said that this is a significant and extensive  
8 operation including welding, quality screening,  
9 grinding and graving, cleaning and tensioning; that  
10 you're arguing on the one hand at the Department of  
11 Commerce, that this is an extensive operation, that it  
12 should be used to confer origin, and on the other  
13 hand, in front of us, that this is a minor operation,  
14 mere assembly, doesn't add up to connoting domestic  
15 producers. So, to the extent that you think you've  
16 been consistent throughout, I need to see it.

17 MR. PICKARD: Oh, I'd be more than happy.  
18 We'll put all of the public versions of our filings.  
19 We've consistently argued that, no, mere assembly is  
20 not sufficient to justify country of origin. As a  
21 matter of fact, it was a fairly heated issue at the  
22 Department.

23 COMMISSIONER HILLMAN: Okay.

24 MR. PICKARD: No, we took the side that it  
25 does not change country of origin.

26 COMMISSIONER HILLMAN: Okay. Then help me

1 get a sense from the producers here, I mean, if I'm  
2 looking at a finished saw blade, general sense of what  
3 portion of the value of it is the core, what portion  
4 is the segment, and what portion is the hooking the  
5 two together, I mean, the welding the two together,  
6 just a general sense of that. Mr. Wolters?

7 MR. WOLTERS: Well, you know, you have to  
8 first look at the value of developing this product  
9 here in the United States. And then with the value,  
10 itself, you know, we're manufacturing the segment,  
11 which is made up of mineral powders and diamonds,  
12 which is a big expense to the overall cost. And,  
13 also, the core is, too, that we bring in from Western  
14 Saw. Once you manufacture, you cold press the  
15 segment. You center the segment a certain temperature  
16 and then you've got your core. It will go into your  
17 welding department. At that point, you know, we can  
18 weld a substantial number of blades in an hour. So,  
19 the value that you're adding, at that time, is very  
20 small. So, the value and the cost is in that powder,  
21 is in that diamond, and is in that core.

22 COMMISSIONER HILLMAN: Okay. So, if I've  
23 got a blade here worth \$100, how much of it is the  
24 segment, how much is the core, and how much is the  
25 welding?

26 MR. WOLTERS: You cannot answer that

1 question across the board, because of the fact that  
2 you might be talking about a 12-inch blade that's  
3 designed for concrete or a 14-inch -- 24-inch blade  
4 designed for a walk behind saw, or you might be  
5 talking about a four-inch blade for tuck pointing.  
6 They all have different values and you cannot put  
7 something across the board, unfortunately.

8 COMMISSIONER HILLMAN: All right. However,  
9 I would say the data in our report, in terms of this  
10 issue of assembly, would suggest to me a more  
11 significant percentage value added than what you're  
12 suggesting. So, given that the numbers, themselves,  
13 are confidential, Mr. Pickard, if you could, in your  
14 post-hearing brief, address this issue. I did see  
15 that Mr. Jedick wanted to comment on my hypothetical  
16 \$100 saw blade.

17 MR. JEDICK: Yes. I can add one, just a  
18 little different angle on the value. All of the  
19 inventory burden in our factor is on the either blade  
20 core or the components that go together to build the  
21 segment.

22 COMMISSIONER HILLMAN: Okay.

23 MR. JEDICK: So, a significant amount of  
24 factor overhead is consumed in those inventory levels.  
25 There's really no inventory of anything used in  
26 assembling the segment to the blade core, I mean,

1 very, very minor, so --

2 COMMISSIONER HILLMAN: Okay. I appreciate  
3 those responses. If I could then, again, follow-up a  
4 little bit on the questions that Vice Chairman Okun  
5 was asking, because I think we're all struggling to  
6 understand this case and some of the sort of  
7 inconsistencies or differences that we see in this  
8 case, than we see in many others. We see a lot of  
9 cases, in which you see this volume of imports coming  
10 in, a domestic industry that chooses to either drop  
11 its prices, in order to keep its market share, or an  
12 industry that looks at these very low import prices  
13 and says, I can't go there; that's below my cost of  
14 production, forget it. I'm going to keep my prices  
15 where they are and I lose share, because I'm choosing  
16 not to compete on price. And either case normally  
17 loses money in the process. And, here, I'm struggling  
18 with where do I fit this case in.

19 We see these very low import prices. No  
20 question, the margins of underselling are very low.  
21 You all don't appear on our data to be taking major  
22 price cuts. So, it appears that some of you, at  
23 least, are trying to not go there, not lower your  
24 prices significantly, in order to meet import  
25 competition. Yes, you have some changes in share.  
26 But, again, overall, U.S. shipments are not down by

1 very much and your profits are the same throughout  
2 this entire period. So, help me square all of this  
3 together, in terms of how I should be looking at this  
4 case. How would you describe what you think the  
5 industry's response has been to the import competition  
6 and where I see that in this data mix that I've just  
7 described to you? Mr. Wolters?

8 MR. WOLTERS: Well, I think -- I can sum it  
9 up for ourselves and for my brother and I, that if I'm  
10 not here today defending what's going on the market,  
11 three years from now, I won't be able to even be here  
12 to defend myself. When you look at the 10 inch and  
13 below business, we do not participate in that anymore,  
14 because we cannot. We cannot manufacture that  
15 product. Over the last five years, it has crept up  
16 significantly in the 12 to 14 and is now entering in  
17 the 20 inch and above. So, I think you have to look  
18 forward in this marketing, that they're share has  
19 grown substantially. And when I sit in my office  
20 during the day and I've got 12- and 14-inch blades  
21 selling at this price out in the market when I'm  
22 making sales calls, and I come back to my office and  
23 talk to my R&D department and I cannot even  
24 manufacture product just with raw costs -- you know,  
25 we're being proactive with all of this. We have got  
26 to do something, because I will guarantee you that

1 their shares will continue to increase. And you are  
2 exactly right, there is a huge vast cost difference  
3 between our product and theirs and that is why they're  
4 gaining so much market share.

5 COMMISSIONER HILLMAN: Yet, again, if I look  
6 at it, what I don't see is big declines in your  
7 production. That's where I'm struggling to make all  
8 of these numbers -- I see Dr. Kaplan, but Mr. Baron  
9 wanted to comment and Mr. Garrison, and then I'll come  
10 back to you.

11 MR. BARON: We used to make hundreds of  
12 thousands of cores from four inch through 10 inch and  
13 I know that you can see that on my questionnaire, that  
14 we don't make those anymore. Now, we are losing the  
15 12s and 14s. I'm sure you can see that on my  
16 questionnaire. So, when you tell me that we are not  
17 losing market share, I'm telling you that we are  
18 losing market share and it's today at the 12s and 14s  
19 and is continuing to grow. It's going to be at the  
20 20s, 24s, because we're fighting them today. Every  
21 single day, I hear from Greg Wolters. I hear from  
22 another manufacturer. Kevin, what can you do for me  
23 on 24 inch, 30 inch. So, to say that they're not in  
24 the larger diameter is ridiculous and if we don't take  
25 care of it today, I will lose all of my business to  
26 the Korean and Chinese imports and I won't be in

1 business.

2 COMMISSIONER HILLMAN: And I should say, the  
3 data is a bit different on the core versus the  
4 finished blade, but let me -- Mr. Garrison?

5 MR. GARRISON: Steve Garrison. One of the  
6 things that crosses my mind as you're asking those  
7 questions is are volume doesn't seem to have dropped  
8 that much, referring to what you said in our  
9 profitability is level or not very much down or  
10 whatever those numbers are, our profitability is down.  
11 But, this should have been the very best time in the  
12 last 25 years for profitability for our business. We  
13 should have made enough profit to be able to seriously  
14 reinvest and retool in this market for the next 10  
15 years. But, we've just now have been kicked in the  
16 teeth over this last four years, when we should have  
17 been able to make those kinds of profits that would  
18 have enabled us to invest like we likely should be  
19 investing. So, that's sort of the best answer I can  
20 give.

21 COMMISSIONER HILLMAN: I appreciate that.  
22 And part of that goes to, I think, some of the  
23 questions that Vice Chairman Okun was asking, as well,  
24 is the basic argument that we didn't get our fair  
25 share, if you will, of the growing market, or is it  
26 that we actually lost in some way. And so, given that

1 the red light is on, I'm going to have to come back to  
2 this issue. And I know Dr. Kaplan wanted to speak to  
3 it, as well. So, I will come back. Thank you.

4 CHAIRMAN KOPLAN: Thank you. Commissioner  
5 Lane?

6 COMMISSIONER LANE: I'm going to start with  
7 a follow-up to one of my questions that I asked the  
8 last round, and maybe I misunderstood. I asked if  
9 Home Depot and Lowe's and the other big box stores  
10 sold both U.S. produce and the subject product --  
11 subject imports and I thought that the answer was yes.  
12 And, then, in response to Commissioner Pearson, it  
13 seemed that the answer was no. And so, now, I would  
14 like a clarification.

15 MR. GARRISON: I believe Mr. Pearson was  
16 asking about sizes 10 inch and under and my knowledge,  
17 the answer would be no there, to my knowledge. If  
18 we're talking about sizes 12 inch and larger, I think  
19 the answer would be yes. Our firm does not personally  
20 sell to any of those subsidiaries of Home Depot, but I  
21 understand that others that are U.S. manufacturers do.

22 COMMISSIONER LANE: Okay. I guess that is  
23 the completion. Okay, thank you. In the preliminary  
24 phase of these investigations, the Commission noted  
25 that abrasive saw blades or wheels are substitute  
26 product for diamond saw blades and noted that

1 additional products, such as plated diamond saw  
2 blades, diamond wire saw blades, chainsaws, jack  
3 hammers, chisels, and other products were viewed by  
4 some producers and importers as substitutes for the  
5 subject product. What degree of substitution exists  
6 between these products and diamond saw blades?

7 MR. BARON: Kevin Baron, Western Saw, very  
8 little, if any; very little. You wouldn't use a jack  
9 hammer to cut a concrete slab. Maybe in specific  
10 application you might; but, no, very little.

11 COMMISSIONER LANE: Okay. Does anybody else  
12 care to respond to that? Okay. Mr. Garrison?

13 MR. GARRISON: Sorry, I was inquiring about  
14 a relief break, so I wasn't listening.

15 COMMISSIONER LANE: You're allowed to get up  
16 and leave anytime and then come back.

17 MR. GARRISON: Would you ask the question  
18 once again?

19 COMMISSIONER LANE: I wanted to know what  
20 degree of substitutability is there between diamond  
21 saw blades and chainsaws, jack hammers, chisels, and  
22 other products.

23 MR. GARRISON: Very little, less than one  
24 percent, less than probably half of one percent.  
25 Abrasive blades were replaced by diamond blades  
26 starting in the 1940s and 1950s and that has just

1 continued. There are a few areas in the U.S., very  
2 few where the aggregate is soft enough, where you  
3 might be able to use those materials, but not very  
4 cost effectively.

5 COMMISSIONER LANE: Okay, thank you. And  
6 that's all the questions I have, Mr. Chairman.

7 CHAIRMAN KOPLAN: Thank you, Commissioner.  
8 It won't be more than another hour, Mr. Garrison.

9 (Laughter.)

10 CHAIRMAN KOPLAN: Commissioner Pearson?

11 COMMISSIONER PEARSON: I was interested in  
12 the discussion earlier about some of the changes that  
13 your firms have made in terms of the composition of  
14 the blades, in order to meet a value pricing  
15 requirement that was driven by the subject imports.  
16 My question is, if you were to take one of your value  
17 price blades and compare it to a similarly priced  
18 imported blade, how would the quality compare between  
19 those two? Is the quality about the same or have you  
20 had to kind of back away from some of the important  
21 features of the blades to the extent that the quality  
22 of the imported product might be better? And when I  
23 say 'quality,' I suppose I'm talking mostly about how  
24 long it will last and how well it will cut. I mean,  
25 you understand quality better than I do here. Mr.  
26 Wolters?

1           MR. WOLTERS: Yes, Greg Wolters. Yes, I  
2 think it goes back to an earlier question that was  
3 addressed. As we have introduced new product lines,  
4 we have had to change the quality of our product with  
5 the powders that use and the diamonds that we use and  
6 the concentration of diamonds that we use in that  
7 metallic segment, in order to compete with the imports  
8 coming in. So, what you can basically say is with  
9 imports coming in, to try and compete, we've tried to  
10 get down to this level where they are of the same  
11 quality level, but they still have an advantage over  
12 us due to the raw material costs and other costs  
13 associated with building that product in a foreign  
14 country.

15           COMMISSIONER PEARSON: Mr. Garrison?

16           MR. GARRISON: Steve Garrison. I would call  
17 it a performance level, not a quality level, just so  
18 that we are clear on the fact that quality doesn't  
19 meet the specifications you intended to use to make  
20 the product. And like ourselves, Dytech, one of our  
21 competitors, has salespeople out in the field that  
22 have come from U.S. manufacturers and work with  
23 people. It's, I would say, application driven. The  
24 application determines that performance of the  
25 product, the performance value of the product. And  
26 they would have the knowledge that says if it's going

1 to be in this application with this particular saw,  
2 that it would require a certain value or quantity of a  
3 certain grade of diamond, certain amount of diamond.  
4 So, it would be application driven.

5 COMMISSIONER PEARSON: Okay. But, the --  
6 just to make sure I understand, one of the reasons  
7 that the imports could be priced so competitively is  
8 that they don't have, on average, the performance  
9 characteristics that a well-made U.S. blade  
10 historically would have had.

11 MR. GARRISON: That's true. I would add to  
12 that, back to my statement about taking, we can't get  
13 to the cost that they're selling that blade for, if we  
14 took all the diamond out. So, if we're performance  
15 driven -- application driven, I should say, then we  
16 can't do that and still sell the blade.

17 COMMISSIONER PEARSON: Okay. Dr. Kaplan?

18 MR. KAPLAN: What you're seeing was just  
19 spoken of. These were the former salesmen of U.S.  
20 producers. They're going back to their old customers  
21 and walking back and saying, oh, I've got a product  
22 that can solve your needs or they're walking back to  
23 their old customers and say, I have a piece of garbage  
24 from China, use it, it's going to work fine. It  
25 doesn't work that way. They're going in and saying,  
26 well, maybe the other one was over engineered, but

1 they're saying this, for performance, will get the job  
2 done and by the way, it will save you a lot of money.  
3 And, you know, to the extent that they, and they  
4 haven't, invented a budget line, because we were there  
5 before, and are selling it, more power to them. They  
6 just can't do that dumping. They can't do it at below  
7 the cost of production, because when the Commerce  
8 Department looked at it below the cost of production,  
9 they said, they're dumping. So, the notion that in  
10 professional applications and up and down the line,  
11 the former U.S. salesmen are walking in and not trying  
12 to sell a product that's used to the appropriate  
13 application, I don't think is believable. And if they  
14 walk up this afternoon and say, yes, our stuff is  
15 garbage, I would say is that what you tell concrete  
16 cutters? Is that what you tell marble cutters in  
17 kitchens? They say, no, this will get the job done  
18 for you.

19 So, I don't believe the quality distinction,  
20 especially given the conditions of competition, the  
21 small number of people in the industry, the  
22 relationships in the industry with customers. It's  
23 not an anonymous world where you can do that. And so,  
24 the quality is good enough for the application.  
25 People are using it. The customers are buying it.  
26 They're buying it from people they used to buy

1 American-made product for from the same salespeople.

2 COMMISSIONER PEARSON: You need a more  
3 educated customer base and I've heard your points  
4 about trying to raise the quality of -- the level of  
5 understanding of the customer. In the back there?

6 MR. BRAKEMAN: Richard Brakeman with Diamond  
7 B. I've been sitting here trying to think about how  
8 to state what was just stated without saying in front  
9 of everybody, maybe their product isn't as bad as it's  
10 depicted by the price. Obviously, it works or nobody  
11 would buy it. So, we're assuming that the product  
12 must be junked because the price is below our cost of  
13 raw materials. Have we tried to match it? Yes, we  
14 have. Have we tried to match specific performance?  
15 Yes, we have. It's not that we're not trying to do  
16 it. It's that we can't afford to sell goods at less  
17 than our cost of materials. That's the bottom line.  
18 We can match their blade in probably very closely in  
19 life and performance and quality, whatever you want to  
20 put into that, but it would be -- have to sell below  
21 our cost of goods, our cost of raw materials. And I  
22 think that's the criteria there. It's not that their  
23 blades are junk. I think it is that their blades are  
24 being dumped on the market.

25 COMMISSIONER PEARSON: Thank you. I think  
26 I'm down to just one question and this would be for

1 Mr. Pickard. In your -- I think it was in your  
2 opening remarks, you commented very briefly on threat.  
3 And I just wanted to clarify, do you think this  
4 petition is stronger as a threat case or is it equally  
5 compelling in regard to present injury?

6 MR. PICKARD: Sure. I've always thought of  
7 this as an injury case, primarily because operating  
8 profits are down over the period of investigation. I  
9 think that's the -- imports are up, prices are down,  
10 profits are down. To me, that's the classic injury  
11 case. However, if you didn't go injury, it would be  
12 difficult to see with the facts that are contained in  
13 the report how you wouldn't find this industry to be  
14 threatened. If you look at not just the trends for  
15 the financial aggregated industry, if you look at how  
16 many domestic producers have closed their doors during  
17 the period of investigation, if you looked at how many  
18 U.S. producers are currently posting negative  
19 operating incomes, and if you look at all of the facts  
20 of record, I think it is just as compelling a threat  
21 argument as it is current material injury.

22 COMMISSIONER PEARSON: Dr. Kaplan?

23 MR. KAPLAN: And if the Commission looks at  
24 this industry in the context of the business cycle and  
25 the conditions of competition peculiar to it in this  
26 context of the business cycle, I think it's plain, in

1 this remarkable era of construction, five-year  
2 stretch, it's been incredible what's happened to home  
3 prices, housing starts, highway bills, I mean, these  
4 should be the solid days. This is the era everyone is  
5 going to look back at, all of us 10 years from now and  
6 say, my God, you know, all of these houses, all of  
7 this construction, all the need for these products,  
8 these guys are chased out of some markets, are losing  
9 market share, are seeing falling prices, and are  
10 holding on to profits, if you, you know, include some  
11 people that are basically interested more in imports  
12 than domestic production. And I think part of the  
13 trends that Commissioner Hillman pointed to is  
14 partially because when the end markets are just going  
15 absolutely gang busters for a product, it's not too  
16 many industries that walk in the door here. You could  
17 see the Commission is a lot of commodities  
18 historically, metals and chemicals. How many  
19 petitions are being filed regularly? It's because the  
20 markets have been strong for commodities. So, here  
21 you have an end market that's even been stronger, and,  
22 yet, here we are because of the loss of share, the  
23 inability to generate profits commensurate with the  
24 business cycle, the declining prices, and the sales at  
25 below costs.

26 COMMISSIONER PEARSON: Okay. But, you

1 reference the conditions of competition and are you  
2 saying that the conditions are competition, as we  
3 analyze this industry, we should take them the same  
4 for the relatively smaller blades compared to the  
5 relatively larger blades? Because, I think in our  
6 data, we have some distinctive trends for small versus  
7 large. So, help me to understand that. Are you  
8 putting this all in one bag and shaking it up?

9 MR. KAPLAN: Well, I'm looking at it in  
10 terms of the like product and the industry producing  
11 it. There is not a distinction between the increase  
12 in the larger sizes and the smaller sizes. They're  
13 picking up share in the below sub --

14 COMMISSIONER PEARSON: Right.

15 MR. KAPLAN: So, while the shares are higher  
16 there that makes it different and they've taken that  
17 market, what's left of it, they're still taking. So,  
18 I don't see --

19 COMMISSIONER PEARSON: For purposes of the  
20 post-hearing, could you perhaps comment on the  
21 differences that we see in the change in apparent  
22 consumption over the period of investigation for the  
23 various sizes of blades? Because, I did not see some  
24 differences and we don't want to take time to talk  
25 about it now, but help me to understand, if there are  
26 differences that are relative to the determination or

1 if we should just ignore those difference across sizes  
2 and treat them all as one single item. Thank you.

3 Mr. Chairman, I have no further questions.

4 CHAIRMAN KOPLAN: Thank you, Commissioner.  
5 Commissioner Aranoff?

6 COMMISSIONER ARANOFF: Thank you, Mr.  
7 Chairman. Let me follow-up by asking a couple of  
8 question relevant to the threat argument. First of  
9 all, on page 64 of your brief, you make the argument  
10 that a number of foreign producers are located in  
11 development zones, which require that they export  
12 their entire production. And in support of that,  
13 what's offered is a sort of a secondhand quotation  
14 from someone, who told someone, who went there. And  
15 while, of course, those kind of hearsay remarks are  
16 perfectly acceptable evidence in our proceedings, I do  
17 want to ask you do we have any independent  
18 confirmation that this is true? Do we know which  
19 producers in which countries might be covered and how  
20 big a phenomenon this actually might be?

21 MR. PICKARD: Sure. I remember and I would  
22 point the Commission's attention to the Volume II of  
23 exhibits to our post-conference brief, which is a  
24 media exhibit, to say the least. It is probably  
25 several hundred pages of product catalog showing that  
26 the Chinese and Korean producers produce in every size

1 range. And I believe it's in the post-conference  
2 brief that we cite to a couple of the specific  
3 catalogs where the foreign producers, themselves, say  
4 all of our production is for overseas markets. In  
5 regard to providing additional information regarding  
6 export zones, I'd be more than happy to do that in our  
7 post-hearing brief.

8 COMMISSIONER ARANOFF: Okay. What I'm  
9 trying to get a sense of is, assuming this is, in  
10 fact, true, how much of the foreign production that's  
11 actually exported to the United States is this  
12 accounting for, so anything that you would add that  
13 would help parse that out.

14 Okay. On third-country imports, there was  
15 testimony earlier today, sort of summarily dismissing  
16 the significance of third-country imports and just  
17 saying they're negligible. Now, our data show that  
18 third-country imports during the period of  
19 investigation has been between eight and 10 percent of  
20 the market, which is more than negligible, not huge.  
21 Some appear to be from countries that one might expect  
22 to be low-cost suppliers, other appear to be from  
23 European countries that one might expect to be high  
24 cost or speciality suppliers. What detail can you  
25 provide regarding the kind of products that are coming  
26 in from various non-subject sources, the channels of

1 distributions through which they're being sold, how  
2 they compare in quality and price to the domestic  
3 product and the subject imports.

4 MR. PICKARD: Well, I'll start it off and  
5 say that in a conversation with the clients, we've  
6 never -- there's been no other non-subject source  
7 that's ever been identified as a significant player in  
8 the market. But to the extent anybody has got  
9 information regarding --

10 COMMISSIONER ARANOFF: Let me ask the  
11 purchasers, who are here on the panel, the  
12 distributors and so on, do you see products from  
13 countries other than the U.S., Korea, and China? What  
14 do you see and what's their role in the market?

15 MS. GUTHRIE: Stacey Guthrie. Prior to  
16 1903, we did see some product imported from Sweden,  
17 which has virtually disappeared in the last three  
18 years, so no.

19 COMMISSIONER ARANOFF: Okay. Mr. Edmund,  
20 anybody else back there?

21 MR. EDMUND: I haven't seen much other than  
22 like in the granite and marble industry some of the  
23 blades come from Italy. That's about it.

24 COMMISSIONER ARANOFF: When you see those  
25 are those considered high quality, high priced  
26 products, or just sort of about the same as everything

1 else but just known for that application?

2 MR. EDMUND: U.S. manufacturers can make  
3 those blades, but a lot of, I hate to say it, but a  
4 lot of people in the marble and granite business are  
5 Italian and they like buying Italian blades.

6 COMMISSIONER ARANOFF: Fair enough.

7 Mr. Schabacker?

8 MR. SCHABACKER: At one time we could  
9 purchase product from Europe, Belgium, Germany. They  
10 have been completely out-priced by the Koreans and  
11 Chinese.

12 COMMISSIONER ARANOFF: Mr. Garrison?

13 MR. GARRISON: Steve Garrison.

14 As a U.S. producers we get approached all  
15 the time by companies, and essentially the only one I  
16 can think of that's approached recently was an Indian  
17 company, but they were not able to get to the prices  
18 that the Koreans and Chinese are at.

19 COMMISSIONER ARANOFF: There's a comment  
20 from Mr. McCarthy?

21 MR. MCCARTHY: Ed McCarthy, yes.

22 There are Indian blades now being sold  
23 through the hardware chains. There are a number of  
24 specialty manufacturers from particularly Germany and  
25 Switzerland who make very high end specialty  
26 application tools, particularly for dust-free grinding

1 and the like, but that's been ongoing.

2 COMMISSIONER ARANOFF: Okay. Anything that  
3 you all can add in the post-hearing that helps us  
4 understand -- Mr. Baron, did you want to add  
5 something?

6 MR. BARON: Yes. Kevin Baron.

7 We don't really compete against anybody  
8 else. Only the Chinese and Koreans and their prices  
9 are about half of ours, so they're the only real  
10 threat that we have.

11 COMMISSIONER ARANOFF: And you're referring  
12 to --

13 MR. BARON: Cores.

14 COMMISSIONER ARANOFF: Thank you very much.

15 Let me go back to something that a number of  
16 my colleagues have tried to get at a couple of  
17 different ways.

18 One of the distinctions that it sometimes  
19 sounds like we're trying to be asked to make, both  
20 with respect to our related parties determination and  
21 also with respect to the way we look at injury and  
22 causation, has been that there are certain companies  
23 with domestic U.S. operations who import whole diamond  
24 sawblades or parts of diamond sawblades because they  
25 sort of "have to" to stay going, and others who do it  
26 because they want to. Some of your arguments to me

1 sort of sound as though you're asking us to  
2 distinguish between people's motivations. Between  
3 people who want to and people who have to in terms of  
4 who we exclude as related parties and also in how we  
5 look at injury in terms of the way we look at the  
6 financials, for example.

7 Is the why important in either of those  
8 considerations?

9 MR. PICKARD: I would say traditionally the  
10 Commission has backed away from issues that have to do  
11 with intent, although it also falls within the  
12 Commission's traditional pattern to look at whether  
13 the related party supports the petition or not. So I  
14 don't know if that really gets to a why or to an  
15 intent, but ultimately the point of the question is do  
16 they see themselves more as a domestic producer or  
17 more as an importer?

18 So I would say issues in regard to  
19 supporting the petition have traditionally been  
20 incorporated by the Commission and are relevant and  
21 appropriate.

22 COMMISSIONER ARANOFF: That's fair enough,  
23 although we can also look at the question of whether  
24 or not a domestic producer is importing or purchasing  
25 imports in terms of whether or not those activities  
26 are shielding them from injury which kind of cuts the

1 other way.

2 MR. PICKARD: Dan Pickard from Wiley Rein.  
3 It would be good if I introduced myself every once in  
4 a while. Sorry.

5 I think they're all parts of the puzzle that  
6 the Commission's looked at. It's very traditional  
7 Commission analysis to look at the totality of the  
8 circumstances. How much are they importing? To a  
9 certain extent, how supportive are they of the U.S.  
10 industry? Is there profitability bucking the trend  
11 for the other domestic producers? I think that's all  
12 appropriate for the Commission to examine.

13 COMMISSIONER ARANOFF: We do usually look at  
14 the reasons that a domestic producer gives for why it  
15 imports, and some of them will tell us we do this to  
16 finish out our product line, and others say something  
17 else.

18 I'm struggling in this case with how  
19 relevant that is.

20 MR. PICKARD: Also being mindful of the APO  
21 it would seem to me that there would be one or two  
22 entities who are relatively easy calls, and then you  
23 start getting -- It might be better to address this in  
24 the post-hearing brief, now that I think about it.

25 COMMISSIONER ARANOFF: Okay.

26 My light is yellow, Mr. Chairman. I have

1 one more question if I may.

2 CHAIRMAN KOPLAN: Certainly.

3 COMMISSIONER ARANOFF: I just wanted to  
4 clarify a fact that came up earlier. We had been  
5 discussing this idea that foreign manufacturers have  
6 set up companies in the U.S. which I've heard  
7 variously referred to as company stores or shell  
8 distributors or sort of things like that where they  
9 kind of broker the sale but the payment and everything  
10 goes direct to the manufacturer.

11 I just wanted to clarify, do those kind of  
12 companies set up by Korean producers, by Chinese  
13 producers or both? And when I say Chinese producers  
14 I'm particularly interested in with respect to Chinese  
15 producers who are not related to Korean producers.

16 Can anybody shed light on that or do you  
17 want to try it in your post-hearings?

18 MR. GARRISON: With respect to where the  
19 check goes, I don't have any knowledge of that. Our  
20 customers might have a better knowledge of that.

21 But in terms of, the Koreans and Chinese,  
22 there doesn't seem to be much difference in how they  
23 approach that. They're distributors that are set up,  
24 they both have distributors, they both have  
25 manufacturing operations in China and Korea, have  
26 multiple distributors that they sell to. Most of them

1 have multiple distributors that they sell to here. It  
2 seems pretty similar from our perspective.

3 COMMISSIONER ARANOFF: Are any of the  
4 purchasers familiar with this phenomenon? Have  
5 anything to add?

6 MR. SCHABACKER: Give me what you were  
7 actually looking for there.

8 COMMISSIONER ARANOFF: I'm trying to get the  
9 sense of whether, how widespread this practice is of  
10 manufacturers having what some of you were describing  
11 as sort of shell distributors.

12 MR. SCHABACKER: You mean the number of  
13 these companies?

14 COMMISSIONER ARANOFF: Whether it's common,  
15 covers most of, well, there are only two Korean  
16 producers, it covers both of them, but specifically  
17 with respect to the Chinese producers, and especially  
18 with respect to Chinese producers who are not related  
19 to Korean producers, whether they also have this  
20 practice or whether there's a difference in the way  
21 that they do business.

22 MR. SCHABACKER: The Chinese, somebody that  
23 we dealt with, yeah, they had that practice. They  
24 supported that operation.

25 COMMISSIONER ARANOFF: And they were not  
26 affiliated with a Korean producer?

1 MR. SCHABACKER: No.

2 COMMISSIONER ARANOFF: Okay, that's very  
3 helpful.

4 Thank you very much. Thank you for your  
5 indulgence, Mr. Chairman.

6 CHAIRMAN KOPLAN: Sure.

7 Mr. Pickard on page 55 of your pre-hearing  
8 brief you discuss how imports have, and I'm quoting,  
9 "killed the smaller diameter DSB market." You lead  
10 off in a statement bracketing the particular producer  
11 and then you describe how that producer undertook an  
12 extensive analysis before the POI to see if it was  
13 worthwhile to produce continuous rim DSBs in the U.S..

14 Further down the page and onto the next you  
15 add, "Bruce Burnett testified at the staff conference  
16 that they had recently examined purchasing equipment  
17 from manufacturing, continuous rim product but decided  
18 against it due to the price erosion in the  
19 marketplace."

20 Doesn't that mean that you're stating that  
21 the domestic industry was untimely when entering  
22 certain segments of the DSB market?

23 For example, I'm asking this because Saint-  
24 Gobain, and I'm going to hear this this afternoon, I'm  
25 sure, claims at page five of their brief that,  
26 "Diamond blades were not competing with Korean

1 producers of smaller diameter sintered blades when  
2 they entered to compete with abrasive cutoff wheels."

3 They argue at page six that, "Complaints by  
4 U.S. producers appear to stem not from the imports  
5 themselves, but from the decision by Korean and  
6 Chinese producers to begin selling directly to U.S.  
7 customers at prices that undercut U.S. producer sales  
8 of the same Korean-like product."

9 Could you respond to that?

10 MR. PICKARD: Certainly. I would disagree  
11 with that characterization.

12 Our argument has consistently been that U.S.  
13 producers used to be in every diameter diamond  
14 sawblade, and this injury might have first been  
15 manifested or most severely manifested in the small  
16 diameter sawblades and it's been moving up the product  
17 line ever since.

18 But as Bruce Burnett testified --

19 CHAIRMAN KOPLAN: But when they began with  
20 the small were they competing? Weren't they starting  
21 out with the abrasive cutoff wheels?

22 MR. PICKARD: I'm sorry, is your question  
23 did the Korean and Chinese imports start their market  
24 penetration with the smaller diameter sawblades?

25 CHAIRMAN KOPLAN: Right.

26 MR. PICKARD: Yes. And they've

1 traditionally moved up the product line and it's now  
2 around the 12 and 14 inch line.

3 But more than that, what Mr. Burnett would  
4 testify to at the staff conference was we're still  
5 slugging it out. As a matter of fact his father had  
6 been in the smaller diameter business in a different  
7 industry and they wanted to see if there was a chance  
8 of trying to recapture that, to get it back. These  
9 guys weren't going to just willingly walk away from it  
10 forever, at least. They were going to try and put up  
11 their best fight.

12 What they found out after they went through  
13 a long evaluation was not only were they continuing to  
14 lose the medium diameter, they were losing more and  
15 more of the large diameter every year. That because  
16 of the import pricing that they were prevented from  
17 any attempt to get back in at a profitable level in  
18 that smaller diameter range.

19 CHAIRMAN KOPLAN: Thank you.

20 With that I have no further questions. I'll  
21 turn to Vice Chairman Okun.

22 VICE CHAIRMAN OKUN: Thank you, Mr.  
23 Chairman.

24 We've all been very patient and it's been a  
25 long morning and afternoon, so I'm going to pose two  
26 questions but ask for them in post-hearing.

1           One is with regard to seasonality questions.  
2           How it might affect our data. And specifically, if  
3           you can respond to what the Respondents assert  
4           regarding capacity utilization rates not being  
5           accurate because of the effective seasonality and how  
6           factories are running. Do that post-hearing.

7           Then if you can just help me in  
8           understanding, I know you were asked about the branded  
9           products and where subject imports are focused, but if  
10          you can just help me understand what differences there  
11          are between regular distributors versus branded  
12          distributors and where we see the concentration of  
13          domestic shipments going versus subject import  
14          shipments and how that relates to competition and how  
15          we should look at that.

16          With that, hopefully Commissioner Hillman  
17          will follow up with the question she ended up with  
18          because I wanted to hear those responses as well, but  
19          I'll wait for her on that.

20          Thank you.

21          CHAIRMAN KOPLAN: Go ahead, Commissioner.

22          COMMISSIONER HILLMAN: Thank you.

23          Actually, I hope I have only a couple of  
24          follow-ups, too. I'm very mindful of the clock and  
25          that we have sorely tried your patience already.

26          Two follow-ups I guess for the post-hearing

1       brief.

2                   One, in response to my questions about this  
3       issue of assembly and what are we doing with the  
4       companies that are engaged in the assembly. One of  
5       the responses came back that there are these laser  
6       welders sort of all over the place that could do this.  
7       Obviously as you understand this, Mr. McCarthy, if we  
8       decide that assembly connotes domestic production, and  
9       there are all these welders out there, presumably we  
10      would be including them in our data for domestic  
11      production. So I need to understand not just do they  
12      exist, but are there in fact actually a lot of people  
13      out there engaged in this business? Are there others  
14      that we've not heard of at this point that are doing  
15      this laser welding? Obviously they're going to have  
16      to be buying cores from somewhere and segments and  
17      doing this welding, or is it more just theoretically  
18      that there are laser welders out there that could be  
19      in this business?

20                   Mr. Jedick, I think it was you that told me  
21      that this could be done. I want to make sure I  
22      understand is it in fact.

23                   MR. JEDICK: Good question.

24                   Laser job shops exist that do cutting and  
25      welding. They weld anything and cut anything. It's  
26      really not unique to the diamond tool business, but it

1 just happens to be the way we attack our segments to  
2 our blade cores with laser welding.

3 So there are people who can do that outside  
4 of the industry. That was the point.

5 COMMISSIONER HILLMAN: Could. Are there any  
6 that you know of that are in fact doing so?

7 MR. JEDICK: There were some out west. At  
8 some point in time Steve Garrison might have a better  
9 idea whether they're still doing that or not. I  
10 personally do not know that, if they're still doing  
11 that assembly job shopping or not for diamond blades.

12 COMMISSIONER HILLMAN: Mr. Garrison?

13 MR. GARRISON: Steve Garrison.

14 I know of none since the mid '90s.

15 COMMISSIONER HILLMAN: Mr. Brakeman?

16 MR. BRAKEMAN: I was just going to suggest  
17 that you ask Steve. One company, Specialty Sales,  
18 would they still mount segments if you asked them to?

19 COMMISSIONER HILLMAN: Again, I'm not asking  
20 whether they theoretically can, I'm asking are they  
21 doing so today.

22 MR. BRAKEMAN: I believe Specialty Sales  
23 still does.

24 COMMISSIONER HILLMAN: Mr. Pickard, perhaps  
25 if for the post-hearing brief, if you are aware of  
26 these welded job shops as you're referring to them

1 that are in fact currently doing this, welding  
2 together a core and a segment and therefore producing,  
3 if we determine that that is in fact production,  
4 finished sawblades. We need to make sure we know who  
5 those companies are so that our staff can do whatever  
6 follow-up we would need to do in terms of  
7 incorporating their data as domestic producers should  
8 the Commission decide that that is sufficient  
9 production-related activity to constitute being a  
10 domestic producer.

11 MR. PICKARD: We'll absolutely provide the  
12 requested information.

13 COMMISSIONER HILLMAN: The second issue that  
14 I would ask you to address post-hearing is, as I think  
15 you heard this morning in Mr. Griffith's opening  
16 statement, to the extent that the Commission should go  
17 down the road of deciding this case on the basis of  
18 threat, cumulation becomes a discretionary issue. I  
19 realize you have in very short shrift addressed the  
20 cumulation issue, but if you could I would ask you to  
21 respond to the arguments that were made in  
22 Respondent's brief arguing that we should not cumulate  
23 Korea and China. I would ask you to respond to the  
24 arguments in their brief in your post-hearing brief.

25 MR. PICKARD: Absolutely, we'll do so.

26 COMMISSIONER HILLMAN: And then again, given

1 the lateness of the hour, Dr. Kaplan, if there were  
2 comments that you wanted to make with respect to the  
3 question that I ended with, again, if those could go  
4 into the post-hearing brief I think we'd all be  
5 delighted to read them there.

6 Thank you very much, I have no further  
7 questions but would like to thank all these witnesses  
8 for your many answers, for your patience and  
9 perseverance with us. Thank you.

10 CHAIRMAN KOPLAN: Let me see if there are  
11 any other questions from the dais?

12 (Pause).

13 CHAIRMAN KOPLAN: Seeing that there are  
14 none, Mr. Corkran, does staff have questions of this  
15 panel before they're released?

16 MR. CORKRAN: Douglas Corkran, Office of  
17 Investigations.

18 Thank you, Chairman Koplan. Staff has no  
19 further questions.

20 CHAIRMAN KOPLAN: Thank you.

21 Mr. Griffith or Mr. Shambon, do you have any  
22 questions of this panel before they're released?

23 MR. GRIFFITH: Spencer Griffith.

24 No, we do not, Mr. Chairman. Thank you.

25 CHAIRMAN KOPLAN: Thank you.

26 With that I think maybe we'll take a break

1 for lunch. We'll be back at quarter of 3:00.

2 I want to remind you that the room is not  
3 secure so any business proprietary information that  
4 you have with you, if you would take it with you and  
5 then bring it back when you come back this afternoon.

6 I'll see you back at 2:45.

7 (Whereupon, the hearing was recessed, to  
8 reconvene at 2:45 p.m. this same day, Tuesday, May 16,  
9 2006.)

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1 diamond sawblades in the small contractor and do it  
2 yourself markets.

3 In addition, you will hear from Dan Steiner,  
4 President of DITEQ Corporation which sells domestic  
5 and imported sawblades in the U.S. market. Mr. Steiner  
6 will further address the segmentation of the U.S.  
7 market between professional and general purpose  
8 sawblades, the differentiated role of imports and  
9 domestic producers in those two segments, and the  
10 outlook for demand and consumption in these two  
11 markets.

12 We will also hear from Doug Nixon of Saint-  
13 Gobain and Brian Delahaut of MK Diamond, two important  
14 U.S. companies that produce and market sawblades. Mr.  
15 Nixon and Mr. Delahaut will explain how the U.S.O.  
16 diamond sawblade market is divided into distinct  
17 market segments, and that imports compete largely in  
18 the do it yourself general purpose sector, versus  
19 domestic producers focused on the professional grade  
20 sector. They also will describe from their  
21 perspective why the U.S.O. industry is healthy and the  
22 very strong prospects of the professional sector of  
23 the U.S. market.

24 They also will take a step back and explain  
25 how the imposition of duties here would be counter-  
26 productive and would not result in increased U.S.

1 production.

2 John Corcoran of Sutton Diamonds, Jae Woo  
3 Kim of General Tool, and Sonja Bennett of DITEQ,  
4 resellers of domestic and imported sawblades, also  
5 will be available for questions.

6 Finally, Tom Rogers of Capital Trade will  
7 take a step back and examine the economic and  
8 questionnaire response data in the record. He will  
9 examine the data on the strong health of the U.S.  
10 industry and on market segmentation. He also will  
11 demonstrate that the pricing data in the record only  
12 confirms the absence of any causal link between  
13 imports and the financial health of these U.S.  
14 producers.

15 In addition, he will examine the record on  
16 the strong growth in demand in the professional and  
17 general purpose sectors of the market.

18 He will conclude by summarizing the record  
19 and demonstrating there is no conceivable threat to  
20 U.S. producers.

21 Our panel will of course also be pleased to  
22 answer any questions that the Commission I'm sure will  
23 have.

24 Our first witness will be Ms. Christine Kim  
25 from Ehwa Diamond.

26 MS. KIM: Good afternoon, my name is

1 Christine Kim and I am the Director of Planning and  
2 Management at Ehwa Diamond. Thank you for the  
3 opportunity to speak here today.

4 I'd like to begin by addressing an issue  
5 that was raised early on in this case. Specifically,  
6 members of the petitioning group have suggested that  
7 imports are relatively new in the U.S. diamond  
8 sawblades market and that U.S. producers only began  
9 purchasing imports within the last few years because  
10 prices have forced them to do so. This is simply  
11 untrue.

12 Ehwa Diamond was founded in 1975 and we  
13 first began shipping DIY general purpose diamond  
14 sawblades to the United States in 1981. We  
15 established our U.S. affiliate, General Tool, in 1984,  
16 and began selling to members of the petitioning group  
17 as early as 1986. Many of these companies have been  
18 our customers for close to 20 years and indeed they're  
19 still our customers today.

20 The U.S. industry has changed considerably  
21 since Ehwa first entered the market. First, there  
22 were many more independent U.S. diamond sawblade  
23 producers back in 1981 than there are today. However,  
24 beginning in the late 1980s and continuing on until  
25 2002 there were a series of significant acquisitions  
26 and consolidations of U.S. sawblade producers by

1 European and Japanese multinational conglomerates.

2 For example, U.S. producer Target was  
3 acquired by the Diamond Board Group of Belgium in  
4 1989. Target, along with five other manufacturers,  
5 were later acquired by Electrolux of Sweden in 2002.  
6 Another major U.S. producer, North and Company, and  
7 three other companies, were acquired by the Saint-  
8 Gobain Group of France in 1990.

9 Similarly, Petitioner Diamond Products, was  
10 acquired by the Tierless Voraski [ph] Group of Austria  
11 around 1990, and Petitioner Sander Saw joined the  
12 MultiGroup of companies in 2000 which is part of a  
13 Japanese conglomerate.

14 These acquisitions and consolidations have  
15 significantly impacted the competitive landscape of  
16 the U.S. industry. Indeed today these companies  
17 dominate the U.S. diamond sawblades market and those  
18 that have not been a part of this consolidation are  
19 generally not as successful in the market today.

20 Second, over the past 20 years the U.S.  
21 manufacturers have chosen to focus on the professional  
22 market rather than the DIY general purpose market. In  
23 this regard I'd like to point out that there are two  
24 distinct segments in the U.S. market. The  
25 professional market which has always been and  
26 continues to be dominated by the U.S. manufacturers;

1 and the DIY general purpose market which has been  
2 developed and expanded by the Korean imports.

3 The professional market consists of diamond  
4 sawblades typically used in saws with 35 horsepower  
5 and above. This market requires quick turn-around,  
6 often expecting same day or next day delivery of  
7 custom engineered product to address the composition  
8 of local building materials. This demand is satisfied  
9 with U.S. production of high diamond content sawblades  
10 produced mostly in small lots of a few pieces with  
11 precise tolerances.

12 The professional market has been a healthy,  
13 growing market throughout the 1980s and the 1990s, and  
14 the U.S. manufacturers have consistently chosen to  
15 invest their resources in this market instead of  
16 investing in the new emerging DIY market.

17 Consequently, the U.S. companies have been  
18 very successful in this market segment and they  
19 dominate this market to this day.

20 Due to the nature of the professional market  
21 as we described above, which requires quick turn-  
22 around of custom-made products, Ehwa recognized early  
23 on that this market could not be serviced with  
24 imports. Each job requires custom engineered product  
25 based on the local building materials and the  
26 particular job conditions and the expected production

1 turn-around is often same day or next day. Such  
2 orders simply could not be filled with overseas  
3 production.

4           Consequently in 1991 Ehwa decided to set up  
5 a manufacturing facility in California to compete in  
6 the professional market. In this regard I know that  
7 there have been some claims that imports are trying to  
8 enter the professional market. I must stress that  
9 trying, whether it's through sales solicitations or  
10 product brochures is different from actually  
11 succeeding at entering the market. In fact we tried  
12 for many years to enter the professional market but  
13 could only really begin to do so by becoming a U.S.  
14 producer ourselves.

15           Contrary to the professional market, the DIY  
16 general purpose market consists of diamond sawblades  
17 used in hand-held power tools and low horsepower saws.  
18 DIY general purpose blades are mass produced for  
19 generic applications. In general they have low diamond  
20 content and are produced in large lots of hundreds and  
21 thousands of pieces.

22           Since 1981 our focus has been on creating  
23 and developing the DIY general purpose market in the  
24 U.S.. Ehwa has invested in the latest technologies to  
25 address this market.

26           For example, the laser welding technology

1 was developed in the early 1980s. Up to that point  
2 almost all diamond sawblades were manufactured through  
3 a soldering process which limited the blade's  
4 application to those in which there was a water source  
5 to cool the blade. Ehwa was one of the first  
6 companies to invest in the laser welding technology  
7 which opened the door for a new market of dry  
8 application diamond blades.

9 As an early adopter of this technology Ehwa  
10 helped fuel the growth of this market segment by  
11 meeting the increasing demand for high quality laser  
12 welded dry cut blades. Since the beginning, Ehwa has  
13 been one of the largest producers worldwide of general  
14 purpose laser welded dry cut blades.

15 In addition, Ehwa also invested in warm  
16 press technology for manufacturing continuous rim  
17 sintered blades since the mid 1970s which has  
18 contributed to the rapid growth of the continuous rim  
19 tile and turbo blades in the U.S. market. We worked  
20 with equipment producers such as MK Diamond to develop  
21 the capability to produce high quality tile and turbo  
22 blades which replaced other technologies such as  
23 conventional non-diamond abrasive blades.

24 This segment grew rapidly as users  
25 discovered the benefits of better technology and  
26 diamond tools. Indeed, Ehwa was the first diamond

1 blade company to partner with power tool manufacturers  
2 to create a new market for DIY product.

3 In the early 1990s we met with power tool  
4 companies such as Black & Decker who had only limited  
5 sales of diamond blades at the time, and we  
6 collaborated with them for more than a year to develop  
7 products that could eventually be sold in big box  
8 retail establishments such as Home Depot.

9 Working with these companies we established  
10 a new market and a new channel of distribution for  
11 diamond blades which remains one of our largest and  
12 most important markets to date.

13 To our knowledge the U.S. manufacturers did  
14 not pursue this emerging market and they chose instead  
15 to focus on their existing business of supplying  
16 application engineered products for the professional  
17 market.

18 Finally, I'd like to mention that the U.S.  
19 is not the largest market for Ehwa's diamond  
20 sawblades. Europe and Asia, including China and  
21 India, are much larger markets. Unlike the U.S.  
22 market which is primarily construction based, the  
23 European and the Asian markets are primarily stone  
24 markets. Demand in these markets has grown  
25 significantly in recent years and is expected to  
26 continue to grow for many more years.

1           Over the past 30 years we have focused our  
2 resources to become competitive as a manufacturer and  
3 a better supplier to our customers. For example, Ehwa  
4 continues to invest heavily in research and  
5 development to streamline and automate our production  
6 processes. One of our key competitive advantages is  
7 that almost all of our production equipment has been  
8 customized in-house which has resulted in a much more  
9 efficient production system.

10           Our investment in research has also provided  
11 our customers with a continuing stream of new  
12 products.

13           As I mentioned earlier, Korean producers are  
14 not new entrants. We have been here for decades.  
15 Moreover, far from injuring the U.S. industry, Korean  
16 imports have contributed to growing and developing new  
17 market segments and thus creating and supplying new  
18 demand that did not exist before. Much of our focus  
19 remains in servicing power tool manufacturers and  
20 other branded resellers which is the market segment  
21 that we have made significant investment to develop.  
22 The same is true of other Korean producers.

23           By contrast, the overwhelming majority of  
24 U.S. production is focused on professional use blades  
25 which are typically customer engineered for the task  
26 at hand, requiring substantial familiarity and

1 experience with the location and types of material  
2 being cut and are often ordered on an extremely short  
3 turn-around basis.

4 These conditions make it very difficult for  
5 imports to enter this segment of the market. Our own  
6 approach has been to become a U.S. producer in  
7 California in order to serve the market demands for  
8 customized product design and speed and delivery.

9 Thank you.

10 MR. STEINER: Good afternoon. My name is  
11 Dan Steiner and I'm the President of DITEQ, Diamond  
12 Tools and Equipment Corporation.

13 I first want to thank the Commission for  
14 giving me the opportunity to speak here today.

15 For the past year I have served as President  
16 of DITEQ Corporation which is an affiliate of a Korean  
17 diamond tool manufacturer, Shinhan Diamond. We are  
18 also affiliated with the U.S. producer and reseller SH  
19 Trading.

20 By way of background, I've been involved in  
21 this industry for more than 30 years. I've held  
22 various sales management positions with parent  
23 companies of Target and Felker Branz [ph].

24 I'd like to briefly address three issues  
25 today: the segmentation of the U.S. market between  
26 professional use and general purpose sawblades; the

1 role of imports in this market; and the outlook of the  
2 U.S. market for the next few years.

3           Number one is market segmentation. As the  
4 Commission is well familiar, there are literally  
5 thousands of different types of diamond sawblades.  
6 They vary based on the physical attributes of the  
7 sawblade, whether the diamond section is segmented or  
8 has a continuous rim, whether the blades require a  
9 water source to cool them down while in use, and the  
10 method of joining the core to the diamond section such  
11 as laser welding, soldering or sintering.

12           All of these factors affect the application,  
13 grade and price of the sawblade.

14           As a general matter, diamond sawblades sold  
15 in the U.S. can be segregated into two broad  
16 categories -- professional use blades that are  
17 engineered for specific applications, and general use  
18 DIY blades for a variety of applications.

19           Professional use sawblades are generally  
20 wet, laser welded segmented blades with diameters that  
21 are often 14 inches or greater. However, it is  
22 important to understand that professional blades are  
23 not characterized by their size alone, but also by  
24 other factors such as higher diamond concentration and  
25 grade of diamond; tighter tolerances in production;  
26 custom engineering and metallurgy; and engineering

1 time.

2           These blades are generally sold to end users  
3 for largescale construction applications such as roads  
4 and airports.

5           This is a particularly demanding market in  
6 which to compete as customers typically require a  
7 quick turn-around, often within 24 hours, and a  
8 detailed knowledge of the location and hardness of the  
9 material being cut.

10           For example, the aggregate in Texas is much  
11 different than the aggregate in California or Florida.

12           Because of their significant production and  
13 sales advantages, U.S. producers have focused on  
14 producing for this sector with little competition from  
15 imports.

16           Instead, imports have concentrated on the  
17 general use sector of the U.S. market. General use  
18 sawblades include both continuous and dry segmented  
19 blades which are almost always sold to general  
20 contractors and the do it yourselfers or DIY for less  
21 intensive projects than the professional blades.

22           Even in this market, however, there are key  
23 distinctions between U.S. and imported sawblades.

24           First, a significant portion of imported  
25 sawblades are continuous rim blades with diameters of  
26 10 inches or less. Although there are also imports of

1 large diameter sawblades into the DIY market.

2 In contrast, there is little or no U.S.  
3 production of such smaller diameter sawblades. I am  
4 not aware of any U.S. producer that may have had  
5 meaningful domestic production of continuous rim  
6 sawblades in the past ten years.

7 Secondly, imported sawblades within these  
8 size ranges are typically sold to U.S. diamond  
9 sawblade manufacturers themselves or other OEMs such  
10 as power tool manufacturers, where U.S. production is  
11 generally sold to professional end users or  
12 distributors.

13 Number two, the role of imports. Imports  
14 have been an important part of the U.S. diamond  
15 sawblade industry for decades. Since the mid 1980s  
16 the Koreans worked to develop new channels of  
17 distribution for diamond sawblades. One of the  
18 channels that they developed was the DIY and general  
19 purpose market which includes power tool manufacturers  
20 as well as sales that eventually reach homeowners or  
21 general contractors through big box retailers.

22 At that time U.S. producers made a conscious  
23 decision to focus on professional end use sawblades  
24 rather than making any meaningful investment to expand  
25 their capacity to produce a full line of sawblades in  
26 the U.S.. Either they did not believe the DIY market

1 had the potential to be a significant market or they  
2 were concerned with maintaining their own brand name  
3 rather than selling to another company that would  
4 simply resell the product under its own name.

5           Regardless, U.S. producers chose to stay  
6 with their existing distribution channels and walked  
7 away from the DIY segment of the market for reasons  
8 that had nothing to do with imports.

9           In hindsight, U.S. producers realized they  
10 had made a mistake because the DIY market became the  
11 fastest growing market segment in the U.S. as  
12 evidenced by the boom in the number of big box  
13 retailers such as Home Depot and Lowes.

14           To this day, U.S. producers have very  
15 limited presence within the general purpose DIY  
16 market.

17           In stark contrast, it represents one of the  
18 most significant channels of distribution for imported  
19 merchandize.

20           With these imports, a full line of diamond  
21 sawblades would not be available in the U.S..

22           The Petitioners are claiming that imports  
23 have pushed them out of the DIY market, but that  
24 assertion is revisionist at best. Imports cannot  
25 possibly have pushed U.S. producers out of this market  
26 for the simple reason that they never had meaningful

1 participation there in the first place.

2 U.S. producers have always focused on the  
3 high end, higher margin professional use blades and  
4 filled out their product lines through a steady source  
5 of imports of general use blades.

6 Petitioners are complaining, in large part,  
7 that Chinese and Korean imports are competing with  
8 their own imports of sawblades.

9 The U.S. industry is also claiming that  
10 imports are stealing away their professional sawblade  
11 market. That is just not possible. Imports cannot  
12 compete successfully with domestically produced  
13 sawblades in the professional market.

14 For example, Shinhan Diamond tried to  
15 service the U.S. professional market from Korea but  
16 realized this could not be done effectively. Shinhan  
17 did not have the ability to meet the customized needs  
18 of the local markets for professional users in the  
19 amount of time or with the after sales support which  
20 professional end users in this sector demand.

21 Instead, it established SH Trading as a U.S.  
22 producer of professional use sawblades which are then  
23 sold to U.S. customers through my company, DITEQ.

24 I understand that Petitioners believe SH  
25 Trading should not be treated as a U.S. producer  
26 because it only assembles cores and segments into

1 finished sawblades. I want to make two points on  
2 this issue.

3 First, the assembly process is not  
4 inconsequential as Petitioners would have you believe.  
5 Rather, it is significant and extensive, requiring  
6 extremely expensive equipment and highly skilled  
7 employees. The value added by the assembly process is  
8 also substantial, accounting for about 25 percent or  
9 more of the cost of the finished sawblades.

10 Second, the fact remains that having local  
11 manufacturing in the United States is of utmost  
12 importance for serving the professional use market,  
13 but that is U.S. production, not subject imports,  
14 being sold into this market.

15 Thirdly, the future outlook. Finally, I  
16 have listened to Petitioner's claims that things are  
17 going to get worse, and that's just not true. Demand  
18 for sawblades sold to professional end users is  
19 heavily affected by the activity in the non-  
20 residential construction market which has been  
21 relatively flat in recent years. In contrast, demand  
22 for general use sawblades is affected by factors such  
23 as residential construction and home improvement where  
24 activity has been strong over the past few years.

25 However in the past U.S. demand for  
26 professional products on the non-residential side of

1 the market where imports do not compete has been  
2 growing. That means more road and highway  
3 construction, new office buildings, airport  
4 renovations, and other major infrastructure projects  
5 that would require professional use sawblades, and I  
6 expect that things are only going to get better on the  
7 professional side of the business.

8 First, many infrastructure projects have  
9 been put on hold between 2001 and 2005 while awaiting  
10 the U.S. government to release funds for major highway  
11 projects. Finally last August President Bush signed  
12 into law a \$286 billion highway bill which provides  
13 guaranteed funding for highway construction projects.  
14 More federal funds for major highway projects means  
15 that over the next few years more professional use  
16 blades will be needed to construct those highways.

17 Second, demand for professional product is  
18 expected to increase as a result of the Gulf Coast  
19 recovery efforts. The U.S. government has reacted to  
20 this devastation caused last year by Hurricanes  
21 Katrina and Rita by authorizing the release of funds  
22 for the reconstruction of roads and highways in that  
23 region which will of course require more professional  
24 sawblades.

25 In summation, although demand on the non-  
26 residential and professional construction side of the

1 market has been stagnant these past few years, their  
2 outlook is extremely positive. The U.S. industry will  
3 be the beneficiary of this increased demand, not  
4 imports.

5 Thank you for your time.

6 MR. NIXON: Good afternoon Chairman Koplan  
7 and members of the Commission. Thank you for the  
8 opportunity to speak to you today.

9 My name is Doug Nixon. I'm the General  
10 Manager of the Construction Products Division of  
11 Saint-Gobain Abrasive, the largest abrasive  
12 manufacturer in both the United States and the world.

13 I've been employed by Saint-Gobain and its  
14 predecessor Norton Company for over 36 years. Saint-  
15 Gobain is a full-line manufacturer of abrasives  
16 including diamond blades. We employ more than 3500  
17 people here in the U.S. and our sister companies  
18 employ over 22,000 people in this country.

19 Like other U.S. manufacturers, Saint-Gobain  
20 manufactures some products in the U.S. and imports  
21 others. The primary focus of our U.S. production is  
22 laser welded blades and some soldered diamond blades.  
23 We have been making diamond blades in the U.S. for  
24 over 65 years, being the inventor of the laser welding  
25 process at the aforementioned Christensen Company  
26 which our company owns.

1           The majority of these products have always  
2           been for the professional construction industry, that  
3           is the construction companies that do large road and  
4           airport projects and other similar types of  
5           infrastructure activities. Providing diamond blades  
6           to the construction market is as much a service  
7           industry as a manufacturing industry. Large  
8           construction projects require specialized blades with  
9           generally very short turn-around cycles. These jobs  
10          can be characterized by getting an order only 24 hours  
11          ahead of its use and then followed up with on-site  
12          support.

13                 These jobs, as an example, could be squeezed  
14          into a three day period between midnight and 3:00 a.m.  
15          on a highway and the customer expects site support.  
16          The contractor may only have become aware of the  
17          opportunity to access the highway on the day before  
18          the work begins. This is not a business model that  
19          could be easily adopted by the Asians.

20                 In the distribution market where we sell  
21          products to the rental companies and other commercial  
22          locations for resale to end users we sell a mix of  
23          products, some made here in the U.S. in our Fullerton,  
24          California factory, and some sourced from our  
25          factories in Shanghai and Luxembourg as well as a few  
26          other suppliers in Asia. The DIY market which is

1 largely sintered blades is for Saint-Gobain an  
2 important part of our broader abrasives business. Our  
3 sales of sandpaper and grinding wheels along with  
4 other associated products are a pull for our DIY  
5 diamond blades.

6           We have sourced sintered blades from Asia as  
7 the technology to produce them here in the U.S. has  
8 never been invested in by Saint-Gobain. For the sake  
9 of efficiency, Saint-Gobain like nearly every producer  
10 in the industry imports some products. The decisions  
11 about what to make domestically and what to import are  
12 based on efforts to use our capacity in the most  
13 efficient manner possible.

14           Contrary to the Petitioners' position that  
15 growth in diamond blade imports has undermined  
16 domestic pricing, the fact is that the bulk of the  
17 growth in import units has been in those sintered  
18 products that for the most part are not manufactured  
19 in North America by the Petitioners or for that matter  
20 any other American company.

21           To the best of my knowledge the Petitioners  
22 import these products just as Saint-Gobain does.  
23 Saint-Gobain's imports of these products may be  
24 greater than that of Petitioners because of our  
25 participation in the big box retail market as a result  
26 of our abrasives business.

1           Petitioners largely do not supply this  
2 market because it is not consistent with their  
3 business model. In contrast, Saint-Gobain was  
4 established selling other abrasives to the Home Depot  
5 in 1987, a number of years before the diamond blades  
6 really became a DIY product in the mid '90s.

7           Selling imported diamond blades to DIY  
8 outlets was a necessary add-on to our business and  
9 would not be possible without imports. Beyond product  
10 dealing with the big box stores such as a Home Depot  
11 has a lot to do with systems, inventory management,  
12 bar coding and packaging which we already had in place  
13 because of our abrasives business.

14           The Petitioners who focus on the  
15 construction market do not have these systems in place  
16 today.

17           Imports are not a major factor in the  
18 professional construction market. The general purpose  
19 blades are either large enough nor durable enough for  
20 the pro-construction market. The imports are sold in  
21 the retail and rental markets. The demand for diamond  
22 blades in this market arose out of a demand by  
23 tradesmen and handymen alike for products that would  
24 last longer and cut faster than the traditional  
25 abrasive cut-off wheels that had been available up to  
26 that time.

1           The Chinese and Korean imports of sintered  
2 blades do not compete directly with the domestically  
3 produced diamond blades, but with commodity grade  
4 abrasive products. Imports are not a factor in  
5 determining U.S. prices of the product.

6           In the professional construction market the  
7 price leaders are the U.S. producers. Imports are  
8 insignificant in that market and as such do not impact  
9 the prices in any meaningful way.

10           In the retail market where most of the  
11 imports are competing, prices are frankly determined  
12 by the retailers who know that customers will choose  
13 non-diamond alternatives such as abrasive cutoff  
14 wheels if prices get too high.

15           An additional point. Saint-Gobain is very  
16 much a U.S. producer. We produce the same products in  
17 the United States that the rest of the industry  
18 produces. The 3500 people that Saint-Gobain Abrasives  
19 employs in the United States is greater than that  
20 employed by all the Petitioners.

21           Even Mr. Pickard considered us part of the  
22 industry when he asked us to join the petition.

23           Like the erst of the industry, we provide  
24 quick turn-around and 24x7 job support to our  
25 professional construction market customers. It is a  
26 successful business model for us. Our U.S. production

1 has been an important part of Saint-Gobain's success  
2 in recent years.

3 The assertion that our success is due only  
4 to imports is simply not correct. I ask the  
5 Commission to consider Saint-Gobain as part of the  
6 domestic industry. That is how we think of ourselves  
7 and it is more accurate a reflection of our business.

8 And again for the record, what we import  
9 from Asia is very clearly marked with country of  
10 origin.

11 I want to close by saying that it seems more  
12 than coincidental that one of the Petitioners has  
13 manufacturing capacity in Asia, although not Korea or  
14 China, and is using this site to bring in product they  
15 don't make in the U.S.. It's not all that clear how  
16 this action is any different than that which is being  
17 challenged here in this petition.

18 There are three things I wanted to tell you  
19 about the duties sought by Petitioners. To repeat my  
20 position from last year, if the ITC allows duties to  
21 be imported on diamond blades from China and Korea it  
22 would not protect U.S. production or U.S. jobs, but  
23 would give Diamond Products' Thailand affiliate a  
24 competitive advantage in the marketplace.

25 Second, duties will harm Saint-Gobain and  
26 its domestic production. If we cannot effectively

1 import blades to round out our product line we will  
2 likely lose sales of our U.S. production and have to  
3 reduce employment.

4 Third, the imposition of duties on Chinese  
5 and Korean imports will not shift production to the  
6 U.S.. For the most part the diamond blades imported  
7 from China and Korea are not produced in the United  
8 States and have never been a major part of the U.S.  
9 production. Thus the result of tariffs will be to  
10 shift purchase of imported diamond blades from China  
11 and Korea to Thailand and elsewhere.

12 The reality is that other foreign sources  
13 will be found for these products and the situation in  
14 the domestic industry will remain unchanged. The  
15 consumer and the user of diamond blades will see a  
16 cost increase and to some extent they already have.

17 For these reasons Saint-Gobain Abrasives is  
18 strongly in opposition to this action.

19 MR. DELAHAUT: Thank you Chairman Koplan,  
20 Commissioners, staff. My name is Brian Delahaut. I'm  
21 the Vice President and son of the owner of MK Diamond  
22 Products, a family-owned, California based  
23 manufacturing company that has been manufacturing  
24 construction products since 1868. I've grown up in  
25 this industry and have worked for MK Diamond for over  
26 15 years.

1           It is a pleasure to testify today as a  
2 manufacturer opposed to the petition and a company  
3 that produces, resells imported domestic diamond  
4 sawblades here in the United States.

5           I have served my country recently in Iraq as  
6 a Marine officer with the belief that America and  
7 competition have been at the cornerstone of our  
8 success as a global economic leader.

9           The Petitioners would have you believe that  
10 they created the U.S. market for diamond sawblades and  
11 then were forced out by the Koreans and Chinese  
12 manufactured products. However, this is not the case.

13           You have already heard that there are two  
14 sectors of the U.S. market for general use blades,  
15 DIY, and professional construction blades. The  
16 Koreans followed by the Chinese in the past 20 years  
17 have in fact produced products that have contributed  
18 to the growth and widespread use of diamond sawblades  
19 by small contractors and by the do it yourselfers.  
20 These products and the continued efforts of both  
21 Chinese and Korean manufacturers have created and  
22 expanded a cottage industry into an important growing  
23 critical base of product for the small contractor  
24 market and the DIY.

25           The domestic industry has never had a  
26 presence in the DIY market. When the Koreans entered

1 the U.S. marketplace in the early 1980s the use of  
2 small diameter diamond blades was only just emerging.  
3 The Koreans brought to the U.S. marketplace a new  
4 solution to traditional abrasive blades. These new  
5 blades included sintered tile blades, dry cutting  
6 laser welded segment blades, turbo and continuous rim  
7 blades. They marketed these products through  
8 established brand names like MK Diamond.

9 By contrast, Petitioners concentrated their  
10 manufacturing, marketing and sales effort towards the  
11 professional sawing and contractor markets which today  
12 I believe make up about 75 percent of their overall  
13 business. In fact instead of investing in their own  
14 production lines to manufacture these products, many  
15 of the petitioning companies also embraced the Korean  
16 and Chinese imports early on as a marketing strategy  
17 to complement their product offering.

18 In short, Petitioners chose not to  
19 participate in this new emerging DIY market and  
20 remained primarily focused on the professional  
21 contractor market, and as a result lost this  
22 opportunity to enter these market channels. Now the  
23 Petitioners are putting the cart before the horse by  
24 claiming that they need relief from imports in the  
25 channels that they have never participated in in a  
26 meaningful way.

1           As for the professional market, imports have  
2 not nor will they enter the market to the extent that  
3 Petitioners would have you believe. While the Koreans  
4 and Chinese were setting up products for the DIY  
5 market Petitioners concentrated on manufacturing,  
6 marketing and sales efforts towards professional  
7 sawing and contractor markets.

8           I have sold sawblades to professional  
9 construction companies and can tell you that U.S.  
10 producers have a competitive advantage over foreign  
11 products that cannot be overcome.

12           The U.S. products are produced in limited  
13 quantities to specific customer needs as defined by  
14 the hardness of the material being cut and used very  
15 exacting manufacturing processes. The Korean and  
16 Chinese diamond blades are generally produced with  
17 lower concentrations of diamond using stamp speel [ph]  
18 cores. Petitioners' true competitive advantage in the  
19 U.S. market is focused on responsive, tailored and  
20 effective product that can be manufactured and  
21 transported within a short period of time to specific  
22 specifications of their customers.

23           A review of the aggregate map for the United  
24 States in Diamond Products' catalog will give you an  
25 idea of the complexity of local, professional  
26 requirements for diamond sawblades. By contrast, the

1 Korean and Chinese manufacturers simply do not have  
2 this capability. Their manufacturing lead times and  
3 long supply lines have prevented them from being  
4 competitive with U.S. manufacturers in the  
5 professional market. But the Korean and Chinese  
6 manufacturers are geared to high volume and repetitive  
7 products that they can sell through OEMs and not to  
8 the markets that the Petitioners generally service.

9 In fact in my opinion professional products  
10 represent a very small fraction of the Korean and  
11 Chinese overall business to U.S. OEM customers.

12 MK Diamond Products in the early 1980s  
13 identified and focused our manufacturing, marketing  
14 and sales of equipment in diamond sawblades to  
15 companies such as Home Depot, Amazon.Com, Grainger and  
16 scores of distributors throughout America. We service  
17 the masonry, tile and concrete contractors as well as  
18 the do it yourself market. Do it yourselfers have  
19 significantly embraced diamond sawblades as a  
20 necessary tool for light construction in and around  
21 their homes.

22 MK Diamond elected to work with the Koreans  
23 and to some limited extent the Chinese to develop  
24 proprietary blades for small contractors and do it  
25 yourselfers because the domestics just don't make  
26 these types of blades.

1 Over the last 15 years the Korean blades  
2 have simply become the benchmark for quality and  
3 performance in the DIY small contractor U.S. market.

4 Several of the more popular lines of  
5 manufactured laser welded dry blades, sintered, and  
6 continuous rim blades produced by the Koreans for MK  
7 Diamond represent a level of technological expertise  
8 and engineering that cannot be found in the U.S.. In  
9 addition, these designs and products produced by the  
10 Koreans for MK Diamond are proprietary to MK Diamond.

11 MK Diamond's primary product focus is  
12 continuous rim sawblades which are not made in the  
13 U.S. and represent a majority of the diamond sawblades  
14 sold by MK. In fact 63 percent of all diamond  
15 sawblades sold by MK are continuous rim. These blades  
16 are branded and sold for use on right angle grinders  
17 and circular saws. Of these blades, over 78 percent  
18 of these blades sold by MK are sizes four through 14  
19 inch in diameter.

20 National brand is extremely important to the  
21 consumer and distributor and is therefore a  
22 determinant of the price that the consumers are  
23 willing to pay. Also brands carry a guarantee and a  
24 quality that consumers will recognize and have shown  
25 to expect.

26 Distributors need to offer these products to

1 fulfill their product line and to satisfy customer  
2 demands. At the present time only foreign sources  
3 produce these specific brands of products.

4 Petitioners have no presence in the national chain and  
5 small distributor markets for small diameter sintered  
6 products. Demand has been strongly and steadily  
7 growing over the last 15 years as small contractors  
8 and do it yourselfers continue to find more use for  
9 these products.

10 The domestics have not benefitted from this  
11 growth because these are markets that they do not  
12 service. Worldwide demand in Third countries is  
13 increasing, particularly in Europe as well as domestic  
14 demand in China and India.

15 U.S. producers have been slow to find new  
16 markets for their premium diamond sawblades and to  
17 adapt technological improvements. Each of the  
18 Petitioners serve a very specialized segment of the  
19 diamond sawblade market which traditionally has had  
20 peaks and valleys that have lasted between one to two  
21 years. It is difficult for me to understand how the  
22 Petitioners have claimed that they have not been able  
23 to invest in new technology or capital equipment, or  
24 that they have suffered injury. I have first-hand  
25 knowledge as a customer of several of the Petitioners  
26 that they have spent millions of dollars in

1 anticipation of business coming from the federal  
2 highway jobs.

3 Diamond B has invested in new diamond  
4 sawblade technology and equipment in the last four  
5 years. Unfortunately this equipment is being under-  
6 utilized as a result of the delays for federal highway  
7 construction. However, these funds have now been  
8 approved and the Petitioners should begin to enjoy the  
9 benefits of these allocations very soon. Diamond B's  
10 market is strictly to the professional sawing and  
11 highway contractors.

12 In addition, Diamond Products, a Petitioner,  
13 has invested in their Thailand manufacturing which is  
14 outside the scope of the two countries identified by  
15 the Petitioners as dumping. Their hope is that the  
16 Petition will result in higher duties for Korea and  
17 China, leaving them virtually duty-free to have even  
18 greater competitive advantage over all OEMs that are  
19 currently purchasing from Korea and Chinese  
20 manufacturers.

21 In addition, the U.S. industry is healthy.  
22 As an example, K2 Diamond, a domestic producer, has  
23 continued to invest in technology within the past few  
24 years and has grown substantially as a supplier of  
25 professional diamond blades.

26 Also Concut, another domestic producer of

1 professional blades, has grown dramatically over the  
2 past few years.

3 The Petitioners also have claimed that  
4 Precision Disk has gone out of business. However,  
5 they failed to acknowledge that they reopened under  
6 the name Saw Core Incorporated, continuing to supply  
7 steel cores to the industry.

8 It is important to note that the U.S.  
9 producers complement their product line with foreign-  
10 sourced products including Korean and Chinese. In  
11 other words, Korean imports have replaced the domestic  
12 producers' resale of Korean products.

13 Displacement of Korean products by other  
14 Korean products cannot be considered injurious.

15 Allowing the Petitioners to move forward  
16 does little to protect the domestic industry. The  
17 real beneficiaries, however, will be those U.S.  
18 companies who import from non-subject countries such  
19 as Thailand, Japan and India. I doubt that the U.S.  
20 trade laws were intended to protect one importing  
21 country over another.

22 Thank you.

23 MR. ROGERS: Good afternoon. My name is  
24 Thomas Rogers. I'm a consultant with Capital Trade,  
25 Incorporated.

26 By now you've heard extensive testimony on

1 diamond sawblades and the role of imports in the U.S.  
2 market. The Commission has collected a lot of data in  
3 this case and a careful review of the record confirms  
4 the following three points.

5 First, the domestic industry is not injured.

6 Two, competition between imports and U.S.  
7 sawblades is attenuated and imports have not caused  
8 any material injury to U.S. producers.

9 Three, imports from Korea and China are not  
10 a threat.

11 Before looking at the numbers I want to make  
12 a couple of points on related parties discussed this  
13 morning.

14 Petitioners have argued that certain  
15 producers should be excluded from your analysis  
16 because they purchased imported sawblades. What they  
17 downplay, however, is that nearly every U.S. producer  
18 imports particularly the smaller and lower quality  
19 blades that go into the DIY general use market.

20 Second, as we discuss in our brief, value is  
21 a better unit of measure for this product than  
22 quantity, and you should do your related party  
23 analysis on a value basis.

24 Now turning to the question of injury, and I  
25 refer you to Chart 1 up on the screen.

26 When you look at the operating margins shown

1 in the chart, it's clear that the sawblades industry  
2 is doing very well. In fact they did well in each  
3 year of the period -- 11.3 percent, 11.8 percent, and  
4 11.6 percent in 2005.

5 Overall, even if we include parts producers,  
6 the industry earned margins exceeding 10 percent, and  
7 that's in the staff report.

8 The industry is doing well. The companies  
9 are not slowing down and they're not vulnerable.

10 Other indicators also are favorable. During  
11 the period of investigation U.S. producers increased  
12 their R&D by 59 percent and their capital expenditures  
13 by 74 percent. They also expanded their production  
14 capacity by six percent. Again, these data do not  
15 reflect an injured industry.

16 Turning to the question of causation. In  
17 our brief we detail the lack of any causal link  
18 between current industry conditions and subject  
19 imports. I want to highlight a few of the main  
20 arguments.

21 First, regarding the competition between  
22 U.S. and imported sawblades. Petitioners argued this  
23 morning that they can produce everything that is  
24 imported and that imports in U.S. blades compete  
25 across the market. Our witnesses who are present in  
26 the same market described the lack of competition

1 between subject imports and U.S. produced sawblades.  
2 The hard data in the record show that competition is  
3 attenuated at best.

4 For example, Petitioners argue that simply  
5 because there was an overlap of size ranges, U.S. and  
6 imported products compete across all size ranges and  
7 qualities. This argument misses several points. For  
8 starters, size is not the sole factor determining  
9 competition. Blades vary by many other  
10 characteristics and I think you'll find this if you look at  
11 Diamond Products' 2005 catalog and you can see they've  
12 got 14 inch blades, among others, that vary in price  
13 from \$446 to \$1,931. These blades are the same size.  
14 I doubt that Petitioners would argue that the \$446  
15 blade competes with the sawblade costing four times  
16 more.

17 Second, simply because there were some  
18 imports on each side does not mean that imports  
19 compete in a meaningful way across the product range.  
20 Other factors such as product type and channels of  
21 distribution limit competitive overlap.

22 Nevertheless, even the breakdown by size  
23 demonstrates that there is little overlap among the  
24 smaller sizes that account for the majority of imports  
25 and the larger sizes that account for the majority of  
26 U.S. shipments.

1           Looking at product type, this is another  
2 factor limiting competition. The record shows that  
3 U.S. companies do not produce continuous rim and  
4 sintered sawblades in commercially significant  
5 quantities. These lower end products account for a  
6 significant share of total imports and are sold  
7 primarily in the DIY general use market.

8           So if you take these out you see that  
9 substantial percentage of imports does not compete  
10 with U.S. diamond sawblades.

11           Another factor limiting competition is the  
12 clear segmentation of the U.S. market between blades  
13 used in the professional market and blades used in the  
14 DIY general use market. The previous Respondent  
15 witnesses described for you their focus on the DIY  
16 general use market and the lack of competition between  
17 the professional and general market.

18           The extensive data compiled by staff  
19 corroborate these statements.

20           Looking now at the shipment data by channel,  
21 this demonstrates how little imports compete with U.S.  
22 products. The data are summarized in Chart 2.

23           As shown in the chart, the professional  
24 market over on the right, you can see it accounts for  
25 more than 40 percent of U.S. producers' total  
26 shipments. In contrast, professional sales account for

1 less than 10 percent of imports.

2           Conversely, the OEM market, the third bar  
3 over here, accounts for more than one-quarter of  
4 subject imports and less than two percent of U.S.  
5 shipments. Clearly they're not competing in the same  
6 market here.

7           A similar mirror image can be seen in the  
8 distributor channel. Importers sell primarily to  
9 branded distributors, 1A over on the left; and U.S.  
10 producers sell primarily to other distributors shown  
11 in column 1B.

12           Even without considering size or product  
13 type see that competition is often attenuated because  
14 there is little overlap by channel.

15           The pricing data also confirm the underlying  
16 lack of competition between the imports and U.S.  
17 produced sawblades. The wide disparity in average  
18 unit shipment values, or AUVs, is the first indication  
19 that imports differ substantially from U.S. produced  
20 sawblades.

21           As shown in Chart 3, the domestic AUVs were  
22 at least ten times greater than the AUVs of the  
23 imported blades. Ten times.

24           This differential cannot possibly reflect  
25 competitive underselling by imports. Rather it  
26 reflects that the imported sawblades are different

1 products, generally competing in entirely different  
2 markets from U.S. products.

3 The same point is demonstrated if we look at  
4 the more specific pricing by product. As you heard  
5 this morning the pricing data collected by the  
6 Commission generally show high margins of  
7 underselling. Petitioners in their briefs described  
8 those margins as staggering. But if the margins  
9 reflected true underselling, as I think some of the  
10 questioning got at this morning, then you'd expect to  
11 see sharply lower volumes of U.S. sales. You'd expect  
12 to see sharply lower prices, lots of lost sales, and  
13 we'd expect to see declining profitability.

14 The data, however, don't show any of these  
15 things. Average unit values, total U.S. shipments,  
16 profitability, these were all stable.

17 Further, with regard to lost sales and lost  
18 revenue, despite the repeated staff requests discussed  
19 this morning, Petitioners did not substantiate their  
20 allegations.

21 Due to these potential differences in  
22 products and quantities, staff suggested that the  
23 price comparisons in the report be viewed with  
24 caution. We agree. But other information from this  
25 data reveals the lack of correlation between the  
26 imports and pricing. Most significantly, there is

1 little relationship between the under or over-selling  
2 margins, changes in U.S. or subject import prices, and  
3 changes in market share. Because the figures are  
4 proprietary, we urge you to review the data and  
5 discussion beginning on page 45 of our brief.

6 Turning to market conditions. Construction  
7 activity is a useful measurement of demand. However,  
8 it is important to understand that there are a number  
9 of construction submarkets and demand varies  
10 significantly depending on the market.

11 For sawblades the most important general  
12 distinction is between residential and non-residential  
13 construction because these markets generally rely on  
14 different types of products. As shown in Chart 4, the  
15 residential market has grown three times faster than  
16 the non-residential market since 2003. In just  
17 looking at this short three year window, you can see a  
18 dramatic change in growth. So even though you've got  
19 growth in the non-residential sector, growth in the  
20 residential sector has tremendously outpaced it.

21 There's another indicator, growth in big box  
22 hardware stores, which is a proxy for demand in the  
23 DIY sector, grew by 26 percent.

24 These divergent trends have several  
25 implications for the Commission's analysis.

26 First, non-residential construction affects

1 primarily sawblades sold for professional uses. In  
2 fact as alluded to in some of the questioning this  
3 morning, the impact manifests itself in the  
4 profitability results. We encourage the Commission to  
5 examine the analysis in our brief which looks  
6 separately at the financial results of the U.S.  
7 producers with the greatest concentration of sales to  
8 the professional market.

9           Second, imports are concentrated in the DIY  
10 general use market where demand has been booming.  
11 This strong demand is reflected in strong residential  
12 construction activity. If you look at Chart 5, it  
13 shows the correlation between import growth and the  
14 increase in the DIY market. They parallel each other  
15 almost perfectly.

16           Growth in the DIY market explains the  
17 increase in subject imports market share and why the  
18 imports have not come at the expense of U.S. producers  
19 who sell primarily to the professional market.

20           Finally, the data in Chart 6 summarize the  
21 lack of causation in this case. As we can see in the  
22 chart, even if subject imports increased, which is  
23 shown in that line, U.S. operating margins remained  
24 high. Indeed, no matter how you slice the market this  
25 industry is highly profitable.

26           Now turning to the question of threat.

1 Frankly, there isn't any. As discussed in our brief,  
2 the Commission should exercise its discretion by not  
3 cumulating imports from Korea and China with respect  
4 to threats. Imports from the two countries are  
5 entering the U.S. market at different rates and  
6 different pricing patterns. The data are proprietary  
7 so please refer to the discussion in our brief.

8 The same factors that have limited  
9 competition and caused no adverse effects during the  
10 POI will continue in the future. In the preliminary  
11 determination, three Commissioners stated there is  
12 some evidence that imports are poised to enter the  
13 professional market. The data show, however, that the  
14 limited sales by imports in the professional market  
15 are not a threat. I'll briefly summarize the key  
16 points.

17 Imports will remain concentrated in the DIY  
18 general use market. That's the first issue. Because  
19 they are sold mainly for general use, the prices of  
20 subject imports are not likely to have significant  
21 depressing effect on the prices of domestic sawblades  
22 that are sold largely in different markets.

23 Second, as we just saw, imports rose during  
24 the period to meet the rapidly increasing demand of  
25 the DIY market. Again, separate from where the U.S.  
26 producers are located.

1           Third, demand in the professional market has  
2           picked up and is projected to grow strongly over the  
3           next few years. I believe Petitioners' consultant  
4           referred to this as salad days. Well, it looks like  
5           that's what's coming true. The market's growing and  
6           they're going to benefit.

7           If you look at Chart 7 you'll see that not  
8           only is the market going up because the economy's  
9           going up, but there's going to be a boosted demand  
10          fueled by the highway bill and all the expenditures  
11          that come with that.

12          Fourth, Korean and Chinese capacity do not  
13          threaten the U.S. market. Comparing U.S. and foreign  
14          capacity on a unit basis is misleading because the  
15          foreign plants focus on the smaller diameter blades  
16          that they can produce in large lots. In contrast,  
17          U.S. companies manufacture primarily the much larger  
18          blades for the professional market, often in very  
19          small lots of just a few blades at a time.

20          Further, for the structural reasons noted by  
21          our industry witnesses there are significant barriers  
22          that limit imports into the professional market.  
23          While imports have increased, these shipments have  
24          been primarily into the DIY market, general use  
25          market. There is no hard evidence suggesting that  
26          they will increase their share of the professional

1 market as Petitioner would have you believe.

2 Finally, as we saw from the operating  
3 margin, the industry is not vulnerable. Over the past  
4 year since the preliminary determination, the U.S.  
5 industry has shown strong profitability and demand  
6 growth projections are positive. There is no threat  
7 to this domestic industry.

8 Thank you.

9 MR. GRIFFITH: Mr. Chairman, members of the  
10 Commission, that concludes our panel's presentation  
11 and we'd be pleased to take any questions that the  
12 Commission may have.

13 CHAIRMAN KOPLAN: Thank you very much, Mr.  
14 Griffith, and thank you to each of the witnesses that  
15 presented this afternoon. We'll begin the questioning  
16 with Vice Chairman Okun.

17 VICE CHAIRMAN OKUN: Thank you, Mr.  
18 Chairman.

19 Let me join the Chairman in welcoming all of  
20 you here this afternoon. We very much appreciate so  
21 many of you being with us and taking time to explain  
22 to us your business.

23 Mr. Dalahaut, to you a welcome home and  
24 thank you for your service. We appreciate you being  
25 here.

26 Let me start if I could with the question of

1 whether there is attenuated competition as you'd argue  
2 and ask you to respond to a couple of things. I note  
3 that in your testimony you were talking about, maybe  
4 to you Mr. Rogers first, that just looking at where  
5 there's overlap in the sizes is not a good indicator.

6 But in trying to parse through the record  
7 and after having listened to the Petitioner's panel, I  
8 guess I want to ask you some more about that. Again,  
9 if we go to the staff report in Table 1-1 and look at  
10 where the imports are and where the domestic shipments  
11 are, what I heard a lot this morning was the  
12 competition they're feeling in the 12-14 inch.

13 Maybe for the producers here, maybe you  
14 could help me out in why I shouldn't look at just the  
15 blade size. In other words in this distinction of  
16 what you're saying is the professional versus do it  
17 yourself, I'm not sure I see a cutoff on the size. I  
18 think in your brief it maybe really focused on a 14  
19 and under or 14 and over being professional. Btu from  
20 what I heard this morning it didn't seem like that was  
21 a clear cutoff. So I guess I need some more  
22 information on that.

23 If I'm looking here and I'm saying I see  
24 both imports and domestic producers in this 12 to 14  
25 range, I can see an overlap, why shouldn't that tell  
26 me that it's not attenuated competition, that you are

1 competing head on?

2 Mr. Rogers, do you want to start?

3 MR. ROGERS: You're right. You've collected  
4 data that shows shipments by the various size ranges  
5 and I think if you drew a diagram of these shipments  
6 you'd see that the U.S. producers are concentrated on  
7 the large sizes and the imports are concentrated on  
8 the small sizes.

9 When you get to the middle, sure, we're in  
10 comparable ranges.

11 Then you get to the question of do these  
12 products really compete with each other and are they  
13 sold in the same channels? I think if you look at the  
14 quality of the product and where it's sold you'll see  
15 that that competition is greatly limited in the  
16 marketplace.

17 I know you've collected the data in  
18 different ways, you've got it by size and you've got  
19 it by channel. Perhaps if there's a way of somehow  
20 constructing a 3D picture of this you'd get a better  
21 sense of the segmentation.

22 VICE CHAIRMAN OKUN: Help me out, and maybe  
23 if I could I could turn to the producers out here and  
24 ask them to comment.

25 When you talk about the quality differences  
26 between what's being sold I guess in this middle range

1 size. There is a quality difference between what's  
2 being sold to I guess it would be a DIY type use  
3 versus what's being sold to a professional use.

4 Where do I look on the record to understand  
5 that? I know you point me, there are price  
6 differentials, clearly price differentials. I see  
7 those. What else can I look to in terms of what  
8 differentiates these markets?

9 Maybe you can in answering respond to kind  
10 of the Home Depot now moving into the professional  
11 type market. People who are contractors, who I guess  
12 I would think as being professional, and that sounds  
13 consistent with some of what I've heard argued, that  
14 they actually are going to a Home Depot or one of  
15 these stores that Home Depot now owns, to get their  
16 products there as well. Is that going on, this kind  
17 of blending at the edges?

18 Who wants to start?

19 Mr. Shambon, you're not from the industry.

20 MR. SHAMBON: I just wanted to point out  
21 where in the record you could start --

22 VICE CHAIRMAN OKUN: Okay, you start with  
23 the record.

24 MR. SHAMBON: In your own producers'  
25 questionnaire in Section 4A you define professional  
26 construction firms as end users in the professional

1 construction market including all customers that are  
2 members of the CSDA.

3 But then you went on with a specific  
4 question, 4A1, where you asked for all of the  
5 Respondents' views of what the professional market is.

6 If you now look at the staff report, public  
7 version, at 1-16, the first full paragraph which I  
8 just gave back to Tom, you'll see how your data has  
9 been organized and how the professional use market is  
10 defined.

11 VICE CHAIRMAN OKUN: I guess this may be why  
12 I keep asking this. I think what I heard this morning  
13 from the panel was there are professionals, what we  
14 would have thought of as being a professional, a  
15 contractor, a large contractor, who is going to go to  
16 -- He's not just getting it through the channel that  
17 we've identified as end use. He is going to a Home  
18 Depot or one of these other stores that used to serve  
19 the professional market now owned by Home Depot.

20 Is that an accurate characterization of the  
21 market right now or not?

22 MR. SHAMBON: No. But in terms of the raw  
23 data you received, you've limited the professional  
24 market to custom goods. Tom, could you read the  
25 paragraph please?

26 VICE CHAIRMAN OKUN: I see where you're

1 looking, and I'm just trying to get a market check on  
2 that because that's not what I heard from the  
3 Petitioners. Again, we are constructing this based on  
4 information received but I'm just trying to check it  
5 versus what we heard this morning.

6 MR. SHAMBON: I'm happy to let the  
7 manufacturers here answer to confirm what was already  
8 in the staff report, because my reading of the  
9 cessionaire responses it tracks what's in the staff  
10 report. You heard a lot of smoke this morning about  
11 what a professional is.

12 VICE CHAIRMAN OKUN: Okay. Industry folks.  
13 Mr. Steiner?

14 MR. STEINER: A professional is a  
15 professional. Here's the way we look at it.

16 You have professional contractors. That  
17 could be a plumbing contractor, a masonry contractor,  
18 a concrete or cement finisher. These are all  
19 professional tradesmen, let's say.

20 What we consider, the Petitioners' view of a  
21 professional contractor and who they sell, these are  
22 professional sawing and drilling or demolition  
23 contractors who you could look up in the Yellow Pages  
24 of a phonebook under the words, "Concrete breaking and  
25 cutting contractor", and every city has a listing of  
26 them. In Southern California there would be pages of

1       them.

2                       That is who we consider where the  
3       Petitioners focus their business, the Diamond Bs and  
4       Diamond Products and other people like that. They  
5       focus their sales, their marketing, their expenditures  
6       at this large base customer group. These are  
7       professional contractors who make a living sawing a  
8       line or drilling a hole in concrete, asphalt, masonry,  
9       brick, block, whatever. Wall sawing. Core drilling.  
10      Removing a nuclear reactor with a wire saw. Taking a  
11      bridge down. These are professional contractors who  
12      make a living by demolishing concrete.

13                      Whereas a professional contractor would be a  
14      plumbing contractor who operates out of a pickup  
15      truck, he zips by the Home Depot store at 7:00 a.m. to  
16      pick up a diamond blade to run on his high speed  
17      cutoff saw which we talked about this morning.  
18      Commissioner Lane asked about.

19                      By the way, somebody said this morning that  
20      that product line is going down in value or price on  
21      cutoff saws. It's in fact going up every year. It's  
22      dominated by two foreign manufacturers, Stihl who you  
23      probably all see in advertisements, and Partner, who's  
24      owned by Husker Braun [ph] of Sweden. They're one and  
25      two in the categories and their sales are increasing  
26      rapidly each year and they are raising their prices by

1 five to ten percent on these cutoff saws.

2 At the same time, 12 inch blades dominated  
3 the high speed market 15 years ago, 10 years ago even.  
4 Twelve inch blades are probably not even 10 or 15  
5 percent of this. Fourteen inch blades have taken over  
6 the 12 inch. The saws have all gotten bigger, and the  
7 numbers reflected in cutoff saw sales will show that.

8 Most contractors buy 14-inch saws now, and  
9 there's even some 16-inch saws coming into play  
10 because they get an extra depth of cut and the blade  
11 lasts longer because you have more periphery.

12 Going back to professionals, you're  
13 professionals, we're professionals, but we don't make  
14 a living cutting concrete as a professional, and  
15 that's who we consider to be professionals.

16 VICE CHAIRMAN OKUN: Okay. Do others care  
17 to comment?

18 MR. NIXON: Yes. Doug Nixon, Saint-Gobain.  
19 You heard some descriptions of the Home Depot business  
20 earlier this morning, but they weren't really terribly  
21 accurate primarily because none of the Petitioners  
22 actually sell there. There's two of us at the table  
23 here who sell to the Home Depot. Saint-Gobain has  
24 been doing business with the Depot for about 19 years  
25 now, and I would define the differences here between  
26 what we call "DIY," which is where a very large

1 percentage of the small-diameter, centered blades are  
2 going, through the Depot and their competitors, Lowe's  
3 and, to some degree, Ace and folks like that, are  
4 quite different from the relatively new activity that  
5 the Home Depot has started over the last four or five  
6 years where they have a contractor rental department  
7 set up in each store, and in that particular area of  
8 the Home Depot they do carry 12- and 14-inch diamond  
9 blades. But by far, that is the smallest part of the  
10 activity within their total abrasives sales and, very  
11 specifically, of their diamond sales.

12 The bulk of what they sell is on the racks  
13 in the tool crib when you walk through the store.  
14 That's what they sell, that's their money market, and  
15 the rest is to try to encourage contractors, as Dan  
16 described them, to come in at 7 o'clock in the morning  
17 and buy the one or two items they might need for that  
18 job that day, and that's different from how we see  
19 professional contractors, which are large, concrete  
20 drilling and cutting operations.

21 VICE CHAIRMAN OKUN: I appreciate all of  
22 those comments. My red light is on.

23 CHAIRMAN KOPLAN: Thank you.

24 Commissioner Hillman?

25 COMMISSIONER HILLMAN: Thank you, and I,  
26 too, would join my colleagues in thanking you for

1 being here. We really appreciate the diversity of the  
2 witnesses that is out there in terms of the  
3 perspectives that you bring to this issue.

4 If I could just follow up, again, to make  
5 sure I understand all of these arguments with respect  
6 to the change that has occurred in the market in terms  
7 of the big box stores, perhaps if I could stay with  
8 you, Mr. Nixon. Just so I understand, I'm trying to  
9 understand this issue of whether there is new demand  
10 being created, actual new demand, as opposed to these  
11 same small contractors simply purchasing this product  
12 in a different place than they used to buy it.

13 MR. NIXON: Doug Nixon, Saint-Gobain.  
14 That's a very good question. The Home Depot,  
15 generally speaking, creates new demand, but it's  
16 typically with folks like us who are weekend warriors.  
17 It's not the contractor. The contractors have always  
18 had to have that product; they have been buying it in  
19 other locations, small, mom-and-pop rental shops,  
20 which have been gobbled up in the industry through the  
21 last couple of years. So the Depot is providing an  
22 outlet for them that they need at this time, and  
23 that's not new market demand, but it's redirected to  
24 the Depot.

25 COMMISSIONER HILLMAN: But you're saying  
26 there is a fair amount of literally home consumers

1 that are purchasing diamond sawblades.

2 MR. NIXON: Oh, absolutely, absolutely.

3 COMMISSIONER HILLMAN: As such or were  
4 purchasing them in a saw? Let's just assume a lot of  
5 average households that are out there buying the  
6 blades themselves to put into their own saws where  
7 they are doing their own replacing of a used sawblade,  
8 a blade that's been used up.

9 MR. NIXON: Yes, absolutely. The  
10 application for small-diameter, centered blades  
11 specifically for tile applications in residential  
12 homes is huge, and it has made tiling a much simpler  
13 job than what it used to be, where you used to have to  
14 use a glass cutter, and then you had to try to snip  
15 the tile off to make it fit, and your chances of doing  
16 that accurately were, like, one in 10. With a diamond  
17 blade in a saw, you can do your bathroom in a very  
18 short time.

19 COMMISSIONER HILLMAN: And, again, your  
20 sense is that the demand there is that people are  
21 purchasing the saw and the blades to do this as  
22 opposed to renting it because they are going to do  
23 their kitchen once every X years.

24 MR. NIXON: They do both. They will rent a  
25 saw, but more often than not, in that particular  
26 market they will buy the blade because it's not that

1 expensive, and it will last them the rest of their  
2 life. They don't know that, but it will, and it tends  
3 to get used for that job, and then the next time they  
4 need to do something, they go out and buy another  
5 blade.

6 COMMISSIONER HILLMAN: Okay. All right. So  
7 some new demand in the weekend warrior crowd, if you  
8 will; how significant is that demand as opposed to the  
9 contractors that used to buy somewhere else that are  
10 now buying at Home Depot?

11 MR. NIXON: I don't have the data, frankly,  
12 to quote you for the Home Depot sales, but I know that  
13 they view what they call Department 25 -- D 25 is the  
14 Hardware Channel -- it's by far the driving part of  
15 their business, and that's the tool crib sale, and the  
16 rental part is relatively new, it's growing, but it's  
17 not a major part of their activity as yet, and they  
18 have some very, very stiff competition in the likes of  
19 United Rental, who are much, much bigger and more  
20 dominant in the channel at this moment.

21 COMMISSIONER HILLMAN: This tool crib sector  
22 that you're describing; would any small contractors be  
23 purchasing in the tool crib, if you will?

24 MR. NIXON: Yes. Sure, they do, but Home  
25 Depot management is trying to attract them to a  
26 separate part of the store to make them feel like they

1 are actually buying at a different price point, if you  
2 will. It's not packaged quite the same. It's more  
3 bulk than retail look.

4 COMMISSIONER HILLMAN: Okay. Others wanted  
5 to comment.

6 MR. DELAHUNT: Commissioner Hillman, Brian  
7 Delahunt from MK Diamond Products.

8 In approximately 1985, we went to the Home  
9 Depot and showed them that you could take a seven-inch  
10 circular saw or a four-inch, right-angle grinder and  
11 put a diamond blade on it, and all of a sudden you  
12 turn the tool from a wood product or a grinding  
13 product for metal into an effective tool for cutting  
14 concrete, tile, or stone, and that's the market that  
15 you're talking about. They created that market.

16 I can provide you with that information.  
17 Home Depot has what's called "Vista Data." You will  
18 see that there is about 25 percent of the power tools  
19 that they sell are basically matching the number of  
20 diamond blades that they are selling also to these  
21 contractors. What you have allowed the contractors to  
22 do is to have a new tool by virtue of the fact that  
23 they had a tool in their toolbox that could be adapted  
24 to a new application.

25 COMMISSIONER HILLMAN: So contractors are  
26 taking saws that they have already got but putting a

1 different blade on them and putting them to a  
2 different use than put before.

3 MR. DELAHUNT: Absolutely. It goes by their  
4 marketing slogan: "You can do it. We can help." So  
5 on Saturday mornings, they would have a how-to clinic  
6 that they would show a homeowner or a small contractor  
7 that you could adapt a tool that you had in your  
8 toolbox using a diamond blade to do jobs around your  
9 home -- put in a patio, grind a sidewalk -- and that's  
10 how the market was created for the small-diameter  
11 diamond blades.

12 COMMISSIONER HILLMAN: I appreciate that.  
13 Then we heard testimony that I, again, am trying to  
14 understand how to factor it into the data that we have  
15 before us in terms of how to look at the volume of  
16 imports. On this issue of sawblades now becoming  
17 disposable -- throw them away, use them for short  
18 periods of time -- a smaller and smaller percentage of  
19 the customers for the blades care how long they last  
20 because that's not what they are in. If you're the  
21 weekend warrior, I don't know how often you do your  
22 bathrooms -- it would, again, not be me, but let's  
23 assume it's not that often, so you're not using the  
24 blade that many times. You don't care.

25 I'm trying to understand from your  
26 perspective, do you have a sense of what portion of

1 the purchasers of these blades know or care how long  
2 they last, where long lasting is an important  
3 criterion for their purchases?

4 MR. KIM: Jae Kim.

5 COMMISSIONER HILLMAN: Jae Kim. Okay. Go  
6 ahead.

7 MR. KIM: Jae Kim from General Tool. I  
8 think I can combine the answers for your first  
9 question and the current one as well. Most customers  
10 that buy diamond blades from Home Depot will not care  
11 how long they last. They are what we consider casual  
12 users for DIYs, and there is a new market created that  
13 does not replace the existing market, and the reason  
14 why I know that is because Black and Decker, in 1995,  
15 was the first to introduce diamond blades into Home  
16 Depot. Before that, diamond blades simply did not  
17 exist at Home Depot.

18 COMMISSIONER HILLMAN: 1995?

19 MR. KIM: Yes.

20 COMMISSIONER HILLMAN: Okay. Thank you.

21 MR. KIM: And when we first worked with  
22 Black and Decker to develop a product for Home Depot,  
23 the biggest question was we were asking them to buy a  
24 seven-inch blade that cost 10 times more than a basic  
25 blade that consumers were used to buying. So how do  
26 we convince them that this is a better value product

1 for them compared to abrasive products.

2 The entire marketing strategy that Black and  
3 Decker brought to Home Depot is, even if you look at  
4 today, most of the diamond products that are sold at  
5 Home Depot have something called an "X number," a 60X  
6 or 100X or 120X. These represent the multiples of  
7 blade life compared to an abrasive blade.

8 So they were trying to convince the  
9 conventional abrasive customers that when you use this  
10 blade, which cost maybe five, 10 times more than an  
11 abrasive blade, the blade would last 100 to 120 times  
12 compared to an abrasive blade, and that was the key  
13 marketing strategy that Black and Decker brought to  
14 Home Depot. Since then, Brian Delahunt of MK also has  
15 been the earliest adaptor to go after this market at  
16 Home Depot, and they have also been successful. These  
17 are new markets in the sense that traditional  
18 professional users who care about blade life do not  
19 come to Home Depot; they go directly to the  
20 manufacturers.

21 COMMISSIONER HILLMAN: Okay. Ms. Kim, did  
22 you want to add something?

23 MS. KIM: I just wanted to clarify that the  
24 DIY diamond blades that were going on these power  
25 tools were not replacing existing diamond product;  
26 they were replacing nondiamond, abrasive blades. I

1 just wanted to clarify that.

2 COMMISSIONER HILLMAN: Okay. And, again,  
3 this five to 10 times price comparison between the  
4 abrasives and the diamond blades; would that still be  
5 the range of the differential between an abrasive  
6 product and a diamond product?

7 MS. KIM: Correct.

8 COMMISSIONER HILLMAN: Mr. Nixon, you were  
9 shaking your head in the opposite direction.

10 MR. NIXON: It depends. There have been  
11 price shifts in abrasive products as well. In the  
12 case of what Saint-Gobain sells to the Home Depot,  
13 it's certainly in that magnitude, but we sell them a  
14 premium line of abrasive blades, so the step up  
15 between abrasives and diamond makes more sense to the  
16 buyer.

17 COMMISSIONER HILLMAN: Okay. But it still  
18 would be in that five to 10 times as expensive. I  
19 appreciate those answers. Thank you.

20 CHAIRMAN KOPLAN: Thank you.

21 Commissioner Lane?

22 COMMISSIONER LANE: Good afternoon. I  
23 forget who said that none of the Petitioners provide  
24 the domestic product to Home Depot or Lowe's. Mr.  
25 Nixon, why do you think that is?

26 MR. NIXON: Well, I've been working with the

1 buyers at Home Depot for 15 to 19 years, and I know  
2 who their suppliers are, and we're a dominant supplier  
3 to them in many areas, and in the diamond blade area  
4 there is a handful of suppliers, but nobody  
5 significantly represented by the Petitioners.

6 COMMISSIONER LANE: No. I'm asking you, why  
7 do you think they are not participating in that  
8 market?

9 MR. NIXON: I'm sorry.

10 MR. DELAHUNT: Ms. Lane, Brian Delahunt from  
11 MK Diamond.

12 COMMISSIONER LANE: Yes.

13 MR. DELAHUNT: The reason is because the  
14 Petitioners -- Diamond Products, Diamond B, Dixie  
15 Diamond -- believe that if you sold to the Home Depot,  
16 the perception was that you were selling an economy  
17 product. It went against their premise and their  
18 position in the marketplace. We at MK Diamond had to  
19 fight that battle every day. If you're selling to the  
20 Home Depot, then you must be a cheap product. In  
21 fact, a lot of times when I go out on calls, I'll just  
22 tell people right up front, "MK" stands for "made in  
23 Korea," but it really doesn't.

24 COMMISSIONER LANE: Okay. Thank you.

25 Now, somebody talked about Stihl and  
26 Partner, that their products use diamond sawblades.

1 Now, do those two companies use domestic sawblades or  
2 subject imports?

3 MR. STEINER: Dan Steiner from Diteq. Stihl  
4 is a German corporation. They have a U.S. operation  
5 based out of Virginia Beach. They do not make diamond  
6 sawblades. They have them made for them by OEM  
7 manufacturers, and I could not tell you who makes  
8 their blades at this time. I don't know. It could be  
9 people in this room.

10 Partner is owned by Electrolux, and they are  
11 part of the Husker Braun Construction Products Group  
12 in which Target, Partner, Felker, Demis, and Diamond  
13 Board are the brands, and they have their own  
14 manufacturing capabilities.

15 COMMISSIONER LANE: Okay. Thank you.

16 According to the prehearing brief of  
17 Petitioners, foreign producers apparently based their  
18 capacity estimates on a single shift and could easily  
19 double or triple their capacity estimates without any  
20 additional estimates. Do the foreign producers'  
21 responses accurately account for capacity?

22 MS. KIM: I'm sorry. Could you repeat the  
23 question?

24 COMMISSIONER LANE: Do the foreign  
25 producers' responses accurately account for capacity?

26 MS. KIM: Yes.

1                   COMMISSIONER LANE: Okay. According to the  
2 prehearing brief of Korean Respondents, Korean and  
3 Chinese producers have maintained high capacity  
4 utilization rates. The brief argues that the  
5 Commission should find that there is no likelihood of  
6 substantially increased imports of subject  
7 merchandise. In the preliminary phase conference,  
8 however, it was reported that Home Depot opens 150 to  
9 200 stores each year. How do the foreign producers  
10 plan to meet this increased demand if they are already  
11 operating at such high capacity?

12                   MR. DELAHUNT: Ms. Lane, Brian Delahunt from  
13 MK Diamond.

14                   COMMISSIONER LANE: Yes.

15                   MR. DELAHUNT: The Home Depot is very up  
16 front with us as far as the number of stores that they  
17 are going to open, which we communicate with our  
18 primary supplier, Ehwa Diamond or General Tool. So we  
19 know that an opening order is going to be for a  
20 specific set of diamond blades that we would supply to  
21 them, and we gauge our purchasing and our inventory  
22 levels based on those store openings as they are  
23 scheduled to be opened during the year.

24                   Now I know that Home Depot has actually  
25 slowed down the number of store openings. I think  
26 it's going to be around 125 this year or thereabouts,

1 but it still is a very significant amount of product  
2 that is having to be placed into those stores and into  
3 those departments.

4 COMMISSIONER LANE: And so I guess you are  
5 saying that because you have enough advance notice  
6 that you can arrange to have as much supply as Home  
7 Depot needs.

8 MR. DELAHUNT: Yes, ma'am.

9 COMMISSIONER LANE: Okay.

10 MR. ROGERS: Ms. Lane, this is Tom Rogers.  
11 I would just like to add, the point that Christine Kim  
12 raised earlier is that the U.S. market is not their  
13 main market, so they have capacity there. If you're  
14 talking about just expanding sales to Home Depot, that  
15 is not necessarily a large part of their total  
16 production or their capacity.

17 COMMISSIONER LANE: Okay. Thank you.

18 You assert that the imported diamond  
19 sawblades from China and Korea are not poised to move  
20 into the professional market for the large-diameter  
21 sawblades. That's Respondents' prehearing brief, page  
22 60. Please discuss and explain the information  
23 presented in the Petitioners' prehearing brief,  
24 Exhibits 8, 9, and 10, that suggest otherwise.

25 MR. GRIFFITH: Spencer Griffith.

26 Commissioner Lane, I'm not exactly sure at this point

1 what's in Petitioners' Exhibits 8, 9, and 10. We  
2 would be glad to address that more in the post-hearing  
3 brief, if that would be convenient. Others may have  
4 comments at this time.

5 MR. PARK: David Park of Akin, Gump. Again,  
6 I agree with Spencer. I'm not sure exactly what's in  
7 it, but from what I do recall it was primarily a size-  
8 based, a diameter-based comparison, and as we were  
9 pointing out today, you cannot just look at the market  
10 based on diameter. In other words, I think they were  
11 trying to show that the imports were in a particular  
12 market just because they sold a certain size blade.

13 What we were talking about here and what Mr.  
14 Rogers had mentioned earlier today was that you really  
15 have to look at more than just the diameter to see  
16 where it's going in terms of whether it's in the  
17 professional market. You have to look at the type of  
18 blade, the diamond concentration, the quality, et  
19 cetera, and when you look at all of those factors,  
20 that diminishes substantially. But we will provide  
21 more detail in our post-hearing brief.

22 COMMISSIONER LANE: Okay. Thank you.

23 Should the production of diamond sawblade  
24 segments be considered a prerequisite for a  
25 manufacturer of finished sawblades to be considered a  
26 U.S. producer and a member of the domestic industry?

1           MR. PARK: David Park from Akin, Gump. I'll  
2 open this up to other people as well. It was  
3 addressed by some of the witnesses here.

4           As we mentioned in our prehearing brief,  
5 assembly is an extensive process, and going to some of  
6 the questions that were posted earlier to Petitioners,  
7 we do note the inconsistency in which Petitioners, in  
8 their actual petition, did concede that assembly alone  
9 is a substantial and extensive process. That's their  
10 quote.

11           Also, assembly isn't, as they try to  
12 characterize it, any person who can type into a  
13 keyboard can assemble, and that's really not the case.  
14 Again, taken from the Petitioners' own language,  
15 assembly involves a variety of processes that include  
16 not only the assembly, the actual welding itself, but  
17 tensioning, dressing, a number of processes that  
18 actually give the sawblade its character. I will open  
19 that up to some of the other producers that can give  
20 specifics as to what that entails.

21           MR. CORCORAN: This is John Corcoran from  
22 Sutton Diamond. I'll just try to briefly describe the  
23 process from the time the sawblade comes out of the  
24 mold until a finished blade is ready to be shipped to  
25 the customer.

26           The inside radius of the segment is

1 typically ground to match the diameter of the steel  
2 core that it has to go onto. The steel core has to be  
3 degreased. Typically, it has some rust protectant on  
4 it, so it has to be cleaned. The core has to be  
5 loaded into the laser welder, and the laser welder has  
6 to be set up for the particular diameter and thickness  
7 of both the segment and the steel core so that the  
8 segment is properly positioned relative to the steel  
9 core.

10 The welding process has to be started, and  
11 quite typically what is done is a segment or two is  
12 welded, and then subsequently a torque test to verify  
13 that the weld's strength is good is performed. From  
14 there, the rest of the segments are welded on, and  
15 subsequent blades are welded with occasional testing  
16 occurring in that process. The facing side, then, of  
17 the blade, once it comes out of the laser welder, is  
18 ground in order to expose the diamond.

19 Then there is typically a process that we  
20 refer to as "hammering and tensioning," and here we  
21 use a hammer to flatten the blade and make sure that  
22 the run up, both from the -- and side standpoint, is  
23 within tolerances, and then a tensioning operation,  
24 which actually superimposes a stress on the blade to  
25 allow it to run at the specified RPM for a particular  
26 diameter. Different diameters in different machines

1 are at different RPMs.

2 The core is then typically sanded to improve  
3 its appearance and remove any production marks, then  
4 painted, most typically silk screened or labeled in  
5 some fashion, and then marked with a laser or some  
6 other device, an engraver, to permanently determine  
7 what the specification is, boxed, put into a prepack  
8 package of one sort or another, and that's most of the  
9 processes. I might have left something out.

10 COMMISSIONER LANE: Okay. Thank you.

11 CHAIRMAN KOPLAN: Thank you, Commissioner.  
12 Commissioner Pearson?

13 COMMISSIONER PEARSON: Thank you, Mr.  
14 Chairman. Permit me to extend my greetings to the  
15 afternoon panel.

16 Given what you said in your presentations  
17 about the difficulties faced by imported blades in  
18 competing in the market for professional use, large-  
19 size blades, why in the staff report do we observe an  
20 increase in the sale of subject imports that are 20  
21 inches or larger? We do see some increase over the  
22 period of investigation in imports of the blades that,  
23 if I understood you correctly, you indicated could not  
24 compete very effectively? I could note that we also  
25 saw a modest decrease in the sale of U.S.-manufactured  
26 blades of that size, and the overall consumption for

1 20-inch and greater blades was relatively flat over  
2 the three years.

3 MR. DELAHUNT: Commissioner Pearson, Brian  
4 Delahunt. I think a lot of it is tied to the  
5 equipment that manufacturers sell. In our case, we're  
6 starting to sell larger-size diameter equipment that  
7 is used effectively for cutting roads and bridge decks  
8 and airports. So we are buying more larger-diameter  
9 blades from General Tool in Irvine. I believe that  
10 they are assembled in Irvine, and I think that's maybe  
11 an indication as to why because we're moving into that  
12 marketplace.

13 COMMISSIONER PEARSON: So it's an original  
14 equipment manufacturer issue --

15 MR. DELAHUNT: Yes.

16 COMMISSIONER PEARSON: -- where the original  
17 equipment manufacturer is building a machine that has  
18 installed a blade that's imported.

19 MR. DELAHUNT: Yes. For every piece of  
20 equipment that we sell, we provide a diamond blade  
21 with that piece of equipment. So we at least get the  
22 first diamond blade that goes on that piece of  
23 equipment.

24 COMMISSIONER PEARSON: Okay. Other  
25 thoughts?

26 MR. KIM: Jae Kim from General Tools. As

1 diamond blade producers improve upon their  
2 manufacturing technology and improve their blades,  
3 power tool manufacturers and equipment manufacturers  
4 also do the same thing, and as traditional power tools  
5 and equipment become more efficient at cutting, they  
6 are able to adapt to larger blades. That's why you  
7 see the larger products can be imported. These are  
8 not replacing the traditional professional products,  
9 but there are new applications being developed by new  
10 equipment that is available from power tool  
11 manufacturers.

12 COMMISSIONER PEARSON: Possibly, but then we  
13 have the record showing a modest decrease in the sales  
14 of U.S.-manufactured blades of 20 inches or larger.  
15 I'm trying to understand this because, overall,  
16 apparent consumption is relatively stable over the  
17 three years, yet we have this increase in imported  
18 blades, decrease in U.S.-manufactured blades. In the  
19 context of your testimony, it's difficult for the  
20 imported blades to compete in that size range.

21 Mr. Steiner, do you have any light you could  
22 shed on this?

23 MR. STEINER: Dan Steiner from Diteq.  
24 Actually, it was surprising to hear you say that, and  
25 I haven't looked at that documentation. I am  
26 surprised. I know, in our particular case, as our

1 distribution base has expanded, we get requests for  
2 different sizes of blades, and to Brian's point, we  
3 represent a line of Japanese core-drilling machines,  
4 and they came out with a wall-sawing machine also.  
5 The wall-sawing machine takes bigger blades, so we're  
6 supplying blades for those types of machines also.  
7 We're trying to get at least the first blade on that  
8 type of machine. But I'm surprised to hear that those  
9 numbers are down overall.

10 COMMISSIONER PEARSON: This issue about the  
11 original equipment manufacturers could potentially  
12 explain what I'm seeing here in the data.

13 MR. KIM: Jae Kim from General Tools. I  
14 want to add that in the last few years, Ehwa has  
15 ramped up our own production in the U.S. I think the  
16 petition made a big point about so-called "front  
17 companies," such as Vantage or Diteq, being just a  
18 shell company that does not provide any additional  
19 services. But these are all professional marketing  
20 organizations that are wholly owned subsidiaries of  
21 General Tool, Ehwa, or Shinhan that are dedicated to  
22 selling to the professional markets. What they sell  
23 are U.S.-produced products. We have U.S.  
24 manufacturing bases that support those organizations,  
25 and perhaps that can explain why the U.S. producers  
26 have lost that end of the sales.

1                   COMMISSIONER PEARSON: Is there a possible  
2                   that one or more importers have made a decision to  
3                   inventory a larger number of large blades in the  
4                   United States such that they might have a blade  
5                   available that would meet the specific needs of a  
6                   professional user when the user needs to change  
7                   blades? Are we not seeing that happen in this  
8                   industry?

9                   MR. KIM: Jae Kim, General Tools again, sir.  
10                  Having personally tried to approach that market  
11                  through products coming in from Korea for the last 12  
12                  to 15 years, it's extremely difficult. The size  
13                  requirements and the variety of the specifications  
14                  that's required -- the inventory requirement to  
15                  service that market is prohibitively high. It cannot  
16                  be economically serviced from factories in Korea.  
17                  That's why we made investments in the U.S. to produce  
18                  these blades in the U.S.

19                  COMMISSIONER PEARSON: I appreciate that. I  
20                  thought there was a reasonable explanation in the  
21                  original testimony, but I don't pretend to know so  
22                  much about this market to know whether somebody  
23                  couldn't do it out of inventory if they knew the  
24                  marketplace well.

25                  MR. KIM: I couldn't figure out how to do  
26                  that.

1 COMMISSIONER PEARSON: Okay.

2 MR. ROGERS: Commissioner Pearson, if I just  
3 may clarify one thing, are you referring to Exhibit E-  
4 1 for these data?

5 COMMISSIONER PEARSON: I-1.

6 MR. ROGERS: Okay. Because if you look at  
7 E-1, you'll see where they have got it broken out by  
8 size and by channel, you'll see that for the U.S.  
9 shipments in greater than 20 inch, they actually  
10 increased slightly from 2003 to 2005. They bumped up  
11 in 2004 before going back down. So I'm not sure of  
12 the trends. We can look at that for our post-hearing  
13 brief.

14 COMMISSIONER PEARSON: Okay. Well, I have  
15 been known to read numbers incorrectly during  
16 hearings, so if I've misstated things here, either  
17 tell me or else clarify in the post-hearing brief.

18 MR. ROGERS: So have I, and there's lots of  
19 data in this report, but we'll go through it for the  
20 brief.

21 COMMISSIONER PEARSON: Okay. Thank you.

22 Let me shift gears just a bit. There  
23 certainly is the view on the part of the Petitioners  
24 that there is substantial competition in the 12-to-14-  
25 inch size between imported and domestically  
26 manufactured blades, and there was testimony this

1 morning about changes that have been made in the  
2 performance characteristics of the U.S. blades to  
3 allow them to be priced at lower levels.

4 If you were to consider this 12-to-14-inch  
5 size range and look at imported blades and domestic  
6 blades of roughly the same price level, would they  
7 have roughly the same performance characteristics?

8 MR. DELAHUNT: Brian Delahunt from MK  
9 Diamond. Yes, they would generally have the same  
10 performance characteristics.

11 COMMISSIONER PEARSON: Okay. So the blades  
12 that you are importing and working with; you're not  
13 able to get better performance at the same price  
14 relative to what the U.S. manufacturers can do.

15 MR. DELAHUNT: No. We're getting about  
16 equal performance in many cases, and it's really more  
17 dependent on the application, which is an unknown  
18 variable that we're not really sure at the time that  
19 the customer purchases what he is actually going to be  
20 cutting with it, but we pretty much can guarantee that  
21 he is going to get equal, if not maybe a little bit  
22 less, performance than what's actually out there by  
23 the domestics.

24 COMMISSIONER PEARSON: Okay. Any other  
25 comments on relative performance? Mr. Steiner?

26 MR. STEINER: Dan Steiner from Diteq. I

1 think, in our experience, most importer blades are set  
2 up and made to cut quickly because no one wants to  
3 labor over a cut, and labor is a very intensive part  
4 of any construction project, whether you're a  
5 homeowner or a contractor. So they want them to cut  
6 fast, and the theory is, well, if it wears out quick,  
7 it wears out quick. At least I got my cutting done.

8 COMMISSIONER PEARSON: So is there a trade-  
9 off between cutting quickly and cutting over a long  
10 period of time?

11 MR. STEINER: If the blade is slow, and you  
12 labor over a cut, it works your machine over. It  
13 requires maintenance. It's hard on the bearings.  
14 It's hard on the belts. It's hard on the operator.  
15 So a nice, fast, free-cutting blade is kind of fun to  
16 use, really.

17 COMMISSIONER PEARSON: With the harder  
18 blade, if I understood the terminology correctly, you  
19 could cut further in a linear manner.

20 MR. STEINER: You could get longer life.

21 COMMISSIONER PEARSON: But it wears out the  
22 operator and the machine.

23 MR. STEINER: Yes. It's a slower time, but  
24 you could certainly get longer life out of it, yes.

25 COMMISSIONER PEARSON: Okay. Thank you very  
26 much.

1                   CHAIRMAN KOPLAN: Commissioner Aranoff?

2                   COMMISSIONER ARANOFF: Thank you, Mr.  
3 Chairman, and I join my colleagues in welcoming the  
4 afternoon panel, soon to be the evening panel.

5                   Mr. Griffith, I'm going to do what you were  
6 hoping wouldn't happen and ask you a question about  
7 one of your charts, now that the projector is off, and  
8 the screen is put away, specifically, Chart No. 2.

9                   MR. GRIFFITH: Okay. I may ask Mr. Rogers  
10 to help me answer the question, Commissioner Aranoff.

11                  COMMISSIONER ARANOFF: That's fine. In  
12 fact, we may end up with some of the industry  
13 witnesses, but here is the general question, and then  
14 we'll go at it from as many different angles as I can  
15 think of.

16                  We just spent a great deal of your testimony  
17 and your answers to my colleagues' questions talking  
18 about the big box retailers and who discovered that  
19 market and who developed that market and who thrives  
20 in that market. Well, if you look at Chart No. 2,  
21 that's less than 5 percent of U.S. shipments of the  
22 subject product and a similarly small number of U.S.  
23 shipments for the domestic product. Why are we  
24 spending all of our time talking about that channel of  
25 distribution and that market when it seems to me that  
26 that doesn't tell us anything about what's happening

1 in 95 percent of the U.S. market?

2 MR. GRIFFITH: I'll make a general comment,  
3 and then Mr. Rogers or others may wish to follow.

4 One of the points about focusing on the DIY  
5 general use market is that is where the imports are  
6 focused. When you look at the data, the relative  
7 concentration of subject imports versus domestic  
8 production is higher in that category of the market  
9 than we see for the domestic producers, and I think  
10 that's the point we were trying to make going to  
11 attenuated competition between imports versus domestic  
12 production.

13 Conversely, in the professional sector, we  
14 see a much higher concentration by the domestic  
15 producers than by imports, so it's going to the  
16 attenuated competition issue.

17 COMMISSIONER ARANOFF: Mr. Rogers?

18 MR. ROGERS: If I could jump in here -- this  
19 is Tom Rogers -- I think the labels might be slightly  
20 misleading from how the data were collected, but  
21 what's going into the branded distributor market, a  
22 lot of that is going to places like Home Depot. It  
23 will be a sale to somebody like MK Diamond, and then  
24 they repackage it and sell it to Home Depot.

25 COMMISSIONER ARANOFF: Okay. That's one of  
26 the things I wanted to get out of you was basically

1       how much of what's going into the distributor channel  
2       and how much of what's going into the OEM channel ends  
3       up retail another step down the road. Is that  
4       something that you can quantify or give me a sense of  
5       the order of magnitude?

6               MR. ROGERS: Well, we can't quantify it from  
7       the data in the report. It would have to be based on  
8       company experience.

9               COMMISSIONER ARANOFF: Well, if there is a  
10       way that any particular companies are able to share  
11       their experience, either now or in the post-hearing.  
12       Mr. Delahunt?

13              MR. DELAHUNT: Home Depot's business  
14       represents about 35 percent of our overall sales, so -  
15       -

16              COMMISSIONER ARANOFF: That's directly and  
17       indirectly.

18              MR. DELAHUNT: That's directly.

19              COMMISSIONER ARANOFF: That's directly.

20              MR. DELAHUNT: Right.

21              MR. PARK: David Park of Akin, Gump. I  
22       think some of the distinction is you have MK Diamond,  
23       who is purchasing the blades. When you look at  
24       imports and direct imports, a lot of the direct  
25       importers are selling it through distributors such as  
26       MK Diamond, who will then sell it to the Home Depots

1 because there are a lot of distributors who have this  
2 relationship.

3 So even though a lot of the imports coming  
4 in are DIY and ultimately end up at the Home Depot, in  
5 terms of what was reported for purposes of this  
6 investigation, a lot of the actual importers reported  
7 their sale first to the distributor, and so that's why  
8 you see in that chart that it's not going directly,  
9 but it is the products that are, as Mr. Delahunt  
10 explained, they go to him, and 35 percent of his sales  
11 are Home Depot.

12 COMMISSIONER ARANOFF: I appreciate that,  
13 and I want to try to figure out the extent to which  
14 that's more typical of the folks who have come here to  
15 testify today than it is for imports as a whole.  
16 Anything that you can do to help me get a handle on  
17 that because when I look at Chart No. 2, I say to  
18 myself, I don't know why we're talking about retailers  
19 at all. That doesn't seem to be what's going on in  
20 this market at all.

21 MR. KIM: Jae Kim from General Tools. Most  
22 of the product at Home Depot, or I guess I should say  
23 a significant portion of the products at Home Depot  
24 are produced by Ehwa General Tools and supplied by  
25 Ehwa General Tools. However, we do not sell a single  
26 blade to Home Depot directly; we sell through our

1 sales partners, such as MK Diamond or Black and  
2 Decker. Beyond that, who else we supply to and how  
3 much of that actually goes to Home Depot, I can work  
4 with David Park at Akin, Gump to provide you detailed  
5 data after the hearing.

6 COMMISSIONER ARANOFF: Thank you, Mr. Kim.  
7 That would be very helpful.

8 Ms. Kim, does your company make product and  
9 sell that product to what you have defined as  
10 professional users in the Korean market or in other  
11 countries' markets other than the United States?

12 MS. KIM: Christine Kim. Yes, we do, but I  
13 would like to point out that what's called a  
14 professional market in Korea looks very different than  
15 what's called a professional market in the United  
16 States. The vast majority of the construction  
17 material in the United States are concrete and asphalt  
18 and what's called the masonry type of building  
19 material.

20 In Korea, almost all of the "professional  
21 market" is for the stone market, which is marble and  
22 granite. First of all, obviously, the material is  
23 very different because you're cutting stone versus  
24 concrete or asphalt, and the type of machine that is  
25 used is also very different. A very typical  
26 professional type of equipment that's being used in

1 the United States would be a 65-horsepower, walk-  
2 behind saw, whereas in Korea a very typical  
3 professional equipment would be a stationary gain saw  
4 that literally cuts tens or twenties of marble or  
5 granite slabs.

6 So there is a professional market in Korea,  
7 and there is also a professional market in the United  
8 States, but the application and the way it's used and  
9 the users are very, very different.

10 COMMISSIONER ARANOFF: What do they build  
11 roads out of in Korea?

12 MS. KIM: There is a little bit of concrete  
13 market in Korea, but in the overall diamond sawblade  
14 industry, market size for Korea, the vast majority of  
15 what the professional blades are used for are the  
16 stone market.

17 COMMISSIONER ARANOFF: Okay. What about in  
18 your other export markets other than the United  
19 States?

20 MS. KIM: We also sell diamond sawblades to  
21 Europe, and the bulk of the market is also the DIY,  
22 general-purpose market, so we sell a much smaller  
23 quantity of professional blades in the European  
24 market, and it's for the same reason as we've stated  
25 for the United States: It's hard to service  
26 professional-use, diamond sawblades consumption in

1 Europe by producing them abroad in Asia and then  
2 exporting them to Europe.

3 COMMISSIONER ARANOFF: Following up on that,  
4 one of the things that was testified to this morning  
5 is that Korean producers have U.S. production  
6 affiliates that can serve the professional market by  
7 having the kinds of services that are needed. Once  
8 you have that kind of service already on the ground,  
9 why can't those affiliates also service sales of  
10 blades that are produced outside the United States?

11 MS. KIM: Christine Kim. Can I ask you to  
12 clarify the question? When you're saying sales of  
13 blades that are made outside of the United States --

14 COMMISSIONER ARANOFF: Sure. One of the  
15 arguments that's been made is that the professional  
16 market, as you have defined it, these concrete  
17 contractors, require sales support. They require  
18 someone to be on site at 3 o'clock in the morning when  
19 they are doing a particular job to make sure the blade  
20 is working right.

21 I don't see the inherent linkage between  
22 that and producing the blade in the United States. So  
23 I guess I'm asking, once you have this affiliate who  
24 has these trained people who are available to be there  
25 at 3 o'clock in the morning when the customer needs  
26 them, why can't they be servicing a blade that was

1 made in Korea?

2 MR. KIM: Jae Kim, General Tools. We have  
3 tried, but the contractors usually require next-day  
4 service on those products. They want to have the  
5 blade on the job site tomorrow morning at 6 o'clock.  
6 I can't do that by asking Korea to ship the products  
7 to me. I have to have production in California. Even  
8 then, it's a challenge for us to deliver those  
9 products to East Coast customers at 6 o'clock in the  
10 morning.

11 COMMISSIONER ARANOFF: I appreciate that  
12 comment. I guess we've gotten into a classic "he  
13 said, she said" situation because this morning the  
14 Petitioners basically told us that almost all of their  
15 concrete contractor professional customers buy off-  
16 the-shelf blades, that very few customized products  
17 are requested, and that those are money losers anyway.  
18 So either they are right, or you're right, but can  
19 somebody really demonstrate to me how much of this  
20 concrete contractor market demands products that have  
21 to be made to order overnight?

22 MR. NIXON: Doug Nixon, Saint-Gobain.  
23 Everybody is under oath here, so we'll assume  
24 everybody is telling the truth. I think it comes down  
25 to a difference in definition of the professional  
26 market. We're defining it here today as typical

1 applications, higher horsepower saws. We've chosen 35  
2 horsepower as kind of the line in the sand that  
3 depicts the professional user. When you do that, you  
4 have a very different set of market metrics in place  
5 than the smaller-diameter saws.

6 COMMISSIONER ARANOFF: I appreciate that  
7 answer. My light is red, so I'll pass until the next  
8 round.

9 CHAIRMAN KOPLAN: Thank you, Commissioner.  
10 I'm going to ask Mr. Griffith a question  
11 that I asked of Petitioners this morning, and that had  
12 to do with the fact that in our preliminary reviews,  
13 we flagged, but we intended to explore further in the  
14 final phase, whether the domestic operations of  
15 certain companies were shielded from the effects of  
16 subject imports, and I asked for their post-hearing  
17 submission if they could isolate, if possible, the  
18 effect of subject imports on the financial performance  
19 of a particular domestic firm that they discussed at  
20 pages 14 to 19 of their brief, which was very heavily  
21 bracketed.

22 I'm not ignoring the fact that you discussed  
23 that same issue and that same producer at pages 9 to  
24 17 of your brief, and you do get into a bit of what  
25 I'm trying to dig out here, if I can, on page 13 of  
26 that discussion.

1                   So could you try and do the same thing for  
2 me in as much detail as you can for purposes of the  
3 post-hearing?

4                   MR. GRIFFITH: Yes, Mr. Chairman. Given the  
5 proprietary nature of that information, we would  
6 prefer, if it's all right with you, to address that in  
7 our post-hearing brief.

8                   CHAIRMAN KOPLAN: I expect that.

9                   MR. GRIFFITH: Yes. We certainly will  
10 comment on that. As you noted, Mr. Chairman, we did  
11 address that issue in detail in our prehearing brief,  
12 and we will address that further in our post-hearing  
13 brief as well. We agree it's an important issue in  
14 this proceeding.

15                   CHAIRMAN KOPLAN: It is, and what I'm  
16 particularly interested in is how much you can isolate  
17 them in discussing the effects of the subject imports  
18 on your operation.

19                   MR. GRIFFITH: Certainly, we will, to the  
20 extent we can isolate out the effects as to those  
21 particular companies.

22                   CHAIRMAN KOPLAN: That would be great. I  
23 appreciate it.

24                   MR. GRIFFITH: Certainly.

25                   CHAIRMAN KOPLAN: Let me stay with you. On  
26 page 26 of Petitioners' brief, they make the following

1 allegation, which relates to a threat analysis, I  
2 think, and I'm quoting: "The Respondents want the  
3 Commission to focus on a snapshot of the industry  
4 today rather than watch the moving picture. Why?  
5 Because the movie demonstrates that imports came in,  
6 killed the smaller-diameter pricing, and have been  
7 marching up the product lines ever since." That's the  
8 end of their quote.

9 I would like you to respond to this  
10 argument, and when you do, if you could address it in  
11 the context of U.S. importers' inventories. I note  
12 that Table VII-10 of the confidential staff report at  
13 page VII-13 shows that end-of-period inventories of  
14 subject imports increased by 81 percent from about 1.1  
15 million units in '03 to about 2 million units in 2005.

16 MR. GRIFFITH: Certainly. A couple of  
17 comments here, and then we'll address this further in  
18 our post-hearing brief.

19 With respect to Petitioners, we do not  
20 believe we are asking that you focus on a snapshot at  
21 the current time. Go back to the charts that Mr.  
22 Rogers showed us earlier this afternoon in his  
23 presentation. Over the entire three-year POI in this  
24 proceeding, this industry has enjoyed north of 11  
25 percent operating margins. Shipments are steady.  
26 Capacity is up. Capital expenditures are up. This is

1 over the three-year POI. We are not looking at a  
2 snapshot as the Commission sits here today, but,  
3 rather, our presentation, we believe, is focused on  
4 the entire POI.

5 I think as to the issue of inventories,  
6 given the proprietary nature of some of that  
7 information, Mr. Chairman, we'll address that in our  
8 post-hearing submission.

9 CHAIRMAN KOPLAN: Good. I appreciate that  
10 because it does tie into the issue that they are  
11 raising, and so in as much detail as you can post-  
12 hearing, that would be appreciated.

13 MR. GRIFFITH: Certainly.

14 CHAIRMAN KOPLAN: Thank you.

15 Let me start with you and Mr. Rogers on this  
16 next one. On page 19 of your prehearing brief, you  
17 state that within this highly segmented USB market  
18 significant differences exist between U.S.-produced  
19 sawblades and subject imports regarding the types of  
20 products sold as well as the channels of distribution  
21 and customer categories to which they sell such  
22 products.

23 When I looked at our confidential staff  
24 report, Appendix E -- the header on that is "Finished  
25 Diamond Sawblades Channels of Distribution" -- and  
26 Tables I-1 -- that one is headed "Diamond Sawblades,

1 U.S. Producers and Importers, U.S. Commercial  
2 Shipments by Blade Diameter in 2003 to 2005" -- and  
3 Table II-1, "Finished Diamond Sawblades, Shares of  
4 U.S. Commercial Shipment Values of Finished Diamond  
5 Sawblade by Country of Origin, by Channel of  
6 Distribution, and by Type of Customer for 2003 to 2005  
7 Combined" -- that's at Chapter I-9 and Chapter II-2 --  
8 I can't reconcile your argument from what I read  
9 there.

10 So for purposes of your post-hearing  
11 submission, I would like you to reconcile those  
12 portions of the staff report that I cited with the  
13 portion of your brief that I read to you.

14 MR. GRIFFITH: Certainly. We'll do that in  
15 our post-hearing brief.

16 CHAIRMAN KOPLAN: Okay. Ms. Kim or any of  
17 the other Respondent industry witnesses, Petitioners  
18 state on page 57 of their prehearing brief, and I  
19 quote, "James Lee, the president of Matrix Diamond  
20 Tool, an importer of Chinese product, has stated  
21 that," and I quote, "Right now there is an influx of  
22 Chinese and Korean manufacturers coming into the  
23 diamond sawblade market, and over the next one to two  
24 years, those manufacturers will move more and more of  
25 their manufacturing efforts toward the professional  
26 side of the market."

1           At page 58 and in the accompanying exhibits,  
2 they give examples of what they term "other evidence  
3 showing participation by Respondents in the  
4 professional market that Respondents purportedly do  
5 not serve." Much of that is bracketed. However, one  
6 such example pertains to Ehwa's dedicated subsidiary,  
7 Maverick. How do you respond?

8           MS. KIM: Christine Kim. First of all, I  
9 want to go back to my testimony and restate that Ehwa  
10 Diamond has been in the U.S. industry for a very long  
11 time. We are not a new entrant to the U.S. market,  
12 and, in fact, more than 10 to 15 years ago when we  
13 tried to enter the professional market by servicing  
14 those customer needs with imports from Korea, we found  
15 that it was virtually impossible to address market  
16 needs, and that is why we set up the production  
17 facility in California to try to enter that market.

18           To describe the changes in the industry as  
19 being within the last one or two years is simply  
20 inaccurate. We've been in this market for a very long  
21 time.

22           CHAIRMAN KOPLAN: Thank you.

23           Mr. Griffith, do you want to add something?

24           MR. GRIFFITH: I think we're okay. Thank  
25 you, Mr. Chairman.

26           MR. PARK: David Park of Akin, Gump. Just

1 to add to your last question about one of General  
2 Tool's affiliates, one thing that Christine noted  
3 today is a lot of the professional market is actually  
4 being serviced by their U.S. production, and the same  
5 is true for Diteq RSH Trading. We note that there are  
6 product brochures that are submitted, but lots of  
7 product brochures also cover the U.S. production.

8 So just mere submission of product brochures  
9 or the notion that General Tool cannot supply the  
10 professional market is not correct. They do, in fact,  
11 supply the professional market, and it's because, as  
12 they noted, they tried for many years, and they had to  
13 open up the U.S. operation. So they do have U.S.  
14 operations that are servicing the professional market,  
15 which covers some of the claims made by Petitioners.

16 CHAIRMAN KOPLAN: Thank you for that, Mr.  
17 Park. I appreciate it.

18 Mr. Griffith, I asked this question of  
19 Petitioners earlier. How should I factor nonsubject  
20 imports into my injury analysis? Are there data that  
21 you can provide to assist me in this regard?

22 MR. GRIFFITH: Certainly, Mr. Chairman.  
23 Again, considering the proprietary nature of the  
24 nonsubject imports, we'll address that in our post-  
25 hearing submission.

26 CHAIRMAN KOPLAN: Thank you.

1           This is for the industry witnesses. If you  
2 could tell me of any recent capacity expansions you're  
3 aware of in Korea and China and/or provide any  
4 business plans that describe plans for additional  
5 capacity in either or both of the subject countries.  
6 If I could hear from the industry witnesses on that.

7           MR. NIXON: Doug Nixon, Saint-Gobain. From  
8 our perspective, we've added no capacity in our  
9 factory in Shanghai. It remains the same as it was  
10 when it was first opened. We have other plants around  
11 the world in nonsubject countries, and we have  
12 adequate capacity between there and the U.S.

13           CHAIRMAN KOPLAN: Thank you. Anybody else?  
14 All right. With that, I don't think I have any other  
15 questions. I'll turn to Vice Chairman Okun.

16           VICE CHAIRMAN OKUN: Thank you, Mr.  
17 Chairman, and again thank you for all of the responses  
18 we've heard so far.

19           Mr. Steiner, I'm going to ask a question of  
20 you. It's a little ironic that this morning, the  
21 panel, sitting in your seat was Mr. Walters from Dixie  
22 Diamond, and he had a version of a catalog from Diteq,  
23 and he talked about the fact that if you go through  
24 this, which I have, when you read it, it looks like  
25 it's targeted at a professional market. It talks  
26 about bigger-size blades. It talks about the power

1 requirements. It talks about that they are heavy  
2 duty.

3 So I wanted to give you a chance to comment  
4 on that, what that means in terms of when I look at  
5 the Petitioners' argument that, in fact, the subject  
6 imports are just moving up the food chain.

7 MR. STEINER: Dan Steiner. We do have a  
8 two-sided catalog, one with a construction side and  
9 one with what we call a "pro side." We carry a line,  
10 if you look through the information, of professional  
11 core-drilling products, which are not being addressed  
12 in this situation, and we also carry a line of core  
13 drills themselves from Japan called shibuya. It's a  
14 line of very high-quality, professional, core-drilling  
15 products, and we're known as "Shibuya USA" here in the  
16 States. We repair and service the machines and, of  
17 course, sell them. It's a highly extensive line which  
18 also includes a wall saw, electric core-drill  
19 products.

20 So I think our whole professional image is  
21 built around that product line, and then we've got  
22 core-drilling bits that go along with it and wall saw  
23 blades. In trying to show that we're a full-line  
24 supplier, we can only show up to 54-inch blades. We  
25 would probably have to make the blade in our facility  
26 in Anaheim if we were to deliver one within the next

1 48 hours. We would probably order a core from Western  
2 at Oxnard and put the segments on it and go through  
3 the process that Mr. Corcoran described in finishing  
4 the product.

5 VICE CHAIRMAN OKUN: So if you were to get  
6 an order for one of the diamond sawblades I see in  
7 this catalog in a larger size, you would be producing  
8 it at a U.S. facility.

9 MR. STEINER: Yes.

10 VICE CHAIRMAN OKUN: Okay. In all ranges.

11 MR. STEINER: Yes.

12 VICE CHAIRMAN OKUN: Okay. I was not clear  
13 on that, so I appreciate that clarification. But  
14 today, that isn't where your shipments are, if I  
15 looked at the shipments, U.S. produced shipments not  
16 in the bigger sizes.

17 MR. STEINER: In the bigger sizes, we don't  
18 have the capacity nor the facility to keep a lot of  
19 range in stock. Chances are you could get some 36-  
20 inch blades. We also have a facility in Lee Summit,  
21 Missouri, a suburb of Kansas City. We do keep some  
22 product there in some ranges, but, once again, it's  
23 hard to get the perfect blade in the perfect  
24 situation, and since we're relatively new to the  
25 industry, and we don't have the people power to  
26 support it, we're still in a rather specialized

1 category in these efforts.

2 VICE CHAIRMAN OKUN: Okay. I appreciate  
3 those comments.

4 Mr. Nixon, I wanted to go back to you to see  
5 if you could expand on the response you gave  
6 Commissioner Aranoff with regard to what we heard from  
7 Petitioners that they are not in this market of making  
8 custom blades. These big blades are off the shelf,  
9 and they don't require technical support.

10 You started your response, and I just wanted  
11 to see if you could expand on it and if any other  
12 producers could comment on that because I think that  
13 clearly what we heard this morning is them saying,  
14 that's not what we're making, that's not what we're  
15 producing, and it's off the shelf, and if so, then I'm  
16 trying to make sense of that argument. So I wanted to  
17 see if you had anything additional to add and see if  
18 other producers could add as well.

19 MR. NIXON: Doug Nixon, Saint-Gobain. I'm a  
20 little confused with the response as well. I can,  
21 therefore, only really tell you how we define our  
22 piece of the business, and that typically is not an  
23 inventory business. We stock steel cores, and we make  
24 pretty much on demand. We will carry some inventory  
25 on a couple of items, but for the most part, we make  
26 on demand, and that demand cycle can be, as I

1 described in my opening comments, 24 hours, or it  
2 could be two weeks, but it's certainly never more than  
3 that. That's the core part of our business. It's not  
4 favors to the industry. That is our business, and  
5 that's what we make in California, and that's the  
6 nature of the professional market.

7 VICE CHAIRMAN OKUN: Okay. Mr. Kim, could  
8 you comment on that from General Tool?

9 MR. KIM: Yes. Jae Kim from General Tool.  
10 Many years ago, I had thought, as you did, that there  
11 must be some line of products within the professional  
12 market that could be serviced from Korea because of  
13 larger volumes and that we would simply give up the  
14 specialized products and just service the standardized  
15 items. However, when you look at it from the  
16 contractor's point of view, he doesn't order the  
17 customized products because he just wants to. He  
18 needs to have these products, and if his supplier  
19 cannot source those products, he cannot then go to  
20 another supplier to source those products at a  
21 competitive price.

22 So we found that it was impossible unless  
23 you offer a full capability, offer a full range of  
24 sizes and specifications. The contractors were not  
25 willing to come and talk to you even if you offered  
26 better performance, better products on the

1 standardized types of products. You had to have a  
2 full range of products; otherwise, when he had  
3 requirements for the specialized products, he was  
4 stuck, and he would be losing his job.

5 VICE CHAIRMAN OKUN: Okay. I appreciate  
6 those additional comments.

7 Mr. Griffith?

8 MR. GRIFFITH: Vice Chairman Okun, I would  
9 also like to note that the portion of the staff report  
10 that Lenny Shambon referenced earlier, page I-16, the  
11 last sentence in the first full paragraph, when  
12 describing the professional blades, says that "these  
13 types of goods are typically custom engineered for the  
14 task at hand." That is not an off-the-shelf  
15 manufacturing process.

16 VICE CHAIRMAN OKUN: Right. I had gone back  
17 to read that page after Mr. Shambon cited it, but I  
18 think the point is there is that we still have parties  
19 differing in their views of what it is, and so that's  
20 why I'm just trying to see what other additional  
21 information can be submitted or testimony that we can  
22 gather to help us make sense of what is two different  
23 descriptions of the market.

24 Yes. Mr. Corcoran?

25 MR. CORCORAN: John Corcoran, Sutton  
26 Diamond. I've been at this for about 40 years, and I

1 had, in fact, at one point in time, the job that Mr.  
2 Nixon has now.

3 My experience is that it is possible to  
4 produce some limited number of items that are specific  
5 to a region so they might work in southern California,  
6 but they won't work in northern California for  
7 concrete cutting in a limited range of diameters and  
8 sizes. Although the report information that you have  
9 shows that the value of products in the larger sizes  
10 is quite significant, we need to remember that the  
11 number of pieces that are involved, because the price  
12 per piece is fairly low, is not so many pieces. So as  
13 we climb up the diameter scale, the number of pieces  
14 that we might be able to inventory for a variety of  
15 locations, for a variety of materials to be cut  
16 becomes an almost impossibility.

17 I think that's what we're referring to here,  
18 that, yes, you can hit some items, but when you get to  
19 the larger sizes, a different horsepower saw, a  
20 different material being cut, a different condition  
21 under which the cutting occurs forces you to  
22 reengineer the product. So they are custom  
23 engineered, and they are custom engineered for demand  
24 that occurs in an overnight fashion. Telling a  
25 customer, "I'll have it for you next week," when he is  
26 sitting waiting for a product just doesn't work.

1 Certainly, that's been my experience over the last few  
2 years.

3 VICE CHAIRMAN OKUN: Okay. I appreciate  
4 those comments.

5 Then with regard to the no-injury argument,  
6 and I note that you had put the charts up earlier, Mr.  
7 Rogers, and just for purposes of post-hearing, if you  
8 can be sure that you also make that argument with  
9 regard to if the Commission were to exclude the three  
10 related parties and if the Commission were to exclude  
11 the fourth-related party, how your argument would  
12 change.

13 MR. GRIFFITH: Certainly, Vice Chairman  
14 Okun. In the post-hearing brief, we will address  
15 those issues, separating out those companies that  
16 Petitioners claim should be excluded. Given the  
17 proprietary nature of the data, we can't comment here.

18 VICE CHAIRMAN OKUN: I don't need you to  
19 comment on it here, but just make sure that you do  
20 that.

21 MR. GRIFFITH: Okay.

22 VICE CHAIRMAN OKUN: And then just a follow-  
23 up on the questions that you've received with regard  
24 to related parties for post-hearing, that if you  
25 could, and I know you've done some of this already in  
26 prehearing, but continue to look through the

1 Commission's prior decisions on related party to give  
2 any guidance on how in this particular situation we  
3 should be evaluating the related party provision and  
4 its intent and purpose.

5 MR. GRIFFITH: Certainly, Vice Chairman  
6 Okun. In our post-hearing, we will comment on this  
7 further and will also again review the Commission's  
8 precedent in this area for guidance.

9 VICE CHAIRMAN OKUN: Okay. Then perhaps  
10 tied into what I think has been an argument in there  
11 and heard consistently in the testimony today about  
12 the effect of the order is to make the world safe, as  
13 it were, for imports from Thailand. If you could help  
14 me on that in relating it to whether I should, in  
15 fact, be saying you have to consider if the  
16 nonsubjects are being fairly traded versus unfairly  
17 traded and whether that changes your argument or not  
18 because, again, an antidumping order doesn't prohibit  
19 imports from the subject countries; it just means they  
20 will be fairly traded. Correct?

21 MR. GRIFFITH: Correct.

22 VICE CHAIRMAN OKUN: If you put an order on,  
23 these guys are going to bring in all of their Thai  
24 product. I just want to make sure you take into  
25 account that we're talking about what the Department  
26 of Commerce has found as unfairly traded goods versus

1 nonsubject imports and whether that matters --

2 MR. GRIFFITH: Certainly. In our post-  
3 hearing, we'll address this further, Vice Chairman  
4 Okun, but also it goes to the issue of whether  
5 imposition of an order would allow the U.S. producers  
6 to increase their production or to otherwise benefit  
7 from the Commission's exercise of your considerable  
8 authority, and the position of the witnesses you heard  
9 today was that it would not. It would simply allow  
10 them to import more from Thailand. It would not allow  
11 them to increase the U.S. production. The trade  
12 statutes, of course, are written to protect U.S.  
13 production, not imports from Thailand.

14 VICE CHAIRMAN OKUN: Okay. Thank you very  
15 much, Mr. Griffith. Thank you, Mr. Chairman.

16 CHAIRMAN KOPLAN: Certainly.

17 Commissioner Hillman?

18 COMMISSIONER HILLMAN: Thank you. A couple  
19 of follow-ups, I hope, on this issue of the assembly.  
20 Mr. Corcoran, in response to one of the other  
21 questions, you very carefully went through what the  
22 process is of affixing the segment to the core, but I  
23 wasn't sure whether you gave us or whether you have a  
24 value-added range that you think gets created. In  
25 other words, if you take the cost of the core and the  
26 cost of the segment versus the cost of the finished

1 item, how much value is typically being added?

2 MR. CORCORAN: It's somewhat difficult to  
3 answer, but I'm not going to try and hedge and give  
4 you a range and say somewhere between 10 and 30  
5 percent of the value added is associated with the  
6 assembly process. The reason that that varies, quite  
7 honestly, is the cost of the diamond moves around a  
8 whole heck of a lot between a very inexpensive blade  
9 and very expensive blade in a particular diameter  
10 because the end use application dictates the amount  
11 and quality of diamond that we put in.

12 So it causes, therefore, the numbers to move  
13 around a little bit, but the absolute value of it  
14 stays about the same. In a very inexpensive blade,  
15 the assembly process can be a significant portion of  
16 the total cost, wherein a blade with a high diamond  
17 cost and content, then the assembly process becomes a  
18 small portion of the total cost.

19 COMMISSIONER HILLMAN: Does that change in  
20 terms of whether you're talking about laser welding as  
21 opposed to braising soldering?

22 MR. CORCORAN: If you're talking about laser  
23 welding and braising soldering, there is a very slight  
24 difference. Really, the biggest difference there is a  
25 trade-off between the operating costs of a very  
26 expensive machine in the laser welder and the cost of

1 the silver solder that's being used, and silver is not  
2 cheap. So in the end, those would be very, very  
3 similar because of that trade-off.

4 COMMISSIONER HILLMAN: Okay. I appreciate  
5 that answer. Help me understand. Sutton Diamond.  
6 Tell me a little bit about your business.

7 MR. CORCORAN: Sutton is a reseller, so  
8 we're one of the people that brand products. My  
9 primary supplier is General Tool, so I purchase  
10 product from General Tool and from one of the other  
11 U.S. producers and brand that and resell it through a  
12 distribution channel. We don't sell anything direct  
13 to the professional end users but rather to  
14 distributors.

15 COMMISSIONER HILLMAN: Are you doing any  
16 finishing on it, or are you purchasing fully finished  
17 product?

18 MR. CORCORAN: The final finishing operation  
19 for us consists of a silk-screening process and an  
20 engraving process, boxing, labeling, those sorts of  
21 processes. The product comes to us in a semi-finished  
22 state with a clear lacquer finish on it. The  
23 subsequent operation then just really are branding  
24 operations.

25 COMMISSIONER HILLMAN: But you are not doing  
26 this affixing of the segment to the core that you've

1 just been describing. That's not what you're doing.

2 MR. CORCORAN: It's not what I'm doing, but  
3 it is my experience. I was director of research at  
4 the time the original laser welding process was  
5 developed and subsequently the production manager in  
6 that facility where the first laser blades were  
7 produced.

8 COMMISSIONER HILLMAN: You obviously were  
9 very knowledgeable about the process. That's why it  
10 was throwing me off a little bit that that's not --

11 MR. CORCORAN: The current job and then are  
12 different.

13 COMMISSIONER HILLMAN: Okay. All right. I  
14 appreciate that very much.

15 Mr. Nixon, you had wanted to add something.

16 MR. NIXON: Yes. Thank you. Doug Nixon,  
17 Saint-Gobain. I just wanted to clarify. The laser  
18 welding process has been characterized as being a very  
19 simple process that can be done anywhere. The fact of  
20 the matter is we're talking about a piece of equipment  
21 that, on average, costs about a quarter million  
22 dollars, and it is a very, very difficult piece of  
23 equipment to both set up and run continuously. The  
24 notion that this doesn't get added into the value of  
25 the product is just not correct at all.

26 The way you can come up with whether or not

1 it's an inconsequential cost is really done in the  
2 accounting, and every company does their accounting  
3 differently. Some companies represented this morning  
4 that they only put burden on their product on the  
5 front end. Well, that just ignores the fact that  
6 there is cost associated in the rest of the process.  
7 So it's a bit of a shell game in terms of where the  
8 cost is, but laser welding is a very expensive  
9 process.

10 COMMISSIONER HILLMAN: To follow up on that  
11 also, we heard testimony this morning that there are  
12 out there lots of laser weld sort of jobbers that  
13 theoretically could, in essence, purchase cores,  
14 purchase segments, do the welding as a jobber. Are  
15 you aware of any that are actually using their laser  
16 welders to make finished diamond sawblades?

17 MR. NIXON: No, I am not. It's not a  
18 process that we've ever looked at, and we've never  
19 used that. It could be a repair operation, but it's  
20 certainly not something in the process.

21 COMMISSIONER HILLMAN: Anyone else out there  
22 aware of any of these --

23 MR. CORCORAN: I'll go back to the comments  
24 that I think Andy Jedick made earlier today. At one  
25 point in time when laser welding first was developed,  
26 there were various shops around that attempted to and

1 sometimes succeeded in producing a sort of limited  
2 level of product. If you look at doing that today,  
3 where you would use some very simple fixturing to be  
4 able to do laser welding, the question that you might  
5 ask is can it be done, and the answer is yes. Can it  
6 be done at a price that you could afford then to sell  
7 the blade at? I guess I would argue no, heck no. It  
8 would be very, very hard to have that happen.

9 There are shops out there. The probability  
10 of them then coming into the business, purchasing  
11 cores and purchasing segments, is, in my mind, pretty  
12 limited because if you look at what we're doing in  
13 laser welding today, we have a pretty high level of  
14 automation that's necessary to get the throughput and  
15 to keep the costs down.

16 COMMISSIONER HILLMAN: Okay. I appreciate  
17 that. Ms. Kim?

18 MS. KIM: Christine Kim. I just want to add  
19 one comment about the safety issue as well. It was  
20 raised earlier this morning about whether these  
21 products that are running at very high RPMs can pose  
22 any safety risks, and that is very true. The producer  
23 who is actually welding the segments onto the core is  
24 carrying the liability risk of those products running  
25 safely, and it's not a simple process of simply gluing  
26 on a segment to a core. There is actually a lot of

1 engineering involved in making sure that the segments  
2 are attached properly to the core and that it will run  
3 safely at very high RPMs. It's hard to imagine a  
4 local welder taking on that liability risk.

5 COMMISSIONER HILLMAN: I appreciate those  
6 answers.

7 Mr. Nixon, if I can go back to you as well  
8 to clarify a little bit of this issue. You sort of  
9 put the line in the sand, as you described it, at the  
10 pro market working off of a 35-horsepower motor or  
11 above, but help me understand the other issues that  
12 would then go with that in terms of is there a minimum  
13 size, does it have to be a laser weld, soldered  
14 product as opposed to a centered product, continuous  
15 versus segmented, or wet versus dry? Do any of those  
16 other factors come into place in this line in the  
17 sand?

18 MR. NIXON: Doug Nixon, Saint-Gobain. Yes.  
19 The horsepower is just one factor. It happens to be  
20 the size of motor on a particular walk-behind saw,  
21 which is generally self-propelled. The blade is  
22 generally a segmented blade. It's laser welded. It  
23 can be run either wet or dry, so it's got multiple  
24 applications in that regard. Centered blades would  
25 not, generally speaking, be something that you would  
26 see on this kind of equipment and certainly not being

1 used by professional contractors in road-cutting  
2 applications.

3 COMMISSIONER HILLMAN: Okay. I appreciate  
4 that. That's extremely helpful.

5 Then we get to this issue of the custom  
6 account, and you all have testified a fair amount, but  
7 I'm trying to get a sense of what you would say is the  
8 portion of the market that would still be what you  
9 would describe as custom, meaning made to order or not  
10 an off-the-shelf product. Do any of you have a sense,  
11 from your perspective, of how significant the custom  
12 market is? We heard the Petitioners this morning  
13 describing it as reasonably small, somewhere in the  
14 range of 10 percent or less, in their view, of the  
15 market remains a custom market. I wondered if I could  
16 get your perspective on that.

17 MR. PARK: David Park of Akin, Gump. I'll  
18 open it up to the others in terms of an actual  
19 percentage, but to clarify, I think what Mr. Nixon  
20 mentioned earlier about a difference in terminology of  
21 what we have been calling the customized market or  
22 custom engineered versus what I think the testimony by  
23 Petitioners this morning represented.

24 What we had represented by custom engineered  
25 goes to the notion that there is a lot of concrete  
26 being cut in the United States. You're heard the

1 notion of these aggregates, and concrete is a mixture  
2 of cement and water and aggregates, and the aggregates  
3 are these ground-up rocks that are supplied locally.  
4 Well, in the United States, depending on where you are  
5 locally, you're going to get the different aggregates,  
6 and for each different aggregate, you're going to need  
7 a different blade.

8           So when we've been referring to custom-  
9 engineered, professional products, that's what we  
10 meant. It's being custom to that particular  
11 aggregate, and when people have talked about not being  
12 able to supply, again, we mentioned the aggregate map  
13 in the Diamond Products brochure, and it's everywhere  
14 else. You don't know when the next job is going to  
15 come, and you can't supply or keep in stock all of  
16 these blades that are possibly going to be able to  
17 attack each and every different type of aggregate.  
18 Therefore, they become U.S. producers, and at times  
19 it's trial and error. You don't know if it's  
20 particularly going to work.

21           That's been our definition, and I think what  
22 you've heard today was not the custom engineering for  
23 aggregates, but it's the customization or tweaking  
24 that certain customers may ask in addition that has  
25 nothing to do with aggregates. I think that's the  
26 definitional difference of what we've been talking

1 about today and what you heard this morning. In terms  
2 of the actual percentage, I'll open that up to the  
3 group, if anyone knows.

4 COMMISSIONER HILLMAN: It doesn't have to be  
5 exact. I'm just trying to get a sense of it because  
6 what I heard this morning was that it's relatively  
7 small, again, 10 percentish or less, so I'm wondering  
8 whether there is a general agreement among this panel  
9 that that's about the right number.

10 MR. CORCORAN: John Corcoran at Sutton  
11 Diamond. I think this panel would say, no, it's  
12 substantially bigger than that, 25 to 50 percent of  
13 the market. We haven't had a prediscussion about it,  
14 so that would be my guess.

15 COMMISSIONER HILLMAN: Okay. All right.  
16 Given that the red light has come on, and I see no  
17 other comments, I appreciate that answer. Thank you  
18 very much.

19 CHAIRMAN KOPLAN: Thank you.

20 Commissioner Lane?

21 COMMISSIONER LANE: I want to start off by  
22 admitting that I am somewhat confused by one of the  
23 concepts that we've talked about here today. This  
24 idea that certain professional blades need support,  
25 and that's why people will be buying the product here  
26 rather than going to Korea; tell me what kind of

1 support you need for a blade.

2 MR. STEINER: Dan Steiner from Diteq. I can  
3 be very specific and job site examples on airports or  
4 critical bridge jobs. Let's say you're doing a bridge  
5 job on I-95. It's wintertime. The highway can only  
6 be closed one lane on a weekend at night. It's cold.  
7 You're using salt water for coolant because you don't  
8 want it to freeze.

9 COMMISSIONER LANE: It doesn't sound like a  
10 lot of fun.

11 MR. STEINER: No, The particular blades you  
12 bought in from whoever, you bought in a half a dozen  
13 blades, and you're starting to run them. They are  
14 glazing over. There is a serious steel problem in the  
15 bridge deck. You make a cut in concrete, and it  
16 binds, and you get a blade locked up. It happens, and  
17 a contractor can find himself upside down within a day  
18 or two on a job thinking he had bid it correctly.  
19 Then he needs a metallurgical engineer and/or a sales  
20 engineer, technical engineer on site, one to help him  
21 get a better blade, a blade that cuts quicker, cuts  
22 faster, gets him better footage, and that's where, as  
23 David mentioned, the tweaking starts.

24 The reason an import can't compete is I  
25 can't call back to Incheon, Korea, and say, "Hey, I  
26 need to put smaller mesh diamond in this blade. I

1 want to stretch this segment out. Let's don't laser  
2 weld it. Let's braise it. Let's go with a thicker  
3 blade or a thinner core or a thicker core," whereas a  
4 U.S. manufacturer has that advantage where they could  
5 almost do that overnight or within 36 to 48 hours.

6 COMMISSIONER LANE: And so on this  
7 particular job, it might be the blade itself that  
8 needs further refinement rather than the saw or piece  
9 of equipment.

10 MR. STEINER: Yes. Using a certain type of  
11 equipment will vary, even in a certain time of the  
12 year. A lot of the big saws today are diesels. A  
13 diesel saw is a torque-driven product that runs very  
14 well at a consistent RPM, but the moment you hit  
15 serious steel or get into a critical part of the job,  
16 the saw tends to bog down, and it takes a long time to  
17 react and ramp itself back up where a gas engine  
18 reacts a lot quicker. A lot of it does depend on  
19 equipment and operator and conditions of the job.

20 The contractor is trying to get the maximum  
21 usage out of the product at the lowest possible cost,  
22 and that's where tweaking or reengineering a product  
23 during the job can save him a lot of money.

24 COMMISSIONER LANE: Okay. Thank you. That  
25 was very helpful.

26 I note from press reports, and I asked this

1 question this morning, that there appears to be a  
2 downturn in the sale of new and existing homes in the  
3 United States. Do you see a slowdown in sales of  
4 diamond sawblades in part of the U.S. market? If so,  
5 would you be able to identify if sales of particular  
6 types of products are slowing down more than others,  
7 such as bi diameter and configuration, and are certain  
8 channels of distribution affected more than others?

9 MR. GRIFFITH: Spencer Griffith. I'll start  
10 out and see if any others want to have any comments.

11 One of the points that Mr. Rogers made in  
12 his testimony was that in the professional sector  
13 demand, in fact, is expected to grow as a result of  
14 the highway bill authorization. So it's our belief  
15 and our position that demand and growth in that sector  
16 is going to be increasing, not decreasing.

17 The decline in residential building, to the  
18 extent that that exists, would not affect that  
19 professional sector of the market where, we submit,  
20 Petitioners are focused. Others may have additional  
21 comments.

22 MR. NIXON: Doug Nixon, Saint-Gobain. I  
23 would just add that new home starts do not typically  
24 drive the DIY end of the business because people who  
25 might otherwise have moved up to another home tend to  
26 stay and fix the one they have, so the sales actually

1 are just in opposite direction really when we see a  
2 slowdown. But our expectation for the balance of this  
3 year is not to see a slowdown in this market.

4 MR. CORCORAN: I would just add -- John  
5 Corcoran, Sutton Diamond -- I would just add, having  
6 looked at this thing for so many years -- that our  
7 business tends to be a following rather than a leading  
8 indicator. So if residential, for example, goes down,  
9 quite frankly, we wouldn't see anything for about six  
10 months or so. It tends to follow partially because  
11 there is an inventory of distributors that we're  
12 filling and refilling, so that's a buffer, and  
13 partially because of the way the jobs lay themselves  
14 out. We're involved in the process, which is  
15 typically somewhat earlier on.

16 COMMISSIONER LANE: Okay. Thank you.

17 Do sales of diamond sawblade to so-called  
18 "branded distributors" compete in the marketplace with  
19 sales of diamond sawblades to other distributors?

20 MR. DELAHUNT: Commissioner Lane, Brian  
21 Delahunt. I have to say yes and no. We also sell to  
22 other branded distributors under private label  
23 agreements. So in some ways, we're actually competing  
24 with our own customer.

25 So it's hard to say. I think that people do  
26 buy based on brand, so if a customer is coming in

1       there, and they don't recognize the brand of the  
2       product that they are looking at, they will generally  
3       go to the brand that they are most comfortable with or  
4       the brand that they have had a good experience or  
5       offers a certain guarantee.

6                COMMISSIONER LANE:  Okay.  Does anybody else  
7       have a comment?

8                MR. KIM:  Jae Kim from General Tools.  When  
9       we reported those numbers, as an importer, the supply  
10      that we made to branded distributors in most cases  
11      does not compete with what we define as other  
12      distributors because most of the products we described  
13      as sold to brand distributors end up in Home Depot and  
14      Lowe's and those types of markets.

15               COMMISSIONER LANE:  Okay.  Thank you.

16               Mr. Shambon, I think that your argued that  
17      the United States market for diamond sawblades is  
18      segmented between professional and general use  
19      applications.  Does a truly segmented market require a  
20      different form of analysis than a market that is not  
21      segmented?

22               MR. SHAMBON:  Yes.  Your common law history  
23      for attenuated competition would tell you how to deal  
24      with that kind of a market.

25               MR. GRIFFITH:  Commissioner Lane, Spencer  
26      Griffith.  I'll add a few words on that.

1           Yes, it's our position that the existence of  
2 a highly segmented market is important to the  
3 Commission's analysis and what it does, it's our  
4 position that that shows attenuated competition and  
5 that when looking for example at import volume and  
6 import trends in isolation you would miss the fact  
7 that those imports are not entering the same sector of  
8 the market as the domestic producers.

9           So we do think it takes a more refined  
10 analysis by the Commission, which the Commission has  
11 done frequently in past cases.

12           COMMISSIONER LANE: Thank you. That was very  
13 helpful.

14           Notwithstanding arguments of attenuated  
15 competition, can the Commission find the volume of  
16 subject imports not to be significant in light of the  
17 growth of subject imports and the fact that such  
18 imports constitute more than one-third of the U.S.  
19 market?

20           MR. ROGERS: This is Tom Rogers.

21           I think if you look at the data you'll see  
22 that when you separate the market between the  
23 professional and the general use or DIY market, you'll  
24 see that the growth has come in the part of the market  
25 where the Petitioners really aren't major  
26 participants. So that growth has not come at the

1 expense of U.S. producers. If you look at the market  
2 that way you see there is not causation.

3 COMMISSIONER LANE: Thank you.

4 Mr. Chairman, I see my yellow light on.  
5 I'll wait until the next round.

6 CHAIRMAN KOPLAN: Okay, Commissioner  
7 Pearson?

8 COMMISSIONER PEARSON: Commissioner Lane, a  
9 few minutes ago I thought you were about to suggest  
10 that we should consider taking a field trip to a  
11 highway construction site at 3:00 a.m. in the middle  
12 of the winter to see how these blades work, but --

13 COMMISSIONER LANE: Only if it's in Hawaii.

14 COMMISSIONER PEARSON: There was mention  
15 made just a few minutes ago to having serious steel  
16 problems when cutting in concrete. Here at the  
17 Commission we have some familiarity with serious steel  
18 problems, but they might be different than what you're  
19 describing.

20 Are you talking about cutting into rebar or  
21 angle or tensioning cables in prestressed concrete?  
22 What exactly is going on?

23 MR. STEINER: Dan Steiner. Absolutely.

24 That's exactly what we're talking about. you've got a  
25 90 year old bridge crossing the Potomac, who knows  
26 what they put in it? They could have used trolley

1 rail tracks for instance with concrete wrapped around  
2 it. You don't know what you're going to get into  
3 until you actually get into it.

4 COMMISSIONER PEARSON: And the steel that  
5 the blade would run into it, can be cut by the blade  
6 but it's more difficult than cutting the concrete?

7 MR. STEINER: Yes. You notice it right off.  
8 Sparks will be thrown, especially at 3:00 a.m.. Yeah,  
9 you have to slow down, and it's hard on the blade,  
10 it's hard on the machine, it's hard on everything.

11 COMMISSIONER PEARSON: In that circumstance  
12 then the contractor might give you a call and ask  
13 please can you get me a blade with segments that are  
14 more well suited to cutting this steel?

15 MR. STEINER: A much softer bond, and of  
16 course a critical call would come out probably too.

17 COMMISSIONER PEARSON: I think I understand  
18 what you're up against.

19 Given that you at least occasionally have to  
20 put together a specialty blade to deal with the  
21 circumstances that one of your customers has run into,  
22 do you maintain an inventory of the cores that you'd  
23 need? Or are you able to get cores quite quickly from  
24 U.S. suppliers?

25 MR. STEINER: Being that we're Southern  
26 California, we buy through our affiliate SH Trading.

1 Some cores are available but specialty cores are not  
2 and they're bought at that time.

3 COMMISSIONER PEARSON: So you normally would  
4 not try to maintain an inventory of those cores?  
5 Someone else holds that inventory and you're able to  
6 get it?

7 MR. STEINER: Somebody else is responsible  
8 for it. There are a lot of different cores in stock  
9 and it's what's available at the time and how it  
10 matches the job.

11 We may go to another manufacturer of diamond  
12 tools to see if he can sell us a core. Maybe he's got  
13 one in stock also.

14 COMMISSIONER PEARSON: In our staff report  
15 there's an argument that at certain times of the year  
16 there might be limitations on U.S. production of  
17 cores. In the peak construction season, as I recall,  
18 there's the thought that U.S. manufacturers might not  
19 be able to produce more cores. I think we heard  
20 testimony this morning that there would be the  
21 potential of adding another shift. But for the one  
22 core that you need that you might have to wait for,  
23 you've not had an experience of being put on  
24 allocation or otherwise having to deal with supply  
25 constraints in terms of the inputs that go into your  
26 sawblades?

1 MR. STEINER: Dan Steiner. Not of my  
2 personal knowledge, now. Maybe some of the other  
3 people --

4 COMMISSIONER PEARSON: Mr. Nixon?

5 MR. NIXON: Doug Nixon, Saint-Gobain  
6 Abrasives. Yes, it has come up on occasion. It was a  
7 factor last year. The market was very hot in the  
8 middle of the summer and our U.S. core supplier was,  
9 generally speaking, unable to supply us our needs and  
10 it just pushed our lead time out considerably.

11 So as a result of that we tend to carry more  
12 inventory, to your earlier question, we carry some  
13 inventory of cores. It can be a problem. Regardless  
14 of what you heard this morning with tons of capacity  
15 and able to jump on it in 20 minutes, that wasn't what  
16 we saw last summer.

17 COMMISSIONER PEARSON: I have a question  
18 about price. There's been a fair amount of discussion  
19 about that today with the Petitioners taking the  
20 position that price is a really important factor in  
21 the purchasing decision. If I'm understanding what I  
22 hear from you, you'd argue that it's somewhat less so.

23 What I'm wondering is, is there an argument  
24 that price is relatively more important for the  
25 smaller blades that would be used by the do it  
26 yourselfers? And as you get into larger and more

1 expensive and sophisticated blades that price might  
2 become relatively less significant and service and  
3 availability would become more so? Could you discuss  
4 that please? At least for myself I don't think I have  
5 a real clear understanding of the role of price yet in  
6 this marketplace.

7 MR. ROGERS: Yes, Commissioner Pearson, if I  
8 may. This is Tom Rogers.

9 If you look at page 255 of the staff report  
10 you'll see the tabulation 2-3 which lists the  
11 importance of purchase factors for finished diamond  
12 sawblades. It's based on purchaser data, not  
13 importers or producers.

14 You'll see there that price is the sixth  
15 characteristic in terms of in the very important  
16 column. So I would disagree with Petitioners'  
17 characterization that price is the most important  
18 factor.

19 As far as your other hypothesis that price  
20 is more significant in the lower quality blades, that  
21 makes sense to me but I'd turn it over to the industry  
22 representatives.

23 COMMISSIONER PEARSON: And let me just note,  
24 Mr. Rogers, the table that you reference aggregates  
25 all the diamond sawblades together so it's not  
26 splitting out in any way the various sizes.

1           MR. ROGERS: Right, that is correct. But  
2 that is the market overall.

3           MR. DELAHAUT: Commissioner Pearson, I can  
4 tell you at the retail level, the customers we have,  
5 availability is extremely important. Price is a  
6 negotiated process that occurs well before the  
7 ordering process happens.

8           I can give you an example. At one of our  
9 large retailers, Sears needed 30,000 blades and they  
10 needed them in three days.

11           So when you look at that, availability  
12 becomes a huge issue to these retailers. If their  
13 retail space does not have product they don't sell it.

14           COMMISSIONER PEARSON: And at the higher  
15 end, the more expensive, larger blades?

16           MR. DELAHAUT: At the higher end, the larger  
17 blades, the prices is not as critical. You may get a  
18 customer who says I can buy it from a competitor at  
19 this price. you have to make a decision right there.  
20 And it doesn't swing more than probably 10 percent of  
21 the price.

22           COMMISSIONER PEARSON: Any other comments on  
23 price?

24           MR. NIXON: Doug Nixon, Saint-Gobain.

25           Price is an issue on small blades because,  
26 particularly in the retail market you're up against

1 not only other competitive diamond blades, but as  
2 you've heard today you also have competing products  
3 such as aluminum oxide abrasive cutoff wheels.

4 So if the price point is allowed to get too  
5 close then it's a very hard decision for the casual  
6 walk-in customer to decide to pay what might be an  
7 inordinant step up to get to the diamond blade. He  
8 knows he can get the job done with the abrasive blade,  
9 it just might take a little longer.

10 COMMISSIONER PEARSON: I think my last  
11 question has to do with your projections for demand in  
12 the United States. And given that you're seeing this  
13 as a rather segmented marketplace, what are your  
14 projections for demand at the less expensive end, the  
15 more expensive end? How would you describe demand  
16 conditions over the next couple of years as you're  
17 seeing them now?

18 MR. DELAHAUT: Brian Delahaut from MK  
19 Diamond.

20 On the DIY general use products, we're  
21 seeing almost double digit demand this year and we're  
22 projecting the same for next year. There continues to  
23 be, be it from the DIY's and the general contractors,  
24 this pent-up need to continue to buy those types of  
25 products. so we're anticipating that that growth will  
26 continue in those market segments.

1           The other thing is that awareness is also a  
2 very key and critical part of this demand. As more  
3 consumers that are out there become aware of these  
4 diamond tools and their functionality as well as their  
5 capability, they tend to stray away from an abrasive  
6 blade and buy a diamond blade because of the value,  
7 the safety, as well as the performance.

8           COMMISSIONER PEARSON: If there would be a  
9 slowdown in residential construction would you see  
10 some slowdown in consumption of those do it yourselfer  
11 blades? Or is there so much remodeling to be done  
12 that the demand would still be there?

13           MR. DELAHAUT: I agree with Mr. Corcoran.  
14 We don't lead, we generally follow. I don't think  
15 there would be any slowdown. There still is a lot of  
16 restoration that has to be done to homes. Just like  
17 painting, it's a continual process, and diamond blades  
18 are a part of that process when you really begin to  
19 look at what homes are made of today.

20           COMMISSIONER PEARSON: Mr. Chairman, if I  
21 could --

22           For the larger, more expensive blades, there  
23 is hope that there will be reconstruction from  
24 hurricanes at some point, there's hope that office or  
25 high rise construction might increase, and there's  
26 been some discussion about highway construction. Are

1 you expecting relatively more growth in consumption or  
2 in demand for the expensive blades than we saw during  
3 this period of investigation?

4 MR. ROGERS: This is Tom Rogers.

5 As a general matter I think we've seen  
6 fairly strong economic growth. obviously as we  
7 described there was a slowdown in disbursements for  
8 the highway program which has now been released, and  
9 we would expect that for the professional market the  
10 demand will continue to grow along with the economy,  
11 plus its additional boost from the highway bill. So I  
12 would argue that from the demand perspective there's  
13 certainly no threat here.

14 COMMISSIONER PEARSON: Thank you very much.

15 Mr. Chairman, I have no further questions.  
16 I appreciate your indulgence.

17 CHAIRMAN KOPLAN: Sure. Thank you,  
18 Commissioner.

19 Commissioner Aranoff?

20 COMMISSIONER ARANOFF: Thank you, Mr.  
21 Chairman.

22 Let's say for purposes of argument that I  
23 accept that there is a professional concrete cutter  
24 market which has to be served almost exclusively by  
25 domestic product and that there's a do it yourself  
26 market that for historical reasons is served almost

1 entirely by subject product.

2           It seems to me that there are a lot of other  
3 end users and end uses that fall in between those two  
4 categories and account for a substantial share of the  
5 market. I wanted to list a few of those and then ask  
6 the panel here in each case whether subject product  
7 from Korea or China, to the extent that you know about  
8 it, serves that particular use. I would certainly ask  
9 the Petitioners in their brief to address those same  
10 categories and give me a sense of how much of the  
11 market this is.

12           To me this would fall into the sort of home  
13 building, home remodeling, some of these categories.

14           For example, landscapers who do stone work.  
15 That seems to be a growing market if I look in all my  
16 neighbors' backyards. Is the subject product used in  
17 those kind of applications?

18           MR. STEINER: Dan Steiner from DITEQ.

19           That would be described in more of the do it  
20 yourself or small contractor realm. He would be the  
21 one doing the paver work and doing the work, the one  
22 pickup contractor, so to speak, or the landscape  
23 company that may employ 40 people with pickups, but  
24 each of them have their own saw and most of the  
25 professionals that work for that company will pretty  
26 much operate independently.

1                   COMMISSIONER ARANOFF:  Would you  
2                   characterize that kind of a person, a landscape  
3                   company that employs 40 guys all with pickups and saws  
4                   as being part of what you're describing as the DIY  
5                   market that doesn't interest the domestic industry?

6                   MR. STEINER:  If they got big enough as a  
7                   landscape company and they were getting into Bobcat  
8                   rentals, which is a small excavation type product, or  
9                   grading product, moved up into mixers and items like  
10                  that, then they may want to go to B&W Equipment in  
11                  Annapolis Junction, Maryland to rent or purchase those  
12                  further items.

13                  COMMISSIONER ARANOFF:  How about a basement  
14                  waterproofing company?  They're cutting concrete out  
15                  of your foundation, right?

16                  MR. STEINER:  Absolutely.

17                  COMMISSIONER ARANOFF:  Are they using a four  
18                  inch blade or are they using an 18 inch blade?

19                  MR. STEINER:  Most of them like to use a  
20                  jackhammer, to be honest with you, because they like  
21                  the jagged edge.  They don't like a sawed edge to come  
22                  back to.  Because they'll put a French drain in so  
23                  they'll get the drainage, and they prefer a jagged  
24                  edge.

25                  I would prefer it sawed, but they don't like  
26                  it like that.  But yes, that would be a good example.

1 Or a tuck pointing contractor on all these masonry  
2 buildings where they would consume a lot of blades.  
3 But that would be a little bit more of a bigger  
4 contract.

5 COMMISSIONER ARANOFF: What if I'm looking  
6 at something bigger? What if I'm looking at a  
7 national home builder who puts up whole developments  
8 of houses?

9 MR. STEINER: They'll subcontract the tile  
10 work to a local tile person. You're talking about an  
11 S&H or a Beaser or one of these big homebuilders.  
12 They're a general contractor. They would not get into  
13 diamond usage whatsoever. Most of their work is  
14 subcontracted all the way down the line. Including  
15 their painting and concrete work, flat work, basement  
16 work, everything.

17 COMMISSIONER ARANOFF: What I'm trying to  
18 establish here is aside from what you guys have  
19 described as the professional concrete contractors who  
20 use really big blades and are doing something very  
21 specific with them, and the do it yourself/guy with  
22 the pickup market who are using relatively small  
23 blades that they can pop into their existing tool. Is  
24 there a market in between that's using blades in the  
25 mid range that's being served by both imports and  
26 subject product? Who are those guys and how big is

1 the market? Is that the 12-14 inch that we've been  
2 hearing so much about?

3 Mr. Nixon?

4 MR. NIXON: Doug Nixon, Saint-Gobain.

5 Yes, there is a market. It's partially  
6 reflected in what I was describing in the typical Home  
7 Depot where they have a contractor department. But by  
8 far the biggest chunk of that market is covered by  
9 some of the national rental firms such as RSC, Hertz  
10 Rental, United Rental, a host of others that are in  
11 that business of renting light equipment, so it's kind  
12 of a light equipment contractor segment that has a bit  
13 of a sweet spot, if you will, on that kind of product  
14 where it's under the 35 horsepower to a large extent,  
15 and using diamond blades and/or abrasive blades in the  
16 neighborhood of the 12-14 inch size.

17 I hesitate to say what that market size is.

18 COMMISSIONER ARANOFF: Since what our data  
19 are showing us is that one of the really big areas of  
20 overlap in this case is in that 12-14 inch category.  
21 Anything that either side wants to submit to  
22 demonstrate to us where those are going, who's using  
23 them? If it is the rental market that would be  
24 helpful to know, whether individual rental companies  
25 are -- We don't have any purchaser witnesses here on  
26 either side today who represent the rental companies

1 who could tell us what the competition is like in that  
2 segment of the market.

3 MR. ROGERS: Commissioner Aranoff, this is  
4 Tom Rogers.

5 I'd like to make one point. Obviously we're  
6 talking about market segmentation, and the Commission  
7 has seen that in many cases. But even if you don't  
8 have market segmentation, if you go back and look at  
9 the underlying health of the U.S. industry and look at  
10 the trends, you'll see that there's no causation here.  
11 Whether you segment it or you don't, and whether there  
12 is overlap in the middle or there isn't, and there's  
13 some discrepancy, difference of opinion there perhaps  
14 when you're talking about size and quality and all  
15 those other issues. But when you get right down to  
16 it, this industry is doing great and there's no casual  
17 link here.

18 COMMISSIONER ARANOFF: Mr. Rogers, I take  
19 your point which I take to be that even if I decide  
20 there's some substantial portion of the market where  
21 there is head to head competition, that doesn't mean  
22 Petitioners win because I still have to get the  
23 causation. So I take your point.

24 MR. PARK: Commissioner Aranoff, David Park.

25 Just to get to your point, and we will  
26 address that in our brief, but just the way you

1 characterized it, you made it sound as if there was a  
2 professional market and there was a DIY market and  
3 then there was a 12-14 inch market that wasn't covered  
4 by both.

5 I think what we've been demonstrating to you  
6 today and earlier on in the testimony is even within  
7 the 12 to 14 inch that market is segmented. In other  
8 words there are professional blades that are 12 and 14  
9 inch and there are 12 and 14 inch blades that are DIY  
10 or general contractor. So I don't think it's just 12  
11 and 14 inch absolute that's on its own, but we will  
12 address specifically in our post-hearing brief to a  
13 greater extent that market.

14 COMMISSIONER ARANOFF: I appreciate that,  
15 Mr. Park. What I've taken from your definition of  
16 professional, aside from that it's narrower than  
17 Petitioner's definition, is that it's defined in part  
18 by size, in part by end use, and in part by  
19 horsepower. I guess one question I would have for you  
20 based on that is you've defined a fairly narrow, much  
21 more narrow at least than what Petitioners defined as  
22 professional and said this is where they are, this is  
23 the bread and butter of their business.

24 Okay, but how big is it once you've defined  
25 it that narrowly? It seems to me there's a fair bit  
26 left that falls outside of that.

1           MR. PARK: Absolutely. We'll address that  
2           in our brief, and just to go back to some of what we  
3           had showed you before, just in terms of distribution  
4           channels. What we're including in as part of that  
5           professional end user channels. When you look at the  
6           sales by distribution that was up there no that chart,  
7           there is a separate sales to professional end users.  
8           We would argue that that actually is the market that  
9           we're talking about. Even when we define it narrowly,  
10          it's actually quite a substantial market. In fact  
11          that's where, again by value, that was a very  
12          substantial market.

13          We will specifically address that but even when you  
14          look at the professional end user channel, it's quite  
15          substantial.

16          COMMISSIONER ARANOFF: Let me just clarify  
17          one point, my yellow light is on. There was testimony  
18          from Ms. Kim and a few others about the issue of who  
19          has made a technology investment in serving the DIY  
20          market. From what I was hearing, I thought that  
21          technology investment was maybe a misnomer for what  
22          you were talking about because it seemed to make  
23          everybody invested in the same welding, laser  
24          technology, it doesn't seem like to make small sizes  
25          you'd use different technology fundamentally than you  
26          would use to make larger or professional quality

1 products.

2 So my question is, would it be more accurate  
3 to talk about a marketing investment or a product  
4 development investment rather than a technology  
5 investment?

6 MS. KIM: Christine Kim.

7 I'd like to explain that there actually is  
8 quite a bit of technological investment in developing  
9 the DIY market.

10 First of all, when we talk about the custom  
11 engineered product for the professional blades being  
12 sort of on the spot as the order comes in, it's not to  
13 state that there isn't any engineering involved in the  
14 DIY blades at all. It simply means that a lot of the  
15 engineering occurs before a product line is launched.

16 So when we work with companies like MK  
17 Diamond or Black & Decker to come up with a new DIY  
18 line of products to be sold in various retailer  
19 places, there's actually a lot of testing and  
20 development to come up with the best product possible  
21 for that line. And once an extensive testing process  
22 has been gone through, then we work on our production  
23 process just to ensure that we can produce consistent  
24 high quality product for that line given that we're  
25 producing thousands and tens of thousands of blades to  
26 fulfill that order.

1           So there is a lot of up front investment  
2 that needs to go in.

3           Another example is that Ehwa was ISO 9001  
4 certified over ten years ago, and I believe we were  
5 one of the very first companies to be certified in our  
6 industry. When large companies like Black & Decker  
7 and Bosch or other power tool companies look for  
8 suppliers, they want to be able to come to your  
9 factory, audit your plant, and make sure that the  
10 production processes that you're following are  
11 consistent with the quality that they're looking for.

12           Every year we go through an audit with the  
13 power tool companies to make sure that any of the  
14 quality control practices that they're looking for in  
15 their supplier are in place and working. So there's a  
16 lot of technological investment that has to be made up  
17 front and maintained in order to remain a quality DIY  
18 supplier.

19           COMMISSIONER ARANOFF: Thank you for that  
20 answer. My time is up, I'll have to come back.

21           CHAIRMAN KOPLAN: Thank you.

22           Vice Chairman Okun?

23           VICE CHAIRMAN OKUN: I have no further  
24 questions for the panel. I want to thank you very  
25 much for all the responses I've received and I look  
26 forward to the post-hearing brief.

1 CHAIRMAN KOPLAN: Commissioner Hillman?

2 COMMISSIONER HILLMAN: Just a couple of  
3 quick follow ups on the issue of prices and some  
4 issues related to Third Country market.

5 If we should end up looking at whether or  
6 not there is a threat, and one of the things we would  
7 look at is other markets in terms of how attractive  
8 they are relative to the U.S. market.

9 For those of you that participate in sales  
10 in any market outside the United States, I wondered if  
11 you could characterize how prices for these products  
12 are in comparison to prices elsewhere for comparable  
13 products. Is the U.S. a high priced market, a low  
14 priced market? How would you describe U.S. prices  
15 vis-a-vis prices in Europe, in Asia, in Latin America,  
16 elsewhere where you might be selling product?

17 MS. KIM: Christine Kim.

18 The DIY products that are sold in the United  
19 States are not necessarily the same DIY products that  
20 are sold in Europe so it's hard to make an apple to  
21 apple comparison. But from Ehwa's experience I would  
22 not say the U.S. is the low price DIY market at all.

23 COMMISSIONER HILLMAN: Okay. Anyone else?

24 Mr. Nixon?

25 MR. NIXON: with the experience of both our  
26 sales in North America and sales in Europe of products

1 that are similar, and I'm not talking DIY here, I  
2 would have to characterize the U.S. market as being  
3 much higher priced>?

4 COMMISSIONER HILLMAN: Mr. Corcoran?

5 MR. CORCORAN: I'd just like to reinforce  
6 that based on experience. I spent about three years  
7 in Europe, and generally speaking the European market  
8 prices are lower than what we encounter in the United  
9 States. On similar or in some cases almost identical  
10 products.

11 COMMISSIONER HILLMAN: And on the demand  
12 side how would you describe demand in the U.S. versus  
13 demand in Europe, in Asia, or in Latin America?

14 MR. CORCORAN: I can't speak to Asia or  
15 Latin America. The European market is larger. It  
16 does differ, as Christine pointed out, where it has a  
17 much higher component of stone, but it is  
18 substantially larger.

19 MS. KIM: Christine Kim.

20 Demand in Europe is very strong and we  
21 expect it to continue to grow. And there is a huge  
22 demand that is coming in from the Asian market, both  
23 in China, India and elsewhere in asia.

24 COMMISSIONER HILLMAN: Mr. Nixon?

25 MR. NIXON: Just one reason for that, you  
26 have to keep in mind that home construction in Europe

1 does not consist of wood. It's cement. So hence the  
2 use of diamond blades in general is much higher in  
3 that area.

4 COMMISSIONER HILLMAN: With that, I have no  
5 further questions, Mr. Chairman. I'd like to join my  
6 colleagues in thanking this panel very much for all  
7 their very helpful testimony and I look forward to the  
8 post-hearing briefs.

9 Thank you.

10 CHAIRMAN KOPLAN: Thank you, Commissioner.

11 Commissioner Lane?

12 (No audible response).

13 CHAIRMAN KOPLAN: Commissioner Aranoff?

14 That didn't take long.

15 COMMISSIONER ARANOFF: I get all the time.

16 Just a follow up question, this morning one  
17 of my colleagues asked the Petitioner group about the  
18 price comparisons, the price to price comparisons that  
19 we collected in our staff report. Their comment to us  
20 was well, the Respondents basically picked the product  
21 descriptions that we should compare and how they're  
22 telling us that they're written comparisons and don't  
23 compare apples to apples.

24 I wanted to give you a chance to comment on  
25 that.

26 MR. PARK: David Park from Akin Gump. We

1 welcome the opportunity.

2           We didn't volunteer the information,  
3 actually starting from the prelim we were contacted by  
4 the Commission because the originally presented the  
5 proposed pricing data by Petitioners, was unusable  
6 from the perspective of the Commissioners. They had  
7 actually said to just collect data based on I think on  
8 very broad categories, just on size alone. And  
9 despite other portions in their petitions which said  
10 that price is a factor of a number of different  
11 factors. For the pricing products they actually just  
12 selected that they collect very broad basket  
13 categories of prices and the Commission actually  
14 opened up to all parties the opportunity to comment on  
15 that. So we were actually responding and working with  
16 the Commission to try to come up with pricing. We  
17 didn't simply volunteer that information as it was  
18 characterized.

19           During the final phase as well, the  
20 Commission again asked all parties to comment in order  
21 to try to help come up with better pricing data, and  
22 again Petitioner had wanted to revert back to just  
23 broad basket categories.

24           We had worked with the Commission and  
25 explaining to them that it is difficult to identify  
26 grades, but we worked with them at the Commission's

1 suggestion, not at our own. So I just wanted to  
2 clarify that point.

3 COMMISSIONER ARANOFF: That's fine and I  
4 appreciate that, but I have to confess that wasn't  
5 really what I was getting at. Did you make any  
6 suggestions to the staff to make the comparisons even  
7 tighter? Or did they do -- What more could we have  
8 done to get apples to apples?

9 MR. PARK: During the preliminary phase  
10 there was an attempt to try to quantify quality and  
11 try to include that within the pricing data. What we  
12 informed the Commission was there was no uniform  
13 quality. A company that says that they sell premium  
14 or economy is going to be different from another  
15 company that sells premium or economy.

16 So one of the suggestions that had come up  
17 during the prelim phase was why don't we try to set as  
18 a benchmark one of the companies, Petitioners Diamond  
19 Products, and say people should report pricing data  
20 that is equivalent to a Diamond Products, heavy duty  
21 orange grade. That was what took place during the  
22 prelim.

23 Given the disparity during the prelim, what  
24 the Commission felt was that there was a lot of  
25 disparity, subjectivity in what would fall within that  
26 range. So the Commission contacted us, or opened it

1 up to all parties during the final phase to see if  
2 there were any specific physical characteristics that  
3 could be substituted for that subject development of  
4 quality. And what we explained to the Commission at  
5 that time was even at the Department of Commerce phase  
6 we have 10 or 12 physical characteristics and it was  
7 very difficult to narrow down quality to any specific  
8 individual physical characteristic.

9 For purposes and convenience of the  
10 questionnaire the Commission staff had asked could we  
11 try to narrow it down to one or two physical  
12 characteristics that might help. At that point we had  
13 said we're not sure it will work but we, again, at the  
14 request of the Commission staff, tried to come up  
15 with, instead of a subjective, tried to come up with  
16 physical characteristics. But again, that was within  
17 the narrow range of can you provide two.

18 COMMISSIONER ARANOFF: I guess my next  
19 question would be you look at the data, and some of my  
20 colleagues raised this. You look at the pricing data  
21 and on average they show very large margins of  
22 underselling, and the Petitioners say to us aha, this  
23 shows that in direct comparisons we have very large  
24 underselling and you all say to us aha, this shows  
25 there wasn't very direct competition between these  
26 things at all because look at this underselling.

1 Clearly these things aren't competing.

2 I don't know which one of those is the right  
3 answer, but in order to support your interpretation of  
4 the data if you could explain to us what you think are  
5 the variables that are accounting for the price  
6 difference? Is it that the subject product that came  
7 in at a much lower price is lower quality in terms of  
8 durability? Is it made to a different end use? Does  
9 it have a different amount of diamonds on it? Kind of  
10 anything you can do to help explain to us why that  
11 price differential is an indication that the products  
12 were never competing products in the first place?

13 MR. PARK: Just to step back a second,  
14 again, when the Commission staff was looking at  
15 particular pricing products, it was with the request  
16 that we first find products that we thought may be  
17 competing within the market. Again, the difficulty we  
18 had was we felt there was very little head to head  
19 competition, so even finding a group of products that  
20 would compete with each other was difficult to begin  
21 with and that's what I think we note in our brief.  
22 This actually does represent a very small, the pricing  
23 data actually just represents a very small portion of  
24 what we actually sell. But that was actually, even  
25 within the narrow group of that area that we thought  
26 there might be overlap, when we tried to come up with

1 these physical characteristics we thought maybe this  
2 is, this may help the actual comparison. But what we,  
3 and I open this up, I'm not sure we know exactly why  
4 it's not comparing.

5 Again, I think at the end of the day a lot  
6 of purchasers don't know what these physical  
7 characteristics are, and so although certain producers  
8 may produce to the physical characteristics that were  
9 specified in the pricing data, because the purchasers  
10 are purchasing for different reasons they're actually  
11 not being sold or compete with each other.

12 But I open that up.

13 MR. ROGERS: This is Tom Rogers.

14 I think if you go back to somebody's  
15 question earlier this morning, if you look at the  
16 market and look at the underselling margin you say  
17 wow, that's really significant, what's going on here?

18 You ask yourself well, if those products are  
19 really competing, then what would you expect to see?  
20 You'd expect to see significant injury, you'd expect  
21 to see significant lost sales, lost volumes, lower  
22 prices, and you don't see those things.

23 So if you start looking at the data  
24 carefully, I think that tells you a lot about what you  
25 have there.

26 COMMISSIONER ARANOFF: I appreciate those

1 answers, and anything that you can add in your brief.

2 One last question, and maybe I'll ask you to  
3 respond in your brief because my colleagues are going  
4 to run out of patience with me.

5 One of the big arguments that was made this  
6 morning and that we haven't touched on at all this  
7 afternoon with this panel was a number of the domestic  
8 producers saying we had this quality product but  
9 nobody cares about quality any more if they can buy  
10 two cheaper than our one. I'd like to have comments  
11 on whether there is sort of the throw-away phenomenon  
12 in the market that people are more interested in  
13 buying a cheap blade and are no longer so interested  
14 in special service and engineering. The implication  
15 was that that was not just in the sort of guy with the  
16 pickup truck market but extended all the way up into  
17 what you all are describing as the professional  
18 market.

19 MR. GRIFFITH: Spencer Griffith.

20 Pursuant to your request, Commissioner,  
21 we'll address that in or post hearing submission.

22 COMMISSIONER ARANOFF: Thank you very much.

23 With that I want to thank the panel very  
24 much and I have no further questions, Mr. Chairman.

25 CHAIRMAN KOPLAN: Thank you.

26 Mr. Corkran, does staff have questions of

1 this panel before they're released?

2 MR. CORKRAN: Douglas Corkran, Office of  
3 Investigations.

4 Thank you, Chairman Koplan. Staff does have  
5 a few brief questions.

6 MR. FRAVEL: Dennis Fravel with the Office  
7 of Industries.

8 Mr. Nixon, does customization correspond to  
9 a particular diameter size of a diamond sawblade? In  
10 other words when you customize a blade do you  
11 customize a 14 inch, 12 inch, 7 inch, or does it go  
12 typically 20 inch and above?

13 MR. NIXON: Doug Nixon, Saint-Gobain.

14 For the professional market we're typically  
15 talking product that's 20 inch and up where the  
16 products are specifically designed for applications in  
17 the field.

18 MR. FRAVEL: Thank you. I have no further  
19 questions.

20 MR. BENEDICK: This is Gerry Benedick,  
21 Office of Economics. Again, this is for Mr. Nixon.

22 We've heard how diamond sawblades have a  
23 tendency to displace the abrasive blades. You said  
24 earlier you sell both to Home Depot. When I walk into  
25 Home Depot I see a diamond sawblade display, and not  
26 too far away from that I see the abrasive saw display

1 which is much larger.

2 Does that mean there are separate uses now  
3 for the two types of sawblades? Or is this sort of a  
4 fault line, if you will, and demand between the two  
5 types of blades and as relative prices change more or  
6 fewer diamond sawblades are sold vis-a-vis the  
7 abrasive blades?

8 MR. NIXON: Doug Nixon, Saint-Gobain.

9 You're partially right. The abrasive  
10 applications are typically quite distinct from those  
11 that are driven by diamond. However, the overlap can  
12 happen with diamonds and does in areas such as tile  
13 applications. But the bulk of the abrasive wheels,  
14 the grinding wheels and the cutoff wheels are sold for  
15 metal applications in which case typically you would  
16 not be using a diamond blade if that's all you were  
17 going to cut.

18 If you were cutting concrete which has metal  
19 in it, okay, that's a fair deal.

20 MR. BENEDICK: No further questions. Thank  
21 you.

22 CHAIRMAN KOPLAN: I thank staff for those  
23 questions.

24 Mr. Pickard you've used all of your time so  
25 you don't have any time left for questions of this  
26 panel before I release them.

1                   With that I want to thank you all very much  
2                   for your testimony. It's been extremely helpful this  
3                   afternoon and I'll release the panel. As that's  
4                   happening I will announce that those in support have  
5                   five minutes remaining for their closing remarks. Mr.  
6                   Griffith, you have five minutes remaining from your  
7                   direct presentation if you wish to use it for  
8                   rebuttal, plus five minutes for closing.

9                   How do you wish to proceed?

10                  MR. GRIFFITH: Mr. Chairman, we'll break now  
11                  with this panel and then move into the rebuttal.

12                  If I do go over five minutes for my rebuttal  
13                  could I take some time left from the five minutes from  
14                  direct?

15                  CHAIRMAN KOPLAN: No, your rebuttal is left  
16                  over from your direct.

17                  MR. GRIFFITH: Okay. I'll take that five  
18                  minutes then for rebuttal.

19                  CHAIRMAN KOPLAN: Okay.

20                  MR. GRIFFITH: If we could take a break  
21                  before that, Mr. Chairman or --

22                  CHAIRMAN KOPLAN: Actually I thought I'd go  
23                  right to it. I'll release the panel and let you  
24                  proceed with rebuttal and then we'll go to closing  
25                  remarks of both sides.

26                  MR. GRIFFITH: Actually, Mr. Chairman, I

1 think I'm okay then moving directly to closing  
2 remarks. I think that's fine, to move to closing  
3 remarks. I'll take five minutes for closing remarks.

4 CHAIRMAN KOPLAN: Without objection.

5 (Laughter)

6 CHAIRMAN KOPLAN: Than, Mr. Pickard, you're  
7 up for your closing remarks.

8 Thanks, Mr. Griffith. I wasn't trying to  
9 hurry you along or anything.

10 MR. PICKARD: Thank you, Mr. Chairman,  
11 Commissioners. I'd like to thank the Commission and  
12 their staff for their time and attention on a very  
13 long day.

14 Our position in regard to this matter is  
15 fairly well known. It is a traditional case of import  
16 volumes being up, prices being down, profits falling.  
17 Indeed, that's what the statute points to.

18 To look at the import volumes, their price  
19 is backed with financial performance of the domestic  
20 industry. There doesn't appear to be any question  
21 regarding volumes and price effects.

22 So I guess it really takes us back to where  
23 we started this morning. It's a question of the  
24 extent of competition and the indicia of injury.

25 I'd point out one or two things. First off,  
26 the attempt to segment the market strikes mean a bit

1 artificial, more than a bit artificial because it's  
2 taken to extremes.

3           It appears that Respondent's position is  
4 essentially you've got concrete cutters for the  
5 highway and then basically everything else falls under  
6 this DIY market. If it's not concrete demolition then  
7 it's DIY, which I suppose would put us in the position  
8 that the people who built the ITC building itself  
9 would be do it yourselfers which is kind of an absurd  
10 result.

11           The other thing I would note is in regards  
12 to the information that was put on the board, the  
13 slides that were posted in regard to the operating  
14 profits of the domestic industry, that doesn't show  
15 the domestic industry. That was a depiction of the  
16 sawblade producers excluding the core producers and  
17 including the related parties.

18           Even if you include the related parties, if  
19 you look at the whole domestic industry consistent  
20 with the domestic like product definition you see  
21 operating incomes declining over the period of  
22 investigation.

23           You exclude the related parties, the  
24 evidence just becomes more stark.

25           I think the one, two more general  
26 observations. In regard to whether the foreign

1 producers actually produce and well in the U.S.  
2 products all throughout the product range, again, I  
3 would point you to Volume 2 of our exhibits attached  
4 to our post-conference brief. It shows Chinese and  
5 Korean catalog offers for sale in the United States  
6 including four inch, 10 inch, 12 inch, 14 inch, 20  
7 inch, 24, up to 48 inches.

8 Then what I've heard Respondents say is  
9 okay, they're sales catalogs, they're offers for sale,  
10 but that doesn't necessarily demonstrate that we're  
11 actually selling those products.

12 So Attachment C to that exhibit is a stack  
13 of sales invoices demonstrating actual sales from  
14 China and Korea from the major respondents in that  
15 product train. that was for purposes of just being  
16 illustrious. It's not exhaustive. Because more than  
17 anything else the evidence has become clear that there  
18 is a significant degree or overlap in the 12 to 14  
19 inch range, but that the Respondents are grabbing  
20 market share at the expense of the domestic producers  
21 all the way up, to the highest diameter blades.

22 I think one of the most interesting  
23 developments that I saw during the Respondents' panel  
24 was when Commissioner Lane asked them to respond to  
25 the exhibits, to our pre-hearing brief. Some of those  
26 exhibits included a demonstration that foreign

1 respondents had captured state highway contracts,  
2 which by any one of their definitions would be the  
3 professional market.

4 The fact that although they alluded to that  
5 they tried to enter into this professional concrete  
6 market, that they have had no success, but we put in a  
7 membership list of the U.S. Concrete Sawing and  
8 Drilling Association. That professional society which  
9 showed that the Chinese and the Koreans were members.

10 We put in evidence from the exhibits list,  
11 from the major trade shows including the World of  
12 Concrete which shows that the Koreans and the Chinese  
13 had booths right next to our guys selling the same  
14 type of products.

15 And just as telling was the fact that we  
16 took professional journals, for example the Concrete  
17 Cutter, and we showed that they advertise professional  
18 blades in there.

19 The bottom line is that our guys are small  
20 to medium sized businesses predominantly. They're  
21 mostly family owned. If they don't get relief from  
22 imports that are generally priced or frequently priced  
23 below their raw cost of raw materials, they're going  
24 to be out of business. A bunch of them are already  
25 operating at a loss. Guys will close their doors in  
26 addition to Precision Disk and Blackhawk Diamond and

1 their workers will lose their jobs. We respectfully  
2 request an affirmative determination.

3 Thank you.

4 CHAIRMAN KOPLAN: Thank you.

5 Mr. Griffith?

6 MR. GRIFFITH: I think I can still say good  
7 afternoon. Good afternoon, Spencer Griffith here on  
8 behalf of the Korean Respondents.

9 There are five major points I'd like to make  
10 in my five minutes.

11 First, a central theme of Petitioners'  
12 presentation to you today, a central theme was we lost  
13 sales due to low price imports. This is a lost sale  
14 case by their own definition. Every one of their ten  
15 witnesses spoke to the same issue.

16 Chairman Koplan and other members of the  
17 Commission, however, asked the same question I was  
18 asking myself. If this was a lost sale case, where are  
19 the lost sales allegations that staff was able to  
20 verify and confirm? The record shows none.

21 What was their response? Mr. Pickard said  
22 to you that there's been a discussion in the Trade  
23 Bar, apparently about why Petitioners don't need to  
24 provide staff and this Commission with lost sales  
25 allegations.

26 With respect, I'm a member of the Trade Bar.

1 My firm files petitions. We're not aware of any such  
2 discussion in the Trade Bar where Petitioners all of a  
3 sudden have the right not to present to this  
4 Commission and staff information on lost sales  
5 allegations.

6 This was not an ancillary sidebar to their  
7 case. This was the central tenant of their  
8 presentation and they have not documented it on this  
9 record. That is a fatal flaw in the presentation you  
10 heard today from them.

11 Now this is not the only mandatory  
12 requirement that they have failed to meet. The  
13 regulations require submission of lost sales  
14 allegations. Petitioners also in the prelim failed to  
15 provide you adequate response rates to their  
16 questionnaires. As you heard from Mr. Park, they  
17 failed to provide you adequate information on pricing  
18 product. And you also had poor questionnaire response  
19 data elsewhere as well.

20 This is a Petitioner that has not met the  
21 minimum standards to pass the bar for an injury  
22 finding.

23 Second, as Commissioner Lane noted, if this  
24 was an industry with lots of lost sales, lots of lost  
25 revenue you would think the income data in the record  
26 would reflect it. Does it? No, it does not.

1 Tom Rogers' chart number one showed this  
2 industry has 11 percent operating margins. Not 11  
3 percent in one year, 11 percent in all three years,  
4 and that data was trending which direction? Up. Not  
5 down. Up. Over the POI. This is not an industry  
6 that has been injured.

7 My friend Seth Kaplan said, well you will  
8 hear this afternoon from Respondents and they'll focus  
9 solely on that 11 percent number.

10 What happened? We did not focus solely on  
11 that 11 percent number and I will gladly exchange  
12 numbers with Seth Kaplan.

13 What do the numbers show? Capacity is up in  
14 this industry. Capital expenditures are up. R&D is  
15 up. Productivity is up. Return on income is steady.  
16 Shipments are steady. Cost of goods sold are steady.  
17 I'll talk any of these numbers with Petitioners and we  
18 do not need to focus solely on the incredible 11  
19 percent operating income figure that we have.

20 Third, if Petitioners have lost sales due to  
21 imports you would think that the Respondents' prices  
22 and Petitioners' prices would be somewhat in the same  
23 ball park. Now Commissioner Aranoff asked a number of  
24 questions concerning the validity of the pricing  
25 product and whether or not we were seeing underselling  
26 here. Let's put that to one side. How do we do that?

1 Look at the AUVs in the record.

2 Tom Rogers indicated with Chart 3 that the  
3 AUVs of the Petitioners are ten times higher than the  
4 AUVs of Respondents. By looking at the AUVs we've  
5 taken out, we've ignored any differences in the  
6 pricing products themselves, but looking at the  
7 overall basket mix of Petitioners and Respondents, how  
8 can it be that you've got one thousand percent  
9 differentials in AUVs between Petitioners and imports  
10 if those products are competing? We submit that those  
11 AUVs show the products are not competing.

12 Fourth, the Petitioners presented anecdotal  
13 evidence to you today of competitions by imports in  
14 the professional sector. Three comments on that.

15 Number one, don't rely on anecdotal  
16 testimony concerning presence in the professional  
17 sector. Look at the hard data in the record. Tom  
18 Rogers' Chart 2 provides hard data on differences in  
19 distribution channels.

20 Number two, much of this sales of  
21 professional product is U.S. produced product. U.S.  
22 produced product is not a subject import.

23 Finally, let me turn to threat, and in  
24 response to I think Commissioner Lane's question, this  
25 has become a threat case because there's no injury  
26 here. The Commission has to look at threat on this

1 record. And the Petitioners haven't really spoken  
2 about threat today and I think that's very telling.

3 Number one, you can't cumulate given the  
4 differences in volume and pricing trends, China and  
5 Korea.

6 Number two, third country markets are  
7 massive and growing and higher priced relative than  
8 the U.S. market.

9 Number three, this industry is not  
10 vulnerable financially. No industry with 11 percent  
11 margins is vulnerable.

12 In conclusion, Mr. Chairman, Vice Chairman  
13 Okun, members of the Commission, I agree with my  
14 colleague on one thing. It has been a long day. We  
15 appreciate very much your attention and your  
16 willingness and your patience with all of us.

17 Once again, on behalf of the Korean  
18 Respondents I thank you.

19 CHAIRMAN KOPLAN: Thank you, sir.

20 Post-hearing briefs, statements responsive  
21 to questions and requests of the Commission and  
22 corrections to the transcript must be filed by May 23,  
23 2006.

24 Closing of the record and final release of  
25 data to parties by June 9, 2006.

26 Final comments are due June 13, 2006.

1                   With that, this hearing is concluded.  
2                   (Whereupon, at 6:03 p.m. the hearing was  
3 adjourned.)  
4            //  
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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Diamond Sawblades and Parts  
**INVESTIGATION NO.:** 731-TA-1092, 731-TA-1093 (Final)  
**HEARING DATE:** May 16, 2006  
**LOCATION:** Washington, D.C  
**NATURE OF HEARING:** Hearing

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

**DATE:** 5/16/06

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

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

**SIGNED:** Carlos Gamez  
Signature of Proofreader

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

**SIGNED:** Christina Chesley  
Signature of Court Reporter