

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
DIAMOND SAWBLADES AND PARTS THEREOF
FROM CHINA

) Investigation No.:
) 731-TA-1092 (REVIEW)

REVISED AND CORRECTED

Pages: 1 - 234
Place: Washington, D.C.
Date: Tuesday, June 23, 2015



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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners Present:

4 Chairman Meredith M. Broadbent (presiding)

5 Vice Chairman Dean A. Pinkert

6 Commissioner Irving A. Williamson

7 Commissioner David S. Johanson

8 Commissioner Rhonda K. Schmidtlein

9

10

11 Staff Present:

12 Bill Bishop, Supervisory Hearings & Information Officer

13 Sharon Bellamy, Program Support Specialist

14 Sonia Parveen, Student Intern

15

16 Michael Szustakowski, Investigator

17 Dennis Fravel, International Trade Analyst

18 Amelia Preece, Economist

19 Justin Jee, Accountant/Auditor

20 David Fishberg, Attorney

21 Douglas Corkran, Supervisory Investigator

22

23

24

25

1 APPEARANCES:

2 Opening Remarks:

3 In Support of Continuation (Daniel B. Pickard, Wiley Rein
4 LLP)

5 In Opposition to Continuation (John D. Greenwald, Cassidy
6 Levy Kent (USA) LLP)

7

8 In Support of the Continuation of Antidumping Duty Order:

9 Wiley Rein LLP

10 Washington, DC

11 on behalf of

12 Diamond Sawblades Manufacturers' Coalition ("DSMC")

13 Kevin Baron, Chief Executive Officer, Western Saw Co.

14 Andy Jedick, Vice President and General Manager,

15 Diamond Products Limited

16 Garrett Wolters, Vice President, Dixie Diamond

17 Manufacturing

18 Doug Walker, General Manager, Atlantic Concrete Cutting

19 Inc.

20 Daniel B. Pickard, Maureen E. Thorson and Usha

21 Neelakantan - Of Counsel

22

23

24

25

1 In Opposition to the Continuation of Antidumping Duty Order:

2 Cassidy Levy Kent (USA) LLP

3 Washington, DC

4 on behalf of

5 Husqvarna Construction Products North America, Inc.

6 Husqvarna ("Hebei") Co., Ltd. (collectively "Husqvarna")

7 Chris Noeth, Director of Finance, Husqvarana

8 John D. Greenwald, Robert C. Cassidy, Jr., Jennifer A.

9 Hillman and Thomas M. Beline - Of Counsel

10

11 Rebuttal/Closing Remarks:

12 In Support of Continuation (Daniel B. Pickard, Wiley Rein

13 LLP)

14 In Opposition to Continuation (John D. Greenwald, Cassidy

15 Levy Kent (USA) LLP)

16

17

18

19

20

21

22

23

24

25

I N D E X

1		
2		Page
3	Opening Remarks:	
4	In Support of Continuation (Daniel B. Pickard, Wiley Rein	
5	LLP)	9
6		
7	In Opposition to Continuation (John D. Greenwald, Cassidy	
8	Levy Kent (USA) LLP)	13
9		
10	Andy Jedick, Vice President and General Manager,	
11	Diamond Products Limited	16
12		
13	Kevin Baron, Chief Executive Officer,	
14	Western Saw Co.	21
15		
16	Doug Walker, General Manager, Atlantic Concrete	
17	Cutting Inc.	26
18		
19	Garrett Wolters, Vice President, Dixie	
20	Diamond Manufacturing	30
21		
22	Chris Noeth, Director of Finance, Husqvarana	128
23		
24		
25		

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Page

Rebuttal/Closing Remarks:

In Support of Continuation (Daniel B. Pickard, Wiley Rein
LLP) 217

In Opposition to Continuation (John D. Greenwald, Cassidy
Levy Kent (USA) LLP) 229

P R O C E E D I N G S

(9:33 a.m.)

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

CHAIRMAN BROADBENT: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation No. 731-1092 involving Diamond Sawblades from China. The purpose of this five-year review investigation is to determine whether revocation of the Anti-Dumping Duty Order on Diamond Sawblades and Parts Thereof From China would be likely to lead to continuation or reoccurrence of material injury within a reasonably foreseeable time.

As a Commissioner who began her term in 2012, I'd like to say that I found reading the lengthy history on this case to be fairly interesting and eye-opening, and I'm hoping my fellow Commissioners can give me some perspective on a series of events that involved reversal of the Commission's original determination upon remand, dispute settlement at the WTO, litigation in U.S. courts, a pastoral quilt of Order terminations, administrative reviews and scoping queries at Commerce, etcetera, etcetera. Lots of other proceedings with respect to this case. So it will make for an interesting day, I think.

I'm eager to get started, and documents -- I wanted to mention that documents concerning this hearing are

1 available at the public distribution table. Please give all
2 prepared testimony to the Secretary and do not place it on
3 the public distribution table. All witnesses must be sworn
4 in by the Secretary before presenting testimony. I
5 understand that the parties are aware of their time
6 allocations, but if you have any questions about time,
7 please ask the Secretary.

8 Speakers are reminded not to refer to business
9 proprietary information in their remarks and or in answers
10 to questions. Please speak clearly into the microphone and
11 state your name for the record, so that the court reporter
12 knows who is speaking. If you will be submitting documents
13 that contain information you wish classified as Business
14 Confidential, you're requested to comply with Commission
15 Rule 201.6.

16 With that introduction, I'm anxious to get
17 started, and I look forward to your arguments, and
18 particularly the testimony of the industry witnesses who
19 came to be with us today. Mr. Secretary, are there any
20 preliminary matters?

21 MR. BISHOP: No, Madam Chairman.

22 COMMISSIONER JOHANSON: Madam Chairman, I might
23 cut in for one minute here before we begin.

24 CHAIRMAN BROADBENT: Please.

25 COMMISSIONER JOHANSON: I'd like to welcome

1 three people who are here today, my sister Susan and her
2 children James and Christian. They're from San Antonio,
3 Texas, and they're here today seeing how our government
4 operates. So and plus we're located about 15 minutes from
5 the Smithsonian, and they don't open until 10:00. So
6 anyway, they didn't have an inherent interest to come hear
7 about diamond sawblades, but they're here anyway. I look
8 forward, as the other Commissioners do, to hearing today's
9 testimony. Thank you.

10 CHAIRMAN BROADBENT: Thank you, Commissioner
11 Johanson, and welcome to the family members that are with us
12 today. Let us proceed with opening remarks.

13 MR. BISHOP: Opening remarks on behalf of those
14 in support of continuation of the Order will be by Daniel B.
15 Pickard, Wiley Rein.

16 CHAIRMAN BROADBENT: Up to you. Welcome, and
17 you may begin when you're ready.

18 OPENING REMARKS OF DANIEL B. PICKARD

19 MR. PICKARD: Good morning Madam Chairman, Vice
20 Chairman Pinkert, members of the Commission. Again for the
21 record, I'm Dan Pickard of Wiley Rein, here today on behalf
22 of the Diamond Sawblades Manufacturers Coalition. Yeah
23 sure. Better? Okay.

24 As the Chairman noted originally, this case has
25 a somewhat interesting procedural history. The case was

1 originally filed in 2006, I'm sorry 2005, but the Order
2 wasn't issued until 2009, and the delay in part was due to
3 representations that were made by the Respondents during the
4 original investigation regarding very distinct and segmented
5 market, and ultimately, the Commission rejected these
6 arguments, but that's what led to the delay.

7 So procedurally, there are a lot of interesting
8 facts about the diamond sawblades case. I would suggest
9 substantively it's a bit of a textbook case, right. It is a
10 sharp increase in volume during the original investigation,
11 massive under-selling, decrease in the financial performance
12 of the domestic industry.

13 Specifically, Chinese imports increased by 80
14 percent during the POI. They took about 20 points of market
15 share, 17.4. They undersold -- there were 115 price
16 comparisons. Out of those 115 price comparisons, the
17 Chinese undersold the domestically produced product in 112
18 of them, and during a period of sharply increasing demand,
19 the profits of the domestic industry declined.

20 So I would suggest that substantively, really
21 kind of a classic case. The delay from 2006 and 2009,
22 although ultimately it was a threat determination, I think
23 it's important to understand for this case the delay in
24 receiving relief, I think arguably moved the industry from
25 being threatened with material injury to a status where it

1 was actually materially injured.

2 This Order has greatly benefitted the domestic
3 industry. Chinese imports are down significantly, and
4 probably the largest benefit that's been conferred to the
5 domestic industry has been price stabilization. We're going
6 to talk a little bit -- I'm going to talk a little bit in my
7 direct presentation regarding the related parties'
8 provision, and as the Commission's well aware, it's within
9 your discretion to exclude a domestic producer from the data
10 set, if their primary interest is not in domestic
11 production, and I'm going to suggest that either with
12 Husqvarna and General Tool in the data set or out, there is
13 overwhelming evidence that if this Order was revoked, the
14 domestic industry would be injured again.

15 But I don't know if there's any more probative
16 piece of information in regard to the fact that Husqvarna's
17 interests are adverse to the Petitioners' interests, and the
18 fact that they're the only one showing up this afternoon.
19 That being said, if they're in, if they're out, this is a
20 vulnerable industry. It's continued to lose market share,
21 although that decline has slowed dramatically, and there are
22 many performance indicators that have ticked down or have
23 flat lined.

24 But the Order has allowed prices to stabilize,
25 and it's even led to an increase in the average unit values

1 of Chinese products coming in. What I think you're going to
2 hear this afternoon are really arguments that are retreads
3 from the original investigation in regard to market
4 segmentation and the fact that Chinese imports don't sell
5 mid or large diameter blades, and you're going to hear
6 directly from not only domestic producers but from a
7 professional concrete cutter in regard to the extent that he
8 has increased his imports of Chinese products on the basis
9 of price.

10 And I think you're going to hear a lot about
11 Thailand this afternoon, a non-subject country, and we're
12 going to talk about that in great depth, probably not as
13 much as you're going to hear from the afternoon panel. But
14 the bottom line here is the question of whether Chinese --
15 if this Anti-Dumping Order is revoked, whether Chinese
16 imports are going to come back into the marketplace, and
17 we're going to show you a lot of information about how
18 motivated they are to come back in, and if they're going to
19 come in at lower prices, and if that's going to lead to
20 deterioration of the health of the domestic industry.

21 I respectfully submit that the answer to all
22 three of those are in the affirmative, and consequently we
23 request that the Anti-Dumping Order be continued for another
24 five-year period. Thank you very much.

25 MR. BISHOP: Opening remarks on behalf of those

1 in opposition to continuation of the Order will be by John
2 D. Greenwald, Cassidy Levy Kent.

3 OPENING REMARKS OF JOHN D. GREENWALD

4 MR. GREENWALD: Good morning Madam Chairman,
5 Commissioners. The point of departure in this sunset review
6 is the 2008 threat of injury determination on remand. That
7 threat of injury determination was a 3 to 3 vote by reason
8 of cumulated imports from China and Korea. If you take that
9 determination literally, no Commissioner found present
10 injury. Strictly speaking, the Commission has never found
11 material injury that can either continue or recur.

12 But more to the point, the circumstances that
13 led to the threat of injury determination have changed so
14 substantially that the basis for it no longer exists. Among
15 the changes, imports from Korea, which are and remain
16 significant or were and remain significant, are no longer
17 subject merchandise.

18 Second, the U.S. market is now more segmented
19 than ever before, with U.S. production concentrated very
20 heavily in large professional grade blades and imports from
21 China heavily concentrated in lower value commodity-grade
22 blades, where they compete with imports from third
23 countries. The unit value data you have collected tell the
24 story.

25 In 2014, finished domestic sawblades sold at an

1 average price of \$175.90. The average selling price for
2 subject imports was \$7.29. These are very different types
3 and sizes of blades sold to different customers for
4 different applications at radically different prices. If
5 you are looking for evidence of the segmentation of the U.S.
6 market, this is the place to start.

7 Third, the aggregate data show that the decline
8 in the market share held by imports from China has been
9 captured entirely by non-subject imports. To the extent the
10 Order has had any affect at all, it has been to benefit
11 third country supply.

12 Fourth, all major U.S. producers are now
13 affiliated with large multi-national companies that produce
14 lower value blades in Thailand, in India and Indonesia, in
15 addition to China. They all import their lower value blades
16 to round out their product line. In fact, much of the 2012
17 to 2014 growth in non-subject imports is a function of
18 increased imports by U.S. producers from their offshore
19 affiliates.

20 Fifth, although I expect there will be -- you
21 will be hearing a lot about an overlap of competition in the
22 ten inch to 14 inch blade size category, the overlap is much
23 more apparent than real. Your pricing data, your
24 product-specific pricing data prove this point.

25 Sixth, as to claims of industry vulnerability,

1 the financial data for the industry as a whole shows none.
2 To the extent any particular company is doing -- is more
3 vulnerable than another company, the available evidence
4 clearly points to factors other than subject imports.

5 We ask above all one thing of you in this
6 hearing, and in the analysis that follows. We ask that you
7 take a close look at the evidence on the record, distinguish
8 the evidence from the assertions that are unsupported that
9 are going to be made, and when you think about the evidence,
10 include company-specific data that are on the record of this
11 investigation, but which in fact are masked by the aggregate
12 data.

13 Make your determination on the basis of the
14 evidence. To assist you in that process, we have prepared
15 and distributed for your review an analysis of the
16 questionnaire response data of each of the U.S. producers
17 that have provided one. There are only nine of them, and we
18 have divided these nine companies into three groups.

19 The first group are companies that claim no
20 injury. The second group is comprised of companies for
21 which competition with subject imports is, if I can borrow
22 from the staff report, non-existent. The third group, which
23 includes diamond products, supports the order. But the
24 companies in this group grossly overstate their actual
25 overlap of competition with subject imports.

1 On the evidence, I don't think you can reach any
2 conclusion but that this Order has to be sunsetted. Thank
3 you.

4 CHAIRMAN BROADBENT: Thank you.

5 MR. BISHOP: Would the first panel, those in
6 support of the continuation of the Anti-Dumping Duty Order
7 please come forward and be seated. Madam Chairman, all
8 witnesses on this panel have been sworn in.

9 CHAIRMAN BROADBENT: Thank you, Mr. Secretary.

10 (Pause.)

11 CHAIRMAN BROADBENT: I'm going to welcome the
12 panel to the ITC. You may begin when you're ready.

13 STATEMENT OF ANDY JEDICK

14 MR. JEDICK: Good morning. My name's Andy
15 Jedick. I'm the vice president and general manager of
16 Diamond Products Limited, an Ohio corporation, that
17 manufactures diamond sawblades, core drill bits and a
18 variety of related equipment. Right out of college, I
19 started my career at Diamond Products as a metallurgist, and
20 became research and development manager in 1978, and then in
21 1991 was promoted to my current position.

22 I've been with Diamond Products now for 35
23 years, and over the last three decades I witnessed firsthand
24 the devastating effects that the Chinese imports have had on
25 the U.S. diamond sawblade industry. Back in 1984, I oversaw

1 the introduction of smaller, dry-cutting diamond blades into
2 Diamonds Products' product line, and we began successfully
3 producing blades, ranging from four inch diameter to 14 inch
4 diameter.

5 At that time, four inch and seven inch blades
6 were actually our highest unit volume. We excelled in the
7 market segment until the 1990's, when imports began showing
8 up at extremely low and continuously falling prices. By the
9 mid-90's, Chinese imports had more or less pushed us out of
10 the smaller diameter sawblade business. These sales were no
11 longer profitable for us, and we were forced to begin
12 importing these blades just to stay competitive.

13 Soon after they took the smaller blades,
14 importers came after the mid-range sizes, in particular 10
15 to 14 inch range. Chinese imports in these sizes surged at
16 prices we just couldn't match. Before the anti-dumping
17 order was issued, our internal studies showed double-digit
18 price deterioration. This was during a period of increased
19 demand, and was due, without a shadow of a doubt, to the
20 low-priced imports.

21 Imports were also taking sales throughout the
22 market from distributor and professional end users alike.
23 It wasn't until around 2010, when the free fall in prices
24 started to slow and the prices began to stabilize. Prices
25 for professional blades are still deteriorating, but the

1 decline is much slower than it was before, and for time
2 since I've been in the industry, we've seen some price
3 increases as to some mid-sized blades.

4 Like they did in 2006, the other side is arguing
5 that Chinese producers aren't interested in the professional
6 cutting market, and this is completely untrue. I've
7 personally container loads of 26 and 36 inch Chinese blades
8 being delivered to our customers, and they're still selling
9 at all sizes, 20 inch, 24's, 54 inch, you name it.

10 I noticed that in the prehearing report, in
11 Table 2-2, Chinese producers and importers reported the
12 value of shipments of blades greater than 20 inch was only
13 \$848,000 in 2014. This is severely understated. I reviewed
14 Diamond Products' sales records, and in 2014, we lost that
15 number among just three customers to Chinese imports.

16 I would estimate that the more accurate value of
17 Chinese shipments would be between seven and eight million
18 dollars in that size range. There is no blade that Diamond
19 Products makes that Chinese producers don't already sell or
20 could sell in the U.S. market, and Chinese producers
21 advertise their professional cutting blades right alongside
22 U.S. producers.

23 For example, a 2015 edition of Concrete
24 Openings, a popular industrial publication, importers like
25 Diamond Tools Technologies, Pentrunder, Zenesis and Concut

1 advertised their professional blades along with ads from
2 Diamond Products, Dixie Diamond and Terra Diamond. As you
3 may recall, Ditech testified before the Commission during
4 the original investigation that they were not interested in
5 the professional segment of the market.

6 This wasn't true then and it isn't true now. To
7 say that Chinese producers aren't targeting the professional
8 segment of the market is not credible. You can go to the
9 web page of any major Chinese producer and see their product
10 lines and even explicitly state that they sell to
11 professionals and end users.

12 I've also heard the other side arguing that Thai
13 imports are causing problems here in the U.S. This is also
14 not true. As the Commission is aware, Diamond Products is
15 related to a Thai company through a common parent company,
16 and yes, we do import from Thailand. But these prices of
17 imports are much higher than the Chinese import prices, and
18 even in Thailand, they can't produce smaller sizes for the
19 same price as similarly-sized Chinese blades.

20 We've brought in Thai imports to compete against
21 the lowest-priced imports from China; it is not the other
22 way around. It's also true that several Chinese producers
23 are setting up saw blade facilities in Thailand. We are
24 concerned that some of these companies may be using their
25 Thai companies or may use their Thai companies as shell

1 companies to facilitate the transshipment of products
2 through Thailand.

3 But for other Thai producers, we're not too
4 concerned right now because they have to deal with the costs
5 associated with producing in a market economy country,
6 without subsidies and aid from their government. And again,
7 product that's coming into the U.S. from Thailand is priced
8 higher than Chinese product. The Chinese are the
9 lowest-priced product in the market, and they're the ones
10 driving the price declines.

11 The Anti-Dumping Order is important to U.S.
12 producers and U.S. workers. If it's not continued, Diamond
13 Products, like other members of the U.S. industry, will be
14 forced to make some hard business decisions. Initially, we
15 would attempt to compete with the surge of Chinese imports
16 that would result from the revocation of the Order by
17 lowering our prices. But this would cause a sharp drop in
18 profits, and we'd be hard-pressed to justify continuing the
19 dry blade segment of the market.

20 I would estimate that within a very short period
21 of time of the Order being lifted, Diamond Products would be
22 forced to curtail production and would be forced to lay off
23 workers. We would also be forced to import more product and
24 produce less. It just doesn't make sense for us to
25 manufacture products that don't generate a profit.

1 If the Chinese exporters have unfettered access
2 to the U.S. market again, prices and profits will plummet.
3 The relief that we received from the Order hasn't been
4 perfect. Chinese producers have found various ways to get
5 around it, including transshipping through third countries.
6 But it has certainly helped the U.S. diamond saw blade
7 industry survive.

8 Because of it, prices have stabilized. If the
9 Order is continued, we hope to increase our market share of
10 domestically produced product. If the circumvention is cut
11 down on and we get real enforcement of appropriate
12 anti-dumping margins, we'll be able to invest more and hire
13 more. Without the Anti-Dumping Order, however, there is no
14 doubt in my mind that the injury we fought so hard to remedy
15 back in 2006 will quickly return.

16 So on behalf of Diamond Products and its
17 workers, I request the Commission to continue the Order on
18 diamond sawblades from China. Thank you very much, and I'm
19 happy to answer any questions.

20 STATEMENT OF KEVIN BARON

21 MR. BARON: Good morning. My name is Kevin
22 Baron. I am the CEO of Western Saw, Incorporated, located
23 in Oxnard, California.

24 My grandfather Waldimore Nielsen started the
25 company in 1930. And I began working for the company full

1 time in 1979. My father, my uncles, my cousins, and my
2 brothers have all worked at Western Saw.

3 My brother and I are the third generation in our
4 family to operate Western Saw and I hope to one day pass the
5 company on to my son and nephew who are the fourth
6 generation currently working at Western Saw.

7 When I started here 37 years ago, Western Saw was
8 one of eight or nine diamond sawblade core manufacturers in
9 the United States. Today we are the last man standing.

10 In 1999 we built a state-of-the-art manufacturing
11 facility and began an aggressive automation program. My
12 family and I have invested well over \$8 million since that
13 time for the factory, automated grinders, heat treat
14 systems, machining centers, lathes mills, tools, and a new
15 R&D facility. Western Saw is now one of the most
16 technically advanced core manufacturers in the world and the
17 only American core manufacturer.

18 Since the late '90s and early 2000's we've
19 struggled to compete with the flood of Chinese imports into
20 the market at ridiculously low prices. The Chinese often
21 sell their product at less than half of U.S. prices and
22 sometimes even less than the cost of production.

23 Chinese blades compete directly with U.S. product
24 and over the years we've lost massive amounts of business.
25 At one point we lost all of General Tools' business because

1 they switched to buying low-priced imports. We even used to
2 export large volumes of cores to other countries until we
3 lost that business also to Chinese product. We were able to
4 hold onto the U.S. market due largely to the massive
5 investment that we have made in the company. But we still
6 have to fight for every sale.

7 Up until about 2009, prices were in free fall.
8 When the order was put in place, we finally got some relief.
9 Although we're still losing market share, blades from China
10 have declined. And although the prices have not returned to
11 their pre-import levels, price deterioration has slowed.
12 Western Saw does not sell as many cores as we did before we
13 were forced to bring the antidumping case. For blades
14 between 11 and 20 inches Western Saw sold 300,000 cores in
15 2004. In 2014 we sold only 143,000.

16 For our 12- and four-inch blades, we sold 210,000
17 cores in 2004. We sold only 102,000 cores in 2014. This is
18 because even after the order was put in place Chinese
19 product is being sold at extremely low prices. I recently
20 heard that 12-inch blades from China were priced at \$17 per
21 blade. That's almost the same price of a core. There's
22 just no way we can compete.

23 I've also heard the Chinese product is coming
24 into the United States through Canada, Thailand and even
25 India just to avoid duties. Again, Western Saw is

1 struggling to compete these sales.

2 I would like to set the record straight about a
3 few things. It is my understand that Husqvarna claims that
4 imports, of course, from China are virtually nonexistent and
5 that Western Saw has no basis to claim that Chinese imports
6 are hurting or will hurt the company. This is completely
7 incorrect.

8 First, it would appear that the data Husqvarna is
9 referring to is not complete. I can tell you that I compete
10 directly with imported Chinese cores. In particularly from
11 Hein Saw Company. I have a Hein's price list and their
12 price lists are unbelievably low. Hein sells finished cores
13 for the 24 inch by 125 thick for \$28 delivered 500 pieces.
14 Western Saw's price for 100 pieces for the same blade is
15 \$59.68 with freight and \$54.11 without freight. The steel
16 costs alone is \$20.14 for this blade. I also understand
17 that that ad that the Commission has may not complete -- may
18 not be complete because many Chinese producers did not
19 respond to the questionnaires. However, to say that there
20 are no cores coming in and that we don't compete with any
21 Chinese cores is simply not true.

22 Second, and we declare, every blade sale that
23 goes to a Chinese producer is a loss of a core sale for
24 Western Saw. Every diamond sawblade has a core. So when a
25 U.S. sawblade producer loses a sale to a Chinese finished

1 sawblade, then I have lost a sale of a core to the producer
2 because the blade will not be made in the United States. So
3 every Chinese diamond sawblade that enters or will enter the
4 U.S. market at an unfairly low prices represents a lost sale
5 and potential injury to Western Saw.

6 If the order is revoked, there will be hundreds,
7 if not thousands of Chinese producers back in the market.
8 Western Saw will lose all of its business in the 20-inch and
9 below portion and will struggle to maintain its business in
10 the 20 and larger portion of diamond cores.

11 We would not be able to survive as a company just
12 on the small volume of custom-made diamond cores. It is
13 very likely that Western Saw would be forced to turn to
14 manufacturing nonsubject product.

15 Western Saw's survival as the last remaining U.S.
16 core producer would be in serious jeopardy. I am optimistic
17 about the future. As we've done in the past, Western Saw
18 would like to reinvest in its core business, develop new
19 technology and continue as an industry leader. With the
20 order in place and a crackdown on circumvention we would be
21 able to focus on new segments and in particular a small
22 blade segment of the market bringing in new laser
23 technology, expanding our business, earning a profit, and
24 hiring more workers. But to do so, we need a level playing
25 field where we're not constantly struggling to compete

1 against extremely low-priced product from Chinese producers
2 who will go to any lengths to capture sales.

3 On behalf of Western Saw I request the Commission
4 to continue the order of diamond sawblades from China.

5 Thank you very much. I'm happy to answer any
6 questions.

7 STATEMENT OF DOUG WALKER

8 MR. WALKER: Well, good morning. My name is Doug
9 Walker, I'm the General Manager of Atlantic Concrete
10 Cutting, Inc., a professional concrete cutting and
11 quartering and company headquartered in New Jersey.

12 I worked in the concrete cutting business since I
13 was 18 and my wife and I started Atlantic Concrete Cutting
14 24 years ago out of our garage.

15 Today we are an industry leader. We have about
16 55 employees and provide cutting services for projects
17 involving general construction, bridges, roads, and
18 airports, just to name a few.

19 Atlantic Concrete Cutting is a professional
20 concrete cutting company and we purchase and use blades --
21 diamond sawblades in all sizes from the smallest four-inch
22 blades up to 88 inch in diameter.

23 This afternoon you may hear that professional
24 cutters don't use smaller diameter blades, but this isn't
25 true. Four-inch blades are used for cutting, grinding,

1 resurfacing. Several of these smaller blades are attached
2 to right-angle grinders for the smaller cuts. We also use
3 12-inch and 14-inch blades for our projects. For example,
4 we use 12-inch diameter blades for our diamond grooving and
5 grinding operation where we groove and grind bridge decks
6 and concrete road surfaces. Each grooving or grinding head
7 may use as few as eight blades and as many as 181 blades per
8 head stacked together to create the specified grooving or
9 grinding finish required by the particular DOT that we are
10 working for.

11 We use 14-inch blades on our handsaws, or as
12 joint widening blades for new concrete such as our JFK
13 Airport project. On JFK we are cutting green joints seven
14 inches deep with new 24-inch blades then we come back and
15 widen those same joints a half inch wide, and inch and a
16 half deep with 14-inch blades and follow that up with an
17 installation of rubberized joint seal to keep the water and
18 the ice out of the joints.

19 When we first started the company we bought
20 blades from about six different U.S. producers. But
21 starting in the 1990s we began to see more and more Chinese
22 imports coming into the U.S. market. These blades are
23 completely interchangeable with the American-made blades in
24 terms of size and grades, and the only real difference was
25 price.

1 This is true regardless of whether the blades are
2 sold through distributor or otherwise and it makes no
3 difference.

4 By the early 2000's there were hundreds of
5 manufacturers here, many of them Chinese. At The World of
6 Concrete, the largest industry trade show, there were so
7 many Chinese producers that they even had their own section.

8 We soon had no choice but to buy -- buy from both
9 U.S. sawblades and imported product. Although we prefer to
10 focus on buying American made blades, the Chinese prices
11 were so low that we couldn't afford not to consider them if
12 we wanted to remain competitive.

13 Prices fell so much that we often wondered if
14 they would ever hit bottom or they would just continue to
15 free fall.

16 Blades used to be our second or third largest
17 cost after payroll. But as imports kept coming in and
18 prices kept falling this changed. The cost of blades was so
19 low they were almost negligible factors in our costs.

20 Chinese importers were not only extremely low
21 priced but they aggressively pushed their volume into the
22 market often using telemarketers calling us directly. One
23 example comes to mind, it was the Diamond Blade Warehouse.
24 They would offer discounts, incentives, anything to move the
25 Chinese imports. Even buy 12 blades, get a saw for free

1 offer.

2 In these volumes and at these prices, I wasn't
3 surprised that the Chinese imports eventually captured
4 almost the entire small blade segment of the market.

5 In 2010 or so the free fall of blade prices
6 slowed. But prices are still so low, we can't ignore the
7 imports. I've had offers for 26-inch blades for just \$200 a
8 blade. Almost \$600 below the U.S. producers' prices. In
9 2010 the percentage of blades we used and purchased that
10 were manufactured in the U.S. or outside the U.S. was zero
11 percent. In 2011 it went to 14 percent and now averages 35
12 percent of our blade purchases.

13 Today we buy our U.S. blades directly from the
14 U.S. producers and buy imports from companies like Diamond
15 Tools Technologies. It seems like some of these imports
16 come in with their country of origin markings removed. One
17 time I asked the DTT representative where their blades were
18 from, but they just danced around the question. I've also
19 heard that there's Chinese product coming in through Canada
20 and the companies are having their products made in China
21 but assembled in the U.S. so that they can claim that
22 they're American made. Again, these imports are coming in
23 at really low prices and the U.S. producers are being forced
24 to try and compete or lose sales.

25 I've also heard that parties are claiming that

1 high imports are a real issue in the U.S. market. Again,
2 this isn't true. I've been in the industry for decades, and
3 have been to several World of Concrete Trade Shows and I've
4 never heard of the Thai imports causing problems or facing
5 U.S. -- or forcing U.S. producers to lower their prices.

6 Of all imports, the Chinese product is the
7 lowest-priced product in the market and the Chinese imports
8 are the ones that are driving the lower prices today.

9 Without the order there is no doubt in my mind
10 that these -- that Chinese blades will surge back into the
11 market like they did in the '90s and 2000s. They will again
12 come in at such low prices that we will, in effect, be
13 forced to buy these imports just to be able to stay
14 competitive and compete on projects.

15 We want to buy American products and support
16 American producers and workers, but we can't if we're forced
17 to compete with other cutters that purchase Chinese products
18 at rock-bottom prices.

19 Thank you very much.

20 STATEMENT OF GARRETT WOLTERS

21 MR. WOLTERS: Good morning. My name is Garrett
22 Wolters, and I'm the Vice President of Dixie Diamond
23 Manufacturing.

24 My grandfather started Dixie Diamond in 1969. In
25 1995 my brother Greg and I bought the company and we've been

1 running it ever since. We make diamond sawblades in Wilburn
2 Georgia and I'm proud to say that we employ over 40 workers,
3 many of whom have been with us for over 20 years.

4 Over the years my family has reinvested the
5 profits from Dixie Diamond back into the company in order to
6 stay competitive. Let me say right up front that I believe
7 that if the antidumping order stays in place Dixie Diamond
8 will have an opportunity to continue to produce diamond
9 sawblades in the USA and make a profit. However, if the
10 antidumping relief is removed, I believe that the Chinese
11 sawblades will again flood the market wreaking havoc on U.S.
12 producers and threatening the livelihood of both companies
13 and their workers.

14 Back in early 2000, our business faced constant
15 pressure from Chinese imports primarily high-speed blades
16 with diameters between 12 and 14 inches. These sawblades
17 were and are a large portion of our business. If anyone
18 tells you that U.S. producers don't make or aren't
19 interested in making domestic 12- to 14-inch sawblades,
20 they're not telling the truth. This was and continues to be
21 the heart of the U.S. diamond sawblade market. Imports took
22 over the majority of the small diamond sawblades in the
23 1990s and by the early 2000s we watched as competitors and
24 telemarketers went directly to our customers who were
25 primarily distributors and offered them products imported

1 from China at bottom-feeding prices.

2 Chinese prices were so low they ate into much of
3 our business. In fact, we often saw sawblades being sold
4 for less than the raw materials cost. We were losing so
5 many customers in the high-speed sawblade sector that we
6 were forced to move into the larger blades in order to stay
7 in business. We joined Diamond Sawblades Manufacturers
8 Coalition before it filed the original case. And as you
9 know the antidumping order was issued in 2009.

10 The antidumping order has not provided perfect
11 relief from unfairly priced imports. But it's been crucial
12 to Dixie Diamond. The years from 2009 to 2011 were very
13 tough for us. The economy was just crawling out of a
14 recession and without the order we could have gone out of
15 business. But the order stabilized prices and we were able
16 to continue to compete in the U.S. market and even earn a
17 small profit.

18 Since 2012 Dixie Diamond has become stronger.
19 But even with the order we still see very low prices on
20 Chinese imports. Also to be clear, we see low-priced
21 Chinese products in all diameters of blades. The imports
22 have already taken over the majority of the small blades.
23 Chinese imports cost me sales every day in the 12- to
24 14-inch range. I repeat that the 12- to 14-inch blades make
25 up roughly half of our sales and revocation would be

1 detrimental to our business.

2 Chinese product also comes in at ridiculously low
3 prices even in the larger-diameter blades. These blades are
4 going all over the United States. Just recently an importer
5 delivered to Michigan an entire pallet of 26-inch blades at
6 just \$288 each, about one half of my selling price. We just
7 can't compete with those prices.

8 One of my biggest concerns now is that the
9 professional cutters who are the ones who build the roads in
10 the United States are relying more heavily than before on
11 low-priced Chinese product and many Americans are going to
12 lose their jobs as a result.

13 This order is extremely important to Dixie
14 Diamond as I am sure it is to many other U.S. producers.
15 We're still in the high-speed 12- to 14-inch sawblade sector
16 today, but if the order is revoked that portion of our
17 business will be severely reduced.

18 Prices will fall to such low levels that we will
19 be forced to import blades to compete. The 14-inch sawblade
20 is one of the most popular sizes. It makes up about 90
21 percent of the high-speed blades that Dixie Diamond
22 manufactures. Without the order, Chinese imports would
23 swamp the market and we'd lose sales in this size very
24 quickly.

25 I receive e-mails weekly from Chinese importers

1 vying for my business at absurdly low prices. I also wonder
2 if they're sending those same e-mails to my distributors
3 too. Still the order keeps many Chinese producers from
4 participating in the U.S. market. But if the order is
5 revoked, all of those players will flood the market.
6 Importers will leap at the chance to import Chinese blades
7 without the risk of duties. But as these risks fall, our
8 will rise and it won't just be the risk of duties that we
9 face. It will be the risk of losing businesses that our
10 families have worked for years to build. It will be at the
11 risk of our workers losing their jobs.

12 Chinese sawblade manufacturers are ruthless and
13 will do whatever it takes to make a sale, even if that means
14 losing money to get the order. We've recently seen Chinese
15 offers at less than \$17 for a 14-inch blade and that is with
16 the order in place.

17 My price for a similar blade is \$69. Chinese
18 importers really do undersell U.S. blades by that much.
19 This hinders my ability to reinvest in the company with R&D
20 and add jobs. If the order is terminated, prices will
21 collapse again. Our business will struggle to compete and
22 Americans will lose their jobs.

23 On behalf of Dixie Diamond, I request the
24 Commission to continue the order on Diamond sawblades from
25 China. Thank you.

1 MR. PICKARD: Good morning. Again, for the
2 record, I'm Dan Pickard. I'd like to make a couple of quick
3 remarks and address one or two of the more interesting legal
4 issues. But before I begin I would like to definitely
5 express our gratitude to the ITC staff who did, as usual, an
6 excellent job. It seems to me that the diamond sawblade
7 case should be relatively straightforward, but factually it
8 seems like there are a lot of wrinkles and as usually they
9 did a great job. And also thanks to the Commission staff
10 for all their help with our technical difficulties this
11 morning.

12 So without further adieu if we could go to the
13 first slide.

14 [Slide presentation.]

15 MR. PICKARD: There's a legal issue in regard to
16 related parties. And it's a somewhat interesting issue, but
17 I don't think at the end of the day it's really outcome
18 determinative. But I think it's important for this case.

19 As you are well aware under the related-party
20 provision the Commission can exclude from the domestic
21 industry data set -- really from its analysis -- whether
22 material injury would reoccur. U.S. producers who are
23 related to foreign producers import significant amounts.
24 And the CIT has generally said that this is appropriate in
25 situations where the domestic producers' interest are really

1 kind of hostile to the interests of the other domestic
2 producers. Or put another way, when they're more interested
3 in their import operations than their domestic production
4 operations.

5 So if we go to the next slide, the Commission
6 applies a three-prong test and the third prong in the test
7 is whether inclusion or exclusion of the particular domestic
8 producers' data will quote/unquote "skew" the data. And I
9 think this is really kind of the interesting part. So the
10 question is whether inclusions or exclusions of the data
11 will skew the overall data set. And what the Commission has
12 frequently done, has chosen not to exclude the domestic
13 producer if inclusion of its data -- if exclusion -- I'm
14 sorry, let me try this again.

15 It will not exclude a producer when there's not a
16 significant effect on the domestic industry data. Put a
17 different way, the Commission has traditionally said, when a
18 producer is very large, it won't exclude them because it
19 would have a significant effect on the data. Or put a
20 different way, the related party provision is frequently
21 applied when it doesn't have a significant effect. The
22 Commission has explicitly said in the past, that one of the
23 reasons it won't exclude a party is because they're large.
24 So our basic contention is, there has been resistance to
25 applying the related party provision when it matters most to

1 the domestic industry.

2 Here Husqvarna is a big producer. They are the
3 face of the opposition. They have not been supportive of
4 this case to say the least. They have been -- they have
5 filed change of circumstances reviews at the Department of
6 Commerce and at the ITC. They're the only party showing up
7 this afternoon. They are large and their exclusion would
8 have a significant effect on the data. But because of the
9 position that they're taking in this case I would suggest
10 that exclusion is appropriate.

11 If we can go to the next slide too.

12 It's equally true for General Tool, which is
13 affiliated with both the Chinese and Korean producers. I
14 think it's particularly significant with regard to
15 Husqvarna. And I would point out, they were invited to join
16 the domestic industry coalition when we formed this case in
17 the beginning but refused that invitation.

18 Regardless of whether they're included or
19 excluded, I think you see a vulnerable industry and I think
20 what we're going to talk about next is clearly the Chinese
21 imports will come back into the market, but they're
22 exclusion, I would suggest, is appropriate and it also
23 highlights how vulnerable the domestic industry is.

24 But with them in or with them out, this is an
25 industry that would very quickly return to material injury

1 if arguably they're not currently materially injured.

2 So if we go to the next slide.

3 MR. PICKARD: This case has been very effective in
4 regard to lowering import volumes, but only recently. One
5 of the more interesting parts of this case again has been
6 the overwhelming amount of evidence of fraud by Chinese
7 producers.

8 As I am sure you have heard allegations before of
9 fraud, in this case Customs has taken enforcement positions
10 regarding exporters, but there is overwhelming evidence of
11 transshipment and Customs fraud. And the reason we know
12 this is because the Chinese producers told us, and they put
13 it in writing.

14 So this is not kind of an exhaustive approach,
15 but here are just kind of my personal favorites. So in the
16 first, this is an e-mail, and this was included in Senator
17 Wyden's report on circumvention where the Chinese producer
18 says: Hey, anti-dumping is not a big problem for you. We
19 have three solutions. It's just a political game. And they
20 talk about changing the value of the products. They talk
21 about the fact that their margin is low. And then they
22 offer to mischaracterize it. Now they didn't know that
23 quarters are also included, but it is an e-mail from a
24 foreign producer talking about willing to circumvent the
25 order.

1 The next one is--and we've left the name of the
2 foreign producer unbracketed here for you to see--but they
3 are explicitly saying: Yes, we recognize there is an
4 anti-dumping duty on sawblades, but we export through
5 shippers and we lower the amount so it doesn't have to go
6 through Customs clearance.

7 One of the more blatant ones was--and it is also
8 included in Senator Wyden's report, where the Chinese
9 producer says, hey are you--the inquiry went to them: Are
10 you affected by the anti-dumping order? And they said, no
11 we're not affected because we can do transshipment. And
12 there's evidence, and we've attached these e-mails and some
13 of the supporting evidence to the prehearing brief, but
14 there is an abundance of evidence out there.

15 And the most egregious one might be this one.
16 When we became aware that this foreign producer was offering
17 to transship, I was asked by a member of the Coalition to
18 send him an e-mail to advise him that transshipment was
19 against the law.

20 And he blatantly sent an e-mail back to me, the
21 attorney for the domestic industry who brought the case,
22 basically saying thanks, we understand there's an
23 anti-dumping order but what we do is we lower the value of
24 the shipments coming in so the customers receive, quote,
25 "our goods in right time and with less import taxes."

1 So we don't offer these up as to throw mud.
2 These are offered for the purposes of demonstrating: Are the
3 Chinese producers motivated to sell into the United States?

4 Yes. They are so motivated that they are willing
5 to put in writing that they are willing to circumvent the
6 law in order to sell.

7 So a couple of other points. You are going to
8 hear this afternoon that there is no competition going on in
9 the U.S. marketplace. So as Mr. Walker has testified,
10 really at the heart of the industry is probably the 10- to
11 14-inch, and of crucial importance is the 12- to 14-inch
12 blades.

13 As you can see, it is almost dollar-for-dollar.
14 And this is the Commission's data as far as what came in
15 from China and what we sold in the United States in that
16 crucial range.

17 I would also point out that we think the status
18 considerably understated, especially in regard to the 20
19 inches or above for the Chinese. And we can document this,
20 as well. Part of it is--as you may be aware--the lack of
21 responsiveness by Chinese foreign producers and certain
22 importers. And I would say that the main and most important
23 importers of above-20-inch-blades have not responded to the
24 ITC's questionnaires.

25 But regardless, even if you went on the status

1 set, what you see is in every diameter, every type of saw
2 blade, everything that is made in the United States is
3 facing competition from Chinese product.

4 And what you will hear today in the afternoon,
5 I'm sure, is that there are different channels of
6 distribution. The bottom line is, the bulk, a significant
7 amount of imports and domestic product, are sold to
8 distributors.

9 That is unquestionable. The data from the
10 Commission shows that clearly. And, Chinese and domestic
11 producers both sell to end users. I think your end-user
12 data is under-reported, again in part because you didn't get
13 questionnaire responses from some of those largest
14 importers. But if you have any questions about it, I
15 suggest that you ask Mr. Walker today, who is a professional
16 concrete cutter, who has by his testimony today indicated
17 that he has increased his imports of Chinese blades, where
18 it's been alleged they're not present, because of their low
19 price.

20 And I think it is also interesting to note that
21 greater than 20-inch blades are also frequently sold through
22 distribution. And I would encourage you, to the extent that
23 you would have any questions to ask any of the industry
24 witnesses about that. Very significant overlap of
25 competition.

1 The Commission found this in the original
2 investigation ultimately. That has not changed. That is
3 why we are here today.

4 Another slide, please. One significant impact of
5 this case is that large Chinese producers have open
6 facilities in Thailand. This is from the Commission staff
7 report.

8 Bosun Tools is a major--Bosun Tools and Gang Yan
9 are both major producers of finished sawblades. HXF may be
10 the largest producer of cores in China. Hebei Jikai is a
11 major producer. And Diamond Tools Technology,
12 interestingly, is a huge importer into the United States for
13 professional-grade products.

14 These companies--if we could go back one more
15 slide--these companies have moved to Thailand. That is not
16 necessarily a bad thing. Would the domestic industry prefer
17 to have had more market share gains? Absolutely. But it
18 means that these producers are now going to have to produce
19 with real-world costs. They are not going to be in a
20 nonmarket economy. They are not going to have access to
21 subsidized steel, subsidized energy, depressed labor rates
22 that they have in China. And as a matter of fact, the AUVs
23 that you have for products coming in from Thailand are
24 significantly higher than the AUVs coming in from China.
25 All of this contributes to price stabilization in the United

1 States.

2 If we could go to the next slide, more
3 importantly these are the dollar values of the Chinese
4 versus the Thai imports. And while the Thai imports have
5 increased, clearly the more significant element in the
6 marketplace are the Chinese--although they're going down.

7 I'm sorry, if we go to the next slide, it was
8 also suggested by Husqvarna that perhaps the anti-dumping
9 order is a nuisance for the major producers. These are just
10 some of the Diamond saw blade producers who are the 80
11 percent rates. That is not a "nuisance." That is
12 meaningful relief.

13 And you can see it has had meaningful relief
14 because of the next slide where we're going to take a look
15 at what happens with import volumes.

16 During the period of investigation, imports from
17 China skyrocketed. Now there's a huge dip in 2009 when the
18 anti-dumping order was issued, but it is also when the
19 recession happens.

20 There was a lot of speculation in regard to
21 whether the anti-dumping order was going to withstand
22 judicial review. When the final appeal comes, when the CAFC
23 speaks for the final time affirming the Commission's
24 determination, what we see is imports continue to step down.
25 And they're falling most dramatically now in year-to-date

1 2015 as compared to 2014.

2 So Chinese prices remain the lowest prices in the
3 marketplace. There's no doubt about that. Although their
4 AUVs are increasing. They're up 12.5 percent, which is not
5 insignificant, but they're so low at 12.5 percent of a very
6 low number is not as high as I think the domestic industry
7 would like.

8 What is particularly interesting I think is--and
9 that is the last time I'll use that phrase in my direct
10 presentation--is what you've seen from your questionnaire
11 responses. Obviously it's not surprising to see the
12 domestic industry say that the anti-dumping order has
13 stabilized prices.

14 There are a significant amount of importer
15 questionnaires, purchaser questionnaires, and significant
16 comments on even foreign producer questionnaires talking
17 about both that the anti-dumping order has stabilized prices
18 in the United States and, I think what could be fairly
19 described as an admission against interest that if the
20 anti-dumping order was revoked, Chinese producers would ship
21 more into the United States and prices would collapse.

22 So to conclude, without the Order I think we
23 would just see a replay of what happened in the original
24 investigation. The Chinese have massive excess capacity.
25 They are motivated to sell here. They sell on the basis of

1 price. And they have essentially taken over the entire
2 small part of the marketplace.

3 They are eating away at the lion's share in the
4 middle part of the market. And they've made significant
5 inroads into the higher diameter plates.

6 And with that, that concludes our direct
7 presentation and we would be happy to answer any questions
8 that you may have.

9 CHAIRMAN BROADBENT: We are so grateful to you for
10 not taking all of your time. Let's see. It was a good
11 presentation and efficient use of your time. I appreciate
12 it.

13 I want to thank all the witnesses for coming
14 today and taking time away from their businesses and their
15 work to be with us.

16 This morning we will begin our questioning with
17 Vice Chairman Pinkert.

18 VICE CHAIRMAN PINKERT: Thank you, Madam Chairman,
19 and I thank all of you for being here today to help us
20 understand these issues.

21 For purposes of my first question, assume that we
22 continue the Order going forward. If a U.S. producer under
23 those circumstances can import from Thailand at the lower
24 end of the market, the smaller diameters commodity grade,
25 why would they choose to produce those products in the

1 United States rather than importing from Thailand?

2 MR. JEDICK: Andy Jedick, Diamond Products. Our
3 Thai factory was built in 2002-2003 as a defense mechanism
4 against the lowering prices. We were making small,
5 lower-priced blades in the U.S. and would love to do that
6 again if the circumstances change.

7 But the imports from Thailand for Diamond
8 products though are a low percentage of our sales. We are--
9 again, we are using the factory for our parent company in
10 Europe uses them for the same purpose, for competing against
11 Chinese importing into Europe. We are using them in the
12 United States. We still want to be, and are one of the
13 largest producers, manufacturers of Diamond Tools and want
14 to continue making them.

15 We are not motivated to import more from
16 Thailand. So as the prices are stabilizing, we will make as
17 much product in the U.S. as we possibly can and only use the
18 factory as the defense mechanism for the lower prices.

19 Now last year on the slide that showed the
20 increase in Thai imports, I just want to make it clear that
21 we were about 20 percent of that increase. We had an
22 increase in our exports, from our importing from Thailand.
23 But the lion's share of that increase was not Diamond
24 products. I'm not privy to individual reports so I don't
25 know who it was, but it definitely was--about 20 percent of

1 it was us.

2 MR. BARON: Kevin Baron, Western Saw. Just some
3 information. In 2004, we have--we break out our blades,
4 4-inch through 10-inch. They're called, "Minis" is what we
5 call them for our categories.

6 In 2004 we made 39,505. In 2004[sic], we made
7 47,783. So to us this market is very important. And we
8 have put in some new equipment. We've invested heavily, and
9 we can't compete price-wise, but we are getting better at
10 it, and a lot of U.S. producers are now buying more from us
11 today as you can see.

12 So we want to make more, absolutely, and we are
13 going to do everything we can, invest more to make more.
14 But without the Order, we have no shot.

15 MR. PICKARD: It is certainly a valid question,
16 Commissioner. I think part of the bottom-line answer is if
17 the question is if you could import from a nonsubject
18 country a low-priced product, why would you not do that?
19 Why would you produce in the United States?

20 I think because they've got vested interests in
21 manufacturers want to manufacture. These guys would prefer
22 to produce as much as they can in the United States as long
23 as it is at a profitable level. If they can do that, there
24 are good business reasons to move more units through your
25 factory. And I think if they had the opportunity to go back

1 into certain produce ranges that they've been essentially
2 excluded from, they could do so at a profitable basis, they
3 would do it in a heartbeat.

4 VICE CHAIRMAN PINKERT: For the post-hearing, if
5 you could look at the numbers in terms of the prices that
6 are available from Thailand and explain why it would still
7 be profitable in your words to produce those products in the
8 United States, I think that would be helpful. Thank you.

9 Now staying with this numerical comparison idea,
10 if you look at the difference in the average unit values
11 between the subject product and the product that's produced
12 in the United States, does that difference in the AUVs
13 suggest that there's an attenuation of competition as was
14 suggested by the other side?

15 MR. PICKARD: I think the short answer is that's
16 product mix. That's what happens when you look at AUVs. I
17 think what get lost sometimes, what may have gotten lost a
18 little bit in the original case, was looking at relative
19 percentages.

20 There's such a massive flood of Chinese imports
21 in especially the lower diameter blades, I think it pulls
22 down the AUV significantly. And I think that's what product
23 mix is driving it. Every producer here I think will tell
24 you that every blade that they make faces Chinese import
25 competition; that there is no attenuation there, and that

1 customers are making purchasing decisions on the basis of
2 price.

3 There is no place, there is no channel that the
4 Chinese are not offering product.

5 MR. JEDICK: Andy Jedick, Diamond Products. To
6 that point, since there's almost no 7-inch down to 4-inch
7 blades that are actually manufactured in the U.S., and the
8 unit volume of that product is extremely high, that's the
9 difference in the price-per-unit analysis.

10 Well, we were doing some research and I saw that
11 we had made over 100,000 blades back in the late '80s in
12 that size range in our factory, which would have certainly
13 skewed our average unit price down if we were still doing
14 that. But now since we produce virtually no 7- through
15 4-inch blades in our Ohio factory, our numbers are probably
16 skewed completely to the other direction of being much
17 higher unit prices.

18 But I'm sure the answer to that question is in
19 the product mix.

20 MR. WOLTERS: This is Garrett from Dixie Diamond.
21 To clarify that even further, over the last 15 years the
22 Chinese have gobbled up the under-12-inch blade business.
23 And we would like that business back, but the prices came in
24 so low and are still so low that we cannot manufacture them
25 profitably.

1 If there's a profit to be made, we would be
2 making smaller diameter blades. So if that helps clarify or
3 gives you some more evidence, I just wanted to mention that.

4 MR. PICKARD: And just, if I could just very
5 briefly follow up on kind of the legal underpinnings to the
6 question, so it's been argued that if large segments are
7 taken away from the domestic industry, that that amounts to
8 attenuation of competition. And I would suggest that's a
9 continuing manifestation of material injury.

10 If I take a third of somebody's money over, and
11 over, and over again to suggest that, well, I've been doing
12 it for a while so it can't hurting you, is kind of
13 counter-intuitive, right? It's a continuation of the
14 material injury, not an attenuation of it.

15 VICE CHAIRMAN PINKERT: I take your point on that,
16 Mr. Pickard, but isn't the claim on the other side that what
17 has been lost in that segment of the market is lost either
18 to subject or nonsubject imports and is not available to the
19 domestic industry anymore?

20 MR. PICKARD: I think that is their argument, and
21 just like in the original investigation when this was
22 argued, there was evidence submitted indicating that if the
23 domestic industry can get back in at a profitable level, it
24 would do so. And kind of one of the key pieces of evidence
25 from the original investigation was Diamond B, which was a

1 U.S. producer, had recently commissioned a study to see if
2 it could restart centering operations.

3 So the fundamental question is: If the Order
4 comes off, is the domestic industry going to be injured
5 further? Certainly. I think they want to recapture as much
6 as they can. I think it is also unknown as this stage in
7 how far they'll be able to recapture. But some is better
8 than nothing.

9 VICE CHAIRMAN PINKERT: I think that this goes
10 back to my original question. Mr. Wolters just testified
11 that the Chinese had chewed up that low end of the market,
12 and the U.S. producers can't produce profitably in that
13 segment of the market.

14 So my question was: Even in the absence of the
15 Chinese produce, does the Thai product perform that same
16 function, essentially keeping the U.S. industry from
17 producing at that end of the market?

18 MR. WOLTERS: This is Garrett. I think one thing
19 to make very clear is, there's a large section of blades
20 under 12 inch--let's say 9 inch and under--that for years
21 has been made overseas. I don't know of any U.S. producer
22 making those small-diameter blades.

23 Probably the highest percentage of high-speed
24 business is 12- and 14-inch blades. Those blades we can
25 compete. And my company makes tens of thousands of those

1 per year. So that part we can compete.

2 Getting below 12-inch, that part, that business
3 frankly has been gone for years. But I do want to clarify
4 that we do make thousands of blades in the 12- to 14-inch
5 range.

6 MR. BARON; Kevin Baron, Western Saw. As I said
7 earlier, in 2004 we made 39,000 minis, which is 7 inches and
8 down, or 10 inches through 4 inches, excuse me. And in
9 2014, we made 47. So we actually do make quite a few minis
10 for the United States. The cores that we sell, these
11 diameters, are to U.S. producers.

12 So people don't know that that market is still
13 strong and striving. It's not what it was, but it is still
14 real strong for us. And we also make hundreds of--a hundred
15 thousand 12s and 14s. So, yes, we need to have that Order
16 in place; otherwise, prices are going to fall and then we
17 won't be in that market.

18 CHAIRMAN BROADBENT: Commissioner Williamson.

19 VICE CHAIRMAN PINKERT: Thank you, very much.

20 MR. PICKARD: And we will certainly respond in
21 more detail in the post-hearing brief to your questions,
22 Commissioner.

23 VICE CHAIRMAN PINKERT: Thank you.

24 MR. PICKARD: You bet.

25 COMMISSIONER WILLIAMSON: I want to welcome all

1 the witnesses and thank them for their testimony. I want to
2 express our appreciation to Diamond Saw Blade for the tour
3 they gave myself and some other members of the staff.

4 I was wondering, since the original POI apparent
5 consumption by quantity has increased substantially, but
6 consumption by value has fallen substantially. Can you
7 explain this disparity? So you have, you know, the
8 quantity going up and the value going down.

9 MR. BARON: Well--Kevin from Western Saw again--
10 for us, that's very simple. You have to compete. And in
11 order to compete, you have to lower your prices. And so
12 price deterioration has been, even with the Order in place,
13 we've had to become more efficient and lower our prices. So
14 that's absolutely. And if the Order comes off, the price
15 will go, too.

16 COMMISSIONER WILLIAMSON: Anybody else?

17 MR. JEDICK: Andy Jedick, Diamond Products again.
18 We did a little study the other day on one of our largest
19 selling blades, our most popular SKU, and came up with a 24
20 percent reduction in selling price from 2006 or '07 to 2014.
21 So a significant part of that disparity is coming from our
22 own selling prices being lowered.

23 COMMISSIONER WILLIAMSON: Thank you. Are there
24 generally recognized grades or ratings for Diamond Sawblades
25 in the U.S. market?

1 MR. JEDICK: I'm sorry?

2 COMMISSIONER WILLIAMSON: I mean, I've heard a lot
3 of talk about the professional user. I guess at an earlier
4 time they talked about "premium" blades. But I was just
5 wondering what's the picture today?

6 MR. JEDICK: Andy Jedick. I think I understand
7 the question. Distribution will sell Diamond blades from
8 4-inch up to 36- or 42-inch, depending on the type of
9 distributor they are. Typically on the larger size blades
10 for those distributors, they will be a lower quality grade
11 blade because again they are selling for a price, and the
12 blade may be used in a small project where it doesn't have
13 to be as high of a quality of a product.

14 For the professional concrete cutting segment,
15 the blades have to be higher diamond concentrations and
16 better bond systems and things to facilitate what they do
17 with the blades. And they may use two or three blades up in
18 a day. Where a small contractor might have his blade all
19 summer.

20 So there's definitely different quality grades of
21 the blades, if that's how I understood your question.

22 COMMISSIONER WILLIAMSON: So but how does the
23 consumer know what quality? I think when I was in the
24 factory there was a discussion about orange used to be I
25 think considered premium. I don't know whether that's still

1 the case?

2 MR. JEDICK: Well orange was Diamond Product's
3 standard blade for our largest selling and most popular
4 product line on the high speed saw blade. That would be
5 right now dominated by 14-inch blades. And it ended up
6 being more or less like the Kleenex connotation where you
7 just say "give me an orange blade" because they knew that
8 they were the best blades.

9 But we have a lot of competition now that has
10 orange blades, and we have a lot of importers that paint
11 their blades orange. So we've kind of lost our identity on
12 the color schemes.

13 There isn't--to answer the question from a
14 technical standpoint or from the standpoint of maybe a group
15 of professionals or any kind of a national group of
16 manufacturers, there aren't standard color codes.

17 In Europe, there are. If it's painted a certain
18 color, then it has to be specifically within a range of
19 diamond concentration, et cetera. Here, everybody has their
20 own schemes, their own names--Supremes, Extras, Imperials--
21 and everybody uses the names for different grades of
22 different sides of the spectrum. So it's a little confusing
23 to untangle.

24 COMMISSIONER WILLIAMSON: How is that enforced in
25 Europe? Do they have more active federal trade conditions

1 for sawblades, or what?

2 MR. JEDICK: Yes. They have an organization over
3 there that's called FIBA, and that's an organization that
4 actually does that alignment. And I'm not saying that
5 wouldn't have been a good thing for us. Our industry is
6 pretty mature, so that would probably have been more
7 appropriate about 25 years ago. But we have what we have
8 now, and there aren't standards.

9 COMMISSIONER WILLIAMSON: Okay. Mr. Walker, I was
10 wondering, since you use a lot of blades, given this
11 confusion in quality, how do you deal with that? Are you
12 sort of saying, well, if it's cheap enough I'll use more of
13 them?

14 MR. WALKER: For us, it's certainly the quality of
15 the blade with the price, how many feet we get out of the
16 blade versus what the price is. And, you know, right now
17 the--you know, for us, you want quality, speed, how long it
18 lasts, and how fast we can get it to cut. And we look at a
19 cost-per-inch foot.

20 COMMISSIONER WILLIAMSON: Do you actually track
21 these things? Or is it more a matter of your cutters have a
22 sense?

23 MR. WALKER: We try to, yes. We try to track it,
24 but, you know, quite honestly the price of the blades have
25 gone so low that we don't even bother to track it anymore.

1 But on larger projects, the JFK project, we're tracking our
2 24-inch green blades. And right now the leader in the
3 clubhouse is Husqvarna.

4 COMMISSIONER WILLIAMSON: Okay, so you do. Thank
5 you.

6 I was curious about, it says there's not much
7 discussion about future demand, and I go back and forth to
8 New York by bus every week, and I notice the Jersey Turnpike
9 now has six lanes all the way down to Exit 6.

10 Can you say something, Mr. Walker, about demand
11 for these types of projects, since this one is finished?

12 MR. WALKER: Demand for?

13 COMMISSIONER WILLIAMSON: Demand for
14 infrastructure projects that would use sawblades?

15 MR. WALKER: Well, you can just drive down the
16 road and find a dirth of demand of the bridges and the
17 tunnels that are in such bad shape that they need to be
18 replaced. Our business is cutting bridge decks. We'll cut
19 the bridge decks up into pieces, and then they'll take them
20 off and put them back in. And then we come in and we grind
21 and groove them. We grind them smooth and groove them for
22 better traction.

23 COMMISSIONER WILLIAMSON: Okay, anyone else want
24 to talk about overall demand for the product going forward?

25 MR. WOLTERS: I would like to add we all know

1 that Congress is looking at the Highway bill and how to pay
2 for that and how to structure that. And I believe it's a
3 budget of around a half a trillion dollars to rebuild roads
4 and highways throughout the United States and that would
5 create a lot of demand for our product.

6 COMMISSIONER WILLIAMSON: Mr. Jedick.

7 MR. JEDICK: Andy again from Diamond Products.
8 We belong to several trade organizations that are forced to
9 do future predicting of what's going to happen in the
10 marketplace. It's typically not accurate, but it's a stab
11 at what might happen. And we're just looking from STAFDA,
12 the STAFDA organization, which is a small tools and
13 fasteners group that we belong to. A large amount of our
14 distribution customers belong to that organization.

15 And also, the Concrete Sawing and Drilling
16 organization tries to do a little forward-looking for what's
17 going to happen in the market. And they're just looking at
18 moderate demand increases over the next three or four years,
19 3 to 4 percent demand increases, nothing dramatic.

20 When it comes to road projects, I think when
21 they start in different parts of the country one project
22 finishes in the other part of the country and I think
23 there's large projects but they're not -- I think some are
24 finishing when others are starting, so it's not driven maybe
25 by large construction projects like the turnpike project.

1 That's just one of probably many.

2 COMMISSIONER WILLIAMSON: Good. Thank you. Mr.
3 Baron?

4 MR. BARON: Kevin Baron, Western Saw. In regard
5 to the demand, another association -- and Andy is also a
6 member -- is the International Grinding and Grooving
7 Association and they do a lot of the highways and roadwork a
8 lot. And with the Highway bill, we're looking at I would
9 say moderate to even maybe a little better than moderate
10 growth once the bill's passed.

11 COMMISSIONER WILLIAMSON: Okay. All right, if
12 the bill's passed. Okay. What impact has the order had on
13 the mix of subject imports with respect to the various
14 product characteristics and channel of distribution? If
15 this is going to be a long answer, my time is expiring, and
16 I can come back to that question if you want to think about
17 it. Okay, thank you.

18 CHAIRMAN BROADBENT: Commissioner Johanson?

19 COMMISSIONER JOHANSON: Thank you, Chairman
20 Broadbent. And I would also like to thank the witnesses for
21 appearing here today. Petitioners argue to exclude
22 Husqvarna from the domestic industry based on related-party
23 considerations. If the Commission were to compare Husqvarna
24 and Diamond Products domestic production, sales,
25 investments, employment, and imports regardless of source,

1 would it be able to distinguish one operation from another
2 with a clear understanding of which one should be considered
3 a domestic producer and which one should not be based on
4 your related-party analysis?

5 MR. PICKARD: The answer is yes, Your Honor --
6 Your Honor -- congratulations -- Commission. Obviously, it
7 would go into propriety information to discuss it here, but
8 I think you can take a look at, for example, ratio of
9 imports to domestic production and I think that would be
10 helpful. And I think you can look at more market behavior
11 as far as who's obviously been supporting the case; who
12 hasn't been. But in regard to like the specific financial
13 indicators that you discussed, obviously, we'll address that
14 in the post-hearing brief; but I believe the answer is yes,
15 that there's a difference between how these companies want
16 to behave in the marketplace and their fundamental positions
17 in regard to supporting domestic production or not.

18 MR. BARON: Kevin Baron, Western Saw. To kind
19 of answer that question of who -- Diamond Products is our
20 largest, core purchasers by double, so I would say that they
21 are producing more.

22 COMMISSIONER JOHANSON: And as a follow up, Mr.
23 Pickard, should the Commission consider Husqvarna ratio of
24 U.S. shipments to subject imports on a value basis and how
25 would this affect your argument that Husqvarna is to be

1 excluded from the domestic industry?

2 MR. PICKARD: I think at the end of the day it
3 doesn't really kind of change our position. Traditionally,
4 the Commission has looked at it on a volume basis and
5 obviously there are issues with value when the very imports
6 that you're talking about are dumped imports. I think
7 throws a wrinkle into the data and that volume -- the unit
8 is probably more appropriate here, but I think the ratio in
9 combination with all of the other factors still argue again
10 for exclusion from the data set. Regardless, I think you
11 still have a pretty compelling issue, but you know we'll
12 break out and we'll address the issue in regard to value
13 obviously in the proprietary brief.

14 COMMISSIONER JOHANSON: Thank you. And one more
15 question with regard to this issue. How should the
16 employment level of a related party figure into the
17 Commission's decision of whether or not to exclude it from
18 the domestic industry?

19 MR. PICKARD: To the best of my knowledge, I
20 can't recall the Commission previously looking at employment
21 levels in regard to a related party's provision, but it's an
22 excellent question. I'll take a look at it and we'll flush
23 that out in the brief as well.

24 COMMISSIONER JOHANSON: In the remand
25 determination, the Commission made an affirmative threat

1 determination cumulating imports from China and Korea.
2 Since then, the order on Korea was revoked and that matter
3 is no longer subject to any appeals. What happened to the
4 U.S. market after the order on Korea was terminated and does
5 that at all inform the Commission of how to view what would
6 happen in the event of the order on China being terminated?

7 MR. WOLTERS: This is Garrett Wolters from Dixie
8 Diamond, and we have seen I would say in the last two to
9 three years very low priced, high-speed blades -- and I'm
10 defining high-speed blades at 12- and 14-inch because that's
11 the majority of the high-speed market -- in a range that I
12 cannot compete in. So, it has been revoked and I think it
13 has caused some harm.

14 MR. BARON: Kevin from Western Saw. In regards
15 to -- we don't really -- we've never really competed with
16 the Korean pricing. It's been the Chinese prices they're
17 the lowest costs for us and they're the ones that we compete
18 against, so Korea was never really as big an issue for us.

19 MR. JEDICK: Any Jedick, Diamond Products. I
20 also wanted to throw in that I believe we lost several of
21 the major Korean importers during the time that they were
22 still covered by the -- and some of them just stopped
23 importing to the U.S. I don't believe they came back or
24 there were two or three names that I know that had fallen
25 off from the list, but it was a much smaller list, the

1 Korean, and it was a much smaller issue in the first case.

2 COMMISSIONER JOHANSON: Mr. Jedick, I believe
3 you stated that Korean importers many of them went away?

4 MR. JEDICK: Yes, not many, but there were
5 several, I believe, that decided they didn't want to work
6 under the order and I think they left the country, whether
7 they were larger ones or smaller ones I just know several
8 names had disappeared.

9 COMMISSIONER JOHANSON: Do you know if they
10 started importing from China or elsewhere?

11 MR. JEDICK: It's possible. It's possible. I
12 didn't study to that level, but it's quite possible.

13 MR. PICKARD: More directly in response to your
14 question, after revocation of the order in regard to Korea
15 we still see their AUB significantly higher than the Chinese
16 prices. So, the question is how much -- I think your
17 question is how much should that inform your decision. And
18 what I think every person here would tell you and what the
19 data that the Commission has collected demonstrates is that
20 the Chinese behave very differently in the market than the
21 Koreans do, that the Chinese blades are the low price
22 leaders by far. So, what the Koreans necessarily did after
23 revocation isn't necessarily indicative of what the Chinese
24 would do, who are the low price leaders in the marketplace.

25 COMMISSIONER JOHANSON: Thank you. In the

1 Petitioner's pre-hearing brief, there is an extensive
2 discussion of the alleged circumvention of the order. And I
3 was particularly struck by that section of your pre-hearing
4 brief. Has Commerce made any circumvention determinations?

5 MR. PICKARD: We haven't made a circumvention
6 allegation at the Department of Commerce. We've actually
7 worked with Customs in regard to enforcement issues because
8 it was on a broader base rather than a company-specific
9 circumvention allegation. And Customs has specifically
10 found in its yearly report, for example, that there have
11 been violations of the anti-dumping order in regard to China
12 and assessed penalties. They're difficult to get specific
13 information out of in regard to the extent of the penalties.

14 Some of it is bracketed in our brief. As we've
15 been informed by Customs, there's several hundred entries
16 that are currently being investigated for circumvention.
17 And I think it's entirely possible that we're going to be
18 seeing circumvention petitions filed not too far from now,
19 but in answer to your question we've traditionally dealt
20 with Customs rather than Commerce in regard to
21 circumvention.

22 COMMISSIONER JOHANSON: Thanks for your
23 response. I'm somewhat familiar with this issue having
24 worked on honey issues in the past when I was on the Hill.
25 Obviously, you worked with Senator Wyden on this issue.

1 Okay. When I was on the Hill, we were approached many times
2 by honey producers, so I know all about honey now.

3 MR. PICKARD: And it's probably the best
4 nickname of any circumvention, right, honey laundering?

5 COMMISSIONER JOHANSON: Yes. Someone deserves
6 credit for that one. After the Commission's original
7 determination -- original negative determination, domestic
8 producers Barranca and New England Diamond ceased production
9 before the remanded orders came into effect. Does the
10 timing of these firms ceasing production inform the
11 Commission of what will happen if the order on China is
12 terminated?

13 MR. PICKARD: I would like to say that their
14 closures are indicative of the injury that would occur. I'm
15 not sure that would be a forthright representation. NED, if
16 I remember correctly, New England, gets bought out by a
17 joint Korean/Chinese affiliate and then gets closed down.
18 So, I suppose that is somewhat indicative. And Barranca was
19 MK's affiliate, who basically goes out of business because
20 the Chinese go directly to the customers. So yes, I guess
21 maybe it is certainly relevant. You know better than I.

22 MR. BARON: Kevin Baron, Western Saw. The New
23 England Diamond Company was owned by the Wyatt family. Brad
24 Wyatt, the older brother, was running the firm at the time
25 and we sold them many, many cores. And in my meeting with

1 him, he had said that they just couldn't compete any more
2 and yes, they sold out because they had no option. They
3 couldn't make a profit and compete with the Chinese. They
4 were a very large supplier of the -- I'll call it 'minis',
5 4s through 10s, and they couldn't make it. The prices were
6 just too low.

7 COMMISSIONER JOHANSON: Thanks for your
8 responses. My time has expired.

9 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

10 COMMISSIONER SCHMIDTLEIN: Thank you. Good
11 morning. I just wanted to follow up with a couple of
12 questions to Mr. Pickard on the question that David just
13 asked you on transshipment and customs fraud is still
14 unclear. Is the point that you're making here just to
15 demonstrate that the Chinese are still interested in the
16 U.S. market and you're not asking us to otherwise call into
17 question some of the data.

18 MR. PICKARD: You are correct, Commissioner.
19 The point of introducing the circumvention data or the
20 instances of circumvention is to demonstrate their
21 motivation to sell into the marketplace and the likely
22 volumes that would occur in the case of revocation. We
23 think that there might be some underreporting of the data
24 connected with -- we received less than a handful really of
25 foreign producer questionnaires and some of the -- I think

1 three to be exact out of hundreds -- at least hundreds of
2 Chinese producers.

3 And there are some key importer questionnaires
4 that were not received and especially in regard to the
5 higher diameter blades, but that's not tied to the
6 circumvention or we're not alleging that it's tied to the
7 circumvention. Is that helpful?

8 COMMISSIONER SCHMIDTLEIN: It is. Is this
9 unusual in this case? You know this is the first time I've
10 seen this type of evidence, if you will, to make the point
11 that the subject country is still interested. I mean not
12 unusual that it's happening, but unusual that this is the
13 type of evidence you're using to make this point?

14 MR. PICKARD: I think it may be more extreme in
15 regard to this anti-dumping order and it might have
16 something to do with the product, right? For example, we
17 did a Wind Towers case. A wind tower might weigh 200 tons.
18 It's not so easy to transship a 200-ton wind tower through
19 Canada, but it's a lot easier to do it with diamond
20 sawblades. And I think it's just been so egregious. The
21 idea that they would send emails to us, to the domestic
22 manufacturers as well as to their counsel advertising their
23 circumvention. I don't know if I've ever seen that in any
24 other case. It might be true, but it seems like it's more
25 pervasive in this case than I've seen in other ones. I

1 mean, obviously, circumvention in regard to China issues is
2 nothing new, but this does seem to be particularly
3 egregious.

4 COMMISSIONER SCHMIDTLEIN: Mm-hmm. Okay, thank
5 you. Now, on the related party argument, you make the point
6 that in the past or historically, let's say, the ITC has
7 analyzed this provision in such a way as to render it a
8 nullity. I take your point in that. Has the CIT ever
9 considered that argument? Has that ever been raised to the
10 CIT?

11 MR. PICKARD: I'm not aware of anybody taking
12 that issue up to the CIT before. We'd be happy to do a
13 little research for you if you'd like. And I guess we've
14 never -- we're not taking the position now that it's
15 necessarily contrary to law to take this approach, but that
16 it doesn't seem to be consistent with kind of what the
17 spirit of the statute and probably what Congress intended
18 that the statute is most likely to be triggered when it has
19 minimal impact. So, regardless of whether that would
20 withstand judicial review or not, I think it's our position
21 that it's just most appropriate to use the application when
22 it has the most affect, right, to not render it a nullity.

23 The Commission has explicitly stated in the past
24 that a company is you know too big to be excluded. If
25 they're truly more aligned with their foreign production

1 operations, I think there's even a more compelling argument
2 to exclude large ones rather than small ones that have no
3 affect on the data.

4 COMMISSIONER SCHMIDTLEIN: So, the Commission
5 has pretty broad authority here, right? I mean it would
6 take an abuse of discretion or as you said, unless you were
7 making an argument that it was contrary to the statute
8 it's --

9 MR. PICKARD: The Commission's got wide
10 discretion.

11 COMMISSIONER SCHMIDTLEIN: Right.

12 MR. PICKARD: And the standard of review at the
13 CIT is very differential, yes. We have not and are not
14 arguing necessarily right now that it's illegal or it
15 wouldn't pass the substantial evidence test or otherwise be
16 contrary to law. I think what we're suggesting is that it
17 would be appropriate in this circumstances, and the fact
18 that you have a large domestic producer shouldn't be used as
19 an argument not to exclude them.

20 COMMISSIONER SCHMIDTLEIN: Okay, thank you.
21 This is probably more appropriate for one of the industry
22 witnesses. Can somebody discuss how prices are set for
23 diamond sawblades? And then, more specifically, does the
24 price of different types and sizes of sawblades affect each
25 other? Mr. Jedick?

1 MR. JEDICK: I believe what you're asking me,
2 Commissioner, is basically how are prices set in the
3 marketplace and do prices for a 12-inch blade potentially
4 affect the sales -- the price for a 14-inch?

5 COMMISSIONER SCHMIDTLEIN: Right.

6 MR. JEDICK: Okay, I can speak for how we have
7 been establishing prices for years at our company. We
8 establish a list price, which is a standard price that I
9 don't even think the numbers are appropriate now because a
10 blade would never be sold at list price. But in the old
11 days, which -- I don't want to date myself too much, but I
12 mean I go way back to the beginning of the diamond blade
13 sales in the marketplace.

14 The list price was typically what a distributor
15 would sell the blade for at his business to somebody walking
16 in the door to buy it. So, if we said a blade had a list
17 price of a thousand dollars, in those days, 25 years ago
18 let's say, that's what he would -- the distributor would try
19 to get for that blade and we might give him a 50 percent
20 discount on that price. And the discounts were based on
21 volume. So, ever customer earned their set of discounts for
22 the various product lines and they would be kept on the
23 computer system and it was automatic. You order a
24 \$1,000-blade if you were a specific customer that got a 50
25 percent discount you'd pay \$500 for that blade. And if you

1 got a 60 percent discount, you would pay \$400 for that
2 blade, et cetera.

3 We have probably 30,000 SKUs that have
4 established list prices right now and we move those list
5 prices based on market condition once a year. So, for a
6 period of about five or six years, we were consistently
7 lowering the list prices to make our selling price more
8 appropriate to the market conditions. Just recently the
9 list prices have stabilized and last year I think we were
10 even so bold as to put in a 2 percent and a 1 percent,
11 depending on the product line and the product group, price
12 increase on our list prices. So, it's just basically
13 flattened out and stabilized on the pricing scale.

14 Now, just to go one step pass that, because of
15 daily incidents of competition. For example, if Mr. Walker
16 were to call us and say I'm paying \$700 for one of your
17 blades, but one of your competitive salespeople has just
18 walked in and they want to sell me that blade for \$600.
19 Will you sell me your blade for that same price?

20 COMMISSIONER SCHMIDTLEIN: Mm-hmm.

21 MR. JEDICK: Our sales management team then has
22 a hierarchy of decision-makers where the salesmen would call
23 the regional manager who would discuss it with the national
24 sales manager and they might establish that lower price for
25 Mr. Walker for a period of 12 months so that we've saved

1 that particular sales dollar amount for the year; but then,
2 we have to review it to see whether we're doing it at a
3 profitable level. So, that goes on constantly, daily in
4 four different regions of the U.S.

5 COMMISSIONER SCHMIDTLEIN: Okay, and do you see
6 -- when those -- that competition that's going on daily, do
7 you see that there's effects between the different sizes of
8 the blades, the different types?

9 MR. JEDICK: Yes, and I can explain quickly. If
10 we lowered the price of my example blade \$100, it now
11 becomes X amount of discount percentage off of that
12 established list price. It would be very common for again,
13 if we're using Mr. Walker as our example, it would very
14 common for him to call three days later and ask for a
15 different size blade and say well if I'm getting 67 off on
16 that blade, can I get 67 off on this blade? So there is,
17 there is some connection between blade sizes, yes.

18 COMMISSIONER SCHMIDTLEIN: And even with the
19 custom-made blades or that would be different?

20 MR. JEDICK: Well, there are very few
21 custom-made blades really. We don't make very many
22 custom-made blades at all. There's some different bond
23 variations and things, but when we talk about custom blades,
24 we're talking about different diameters that are unusual to
25 the industry, or different thicknesses and that's very

1 seldom -- we very seldom do that. Some of our competitors
2 may do more of that.

3 COMMISSIONER SCHMIDTLEIN: Okay.

4 MR. BARON: Kevin Baron, Western Saw, real quick
5 on that. Yes, if we're selling a customer a 12 inch blade
6 at a lower price, they're looking for the same discount for
7 the 14, 16, 18, 20, 26, for pretty much everything we have
8 to sell them. So yes, if you sell a product for a low
9 price, they kind of want the same discount across the board.

10 And as Andy said custom, custom is less than one
11 percent of our business. We couldn't survive on custom
12 blades.

13 COMMISSIONER SCHMIDTLEIN: Okay, thank you. My
14 time is up.

15 CHAIRMAN BROADBENT: Mr. Jedick, I wanted to
16 thank you for the good tour that you gave me and Mike
17 Szustakowski, I think, and Don Carlson, and it wasn't you
18 but it was your colleague, Mr. Galleon, who did --

19 MR. JEDICK: Dale Galleon, yes.

20 CHAIRMAN BROADBENT: Did a great job. We
21 enjoyed ourselves out there.

22 MR. JEDICK: And I appreciate you coming, and
23 sorry I wasn't there that day, but I did make it for Mr.
24 Williamson's visit the following week.

25 CHAIRMAN BROADBENT: Got it, good. Yeah, I

1 liked seeing the cupboard with all the diamond sparkles in
2 it.

3 MR. JEDICK: Yeah. In older days, we had more
4 diamonds. Now they're a little more available, so we don't
5 have to have as much in stock. So it's probably only half
6 full.

7 CHAIRMAN BROADBENT: Okay, good. Let's see. In
8 the draft questionnaire, the pricing products had included a
9 premium grade category in the product definition, and we
10 sent out the questionnaire to the parties for comment, and
11 DSMC responded with a request, which I think is on page 13
12 of their response, that this grade be removed from our
13 questionnaire.

14 So the staff did this, and our pricing products
15 do not include this premium grade. Do you think this lack
16 of detail in grade affects the differences that we are
17 seeing within the pricing product definitions? Mr. Pickard.

18 MR. PICKARD: I think I just want to go back and
19 take a better look at exactly what we said and how it
20 changed the pricing products. But I don't think it
21 fundamentally changes things, and that with the premium
22 language included during the original investigation, I think
23 it was 115 out of 118 instances of under-selling, with the
24 label removed, there's still an abundance of under-selling
25 evidence.

1 I don't know if tweaking the definition would
2 dramatically change kind of the data set that the Commission
3 has. But I'll take a look at it and I will certainly get
4 you a more full response in the post-hearing brief.

5 CHAIRMAN BROADBENT: Yeah. I'd appreciate that.
6 Thank you. Just trying to get our arms around the variance
7 of prices. I wonder if you could please give me
8 approximately prices for a 14 inch blade by the grade? What
9 would be the price of a low grade 14 inch blade roughly, Mr.
10 Jedick?

11 MR. JEDICK: Earlier, I think in Mr. Baron or
12 Mr. Wolters' report, they talked about 17 maybe to 20
13 dollars. To me that would be the very lowest end of the
14 cost spectrum. On the very high end of the cost spectrum
15 now, which is in that size range, which has dropped
16 dramatically for us, as Mr. Walker indicated, they're used
17 in grinding and grooving applications, and they have to be a
18 much higher diamond concentration and much higher diamond
19 depth of the segment.

20 But we're still selling those in the -- in the
21 \$100 to sub-\$100 range now. Those used to be \$150 blades
22 eight years ago maybe.

23 CHAIRMAN BROADBENT: So that would be a high
24 grade 14 inch blade?

25 MR. JEDICK: That would be a high grade 14 inch

1 blade, yes.

2 CHAIRMAN BROADBENT: And a low grade would be 17
3 to 20 dollars roughly.

4 MR. JEDICK: Roughly, yes.

5 CHAIRMAN BROADBENT: And then the medium grade
6 --

7 MR. JEDICK: We don't sell -- we can't sell a
8 \$17.

9 MR. PICKARD: What's the domestic range?

10 MR. JEDICK: Oh, the domestic range. You know,
11 14 inch, we couldn't sell a 14 inch blade probably below \$60
12 that we make. I can get -- again, I can get much more
13 detailed answers and have Mr. Pickard submit that.

14 CHAIRMAN BROADBENT: Okay. So your 14 inch
15 blade that goes for six, roughly \$60, what grade of a blade
16 is that?

17 MR. JEDICK: That would be an orange that we
18 were talking about the color coding earlier. That would be
19 an old orange blade of diamond products, versus a more
20 highly diamond concentrated blade that would be used for the
21 higher end work by grooving and grinding. That would be a
22 high speed blade for cutting dry.

23 CHAIRMAN BROADBENT: So it would be a medium
24 grade?

25 MR. JEDICK: A medium grade, yes.

1 CHAIRMAN BROADBENT: Okay, and then what's the
2 price range for a 20 inch blade?

3 MR. JEDICK: Twenty inch blades are not very
4 popular with us, that particular size. It's the size
5 breakout, 20 through -- but the actual 20 inch blade is not
6 that popular of a blade. It would be in the maybe 125 to
7 145 dollar range.

8 CHAIRMAN BROADBENT: Okay.

9 MR. PICKARD: If we write these ranges down, we
10 can give them exact answers.

11 (Off mic comment.)

12 MR. JEDICK: Yeah. Maybe we can certainly
13 submit our average selling prices for the various grades in
14 post-hearing. I can get exact information for you.

15 CHAIRMAN BROADBENT: Okay, thank you. Yeah.
16 And then generally what types of diamond sawblades do you
17 generally keep in inventory and which don't you?

18 MR. JEDICK: We keep all of our diamond sawblade
19 grades in inventory. We have 13 warehouses in the United
20 States, including our main. We consider our main
21 manufacturing facility, that's a warehousing point also, and
22 we keep everything in stock. We have, as my -- as my
23 superiors would tell me, that we have a lot more inventory
24 than they would like to see.

25 But so do our competitors, and in order to make

1 the sale on a daily basis, you have to have the product.

2 There's very little made to order product now.

3 CHAIRMAN BROADBENT: Okay. Domestic producers
4 have the ability to produce to order and provide from
5 inventory at a much rapid lead time, of course, which gives
6 them an advantage in certain channels of distribution, as I
7 understand it. I'm curious if this gives domestic producers
8 an advantage in sales to brand distributors or other
9 distributors.

10 The advantage of the professional construction
11 segment seems more obvious to me. But I'm focusing whether
12 -- does it give you an advantage in sales to branded
13 distributors versus compared to other distributors. Maybe
14 you could talk a little bit about the role of branding in
15 the market.

16 MR. WOLTERS: This is Garrett from Dixie
17 Diamond. We sell both to branded distributors, which I'm
18 defining branded as private label, and we also sell our own
19 brand Dixie Diamond. So there's a mixture of both. Does
20 that answer your question, or --

21 CHAIRMAN BROADBENT: Okay. Well does your sort
22 of -- your close location to your distributor versus an
23 import, does that give you a competitive advantage, and does
24 it give you --

25 MR. WOLTERS: Not really, because the importers

1 have warehouses too with stock, and they also do some
2 branding also. So they're very cognizant of what to stock
3 and keep in stock. So there's not a big advantage there
4 either. There may be a slight advantage, but they're very
5 good at their job as far as stocking.

6 CHAIRMAN BROADBENT: Okay.

7 MR. PICKARD: And just one additional issue if
8 it would be of interest to you, Commissioner. In the
9 original investigation, first it was suggested that there
10 were a large amount of custom made blades, and that that
11 gave an advantage to the domestic industry. I think what
12 you've heard today is that to the extent that there's
13 custom-made blades, they're less than one percent, and that
14 most are selling out of inventory, both the domestic
15 industry and the warehouses for the importers.

16 But the staff also went out of their way to
17 include an additional question in the questionnaire in
18 regard to air freights, and what you can see is what while
19 the importers send a lot by boats, they all have the
20 capability of air shipping a blade within 24 hours.

21 CHAIRMAN BROADBENT: Have you ever delivered one
22 with a drone? Let's see. Mr. Pickard, as noted on page 210
23 of the staff report, we do not have complete data on the
24 Chinese industry. What conclusions can we draw about the
25 Chinese industry based on this incomplete data? Is there

1 any additional information on the Chinese industry that you
2 can provide?

3 MR. PICKARD: I think -- so what you know is
4 you've got large amounts of excess capacity that's not
5 reported. You know that there are significant -- I mean
6 there are dozens of Chinese producers who haven't complied
7 with the investigation. I would suggest again it's a little
8 bit of a sore spot, that many of these companies are willing
9 to participate in administrative reviews and submit the
10 paper work for their separate rates at your sister agency,
11 the Department of Commerce, but will stonewall the
12 Commission.

13 So again, the Commission's not overly inclined
14 to do an adverse facts available, but I would suggest that
15 it's certainly appropriate here. When you have the vast
16 majority of Chinese producers not submitting questionnaires
17 as requested by the Commission, AFA is certainly
18 appropriate.

19 CHAIRMAN BROADBENT: Okay. Vice Chairman
20 Pinkert.

21 VICE CHAIRMAN PINKERT: Just have a few
22 follow-up questions. First of all, I believe that Mr.
23 Greenwald made a point, that the affirmative that came out
24 of the remand in this proceeding was an affirmative on
25 threat. So there hasn't been a finding that the domestic

1 industry has been injured or is being injured. Does that
2 affect the standard that we should be applying in this
3 sunset review?

4 MR. PICKARD: I don't believe so, Commissioner,
5 and again it's a very interesting question. We'll take a
6 look. I don't -- I can't think of any case law where the
7 courts have opined that a threat of material injury
8 determination has a different standard for consideration by
9 the Commission in a sunset. There are two kind of factual
10 issues that I would point out for your attention, however.

11 It's our fundamental position that while a
12 threat of material injury determination was made, years
13 passed before the Anti-Dumping Order was issued. So just as
14 a factual matter, I think there's a compelling argument that
15 while a threat of material injury determination was made,
16 this industry continued to face import competition for
17 almost another three years before the Anti-Dumping Order was
18 issued.

19 I think that it's worth noting. The other thing
20 that I think is perhaps more probative to your decision is
21 if you look at the operating income of this industry when
22 the Commission made a threat determination, and you look at
23 the operating income now, I think that is supportive of
24 determinations of both being vulnerable and also the
25 likelihood of recurrence of material injury.

1 And maybe I should flesh that out a little bit
2 in the Business Proprietary version, but I would say that
3 there are striking similarities between a finding of threat
4 of material injury and a vulnerable industry.

5 VICE CHAIRMAN PINKERT: Thank you. I'd
6 appreciate it if you would flesh that out. Now you
7 mentioned that three-year or almost three year period after
8 the original Period of Investigation, and before the Order
9 actually went into effect, and I'm wondering what happened
10 with respect to imports from China during that period?

11 As you know, the investigation was China and
12 Korea. So what happened specifically with respect to
13 imports from China during that period?

14 MR. PICKARD: If I recall correctly, they
15 continued to accelerate, that in the period after the
16 negative determination, which would have been 2006, I think
17 we'd see an increase and we'll pull the data for you from
18 2006 to 2007 to 2008. It's really only with 2009, with the
19 issuance of the Anti-Dumping Order and again the recession,
20 that now we see a significant downtick.

21 But even then, there was a lot of speculation
22 that the Anti-Dumping Order would be reversed by the Court
23 of Appeals for the Federal Circuit, just because of kind of
24 the novel history, and when the opportunity to petition for
25 cert passed and the CAFC locked in the determination, I

1 think it's then that you really start to see the most
2 significant volume effects.

3 What I mean by that explicitly is it's only
4 after all the importers knew the Anti-Dumping Order was not
5 going to go away that you start to see import volumes really
6 significantly decrease, and the decrease has continued to
7 accelerate.

8 Really the largest decrease that we've seen in
9 imports from China, I think, are recently with the -- one of
10 the most significant Chinese producers has been
11 retroactively assessed large anti-dumping rates, and as a
12 direct result, you see a huge decrease from 2014 into 2015,
13 to the magnitude of I think 50 percent when measured by
14 volume, and 56 percent measured by value.

15 VICE CHAIRMAN PINKERT: Thank you. Now your
16 prehearing brief at page 36 quotes a witness in the original
17 investigation as noting that there are very immediate or
18 instant ways that capacity for the domestic industry could
19 be increased. I'm wondering can the domestic industry
20 increase capacity quickly in the event that this Order is
21 continued, and why would it have an incentive to do that?

22 MR. JEDICK: Andy Jedick, Diamond Products. We
23 can increase capacity with -- by hiring a third shift that
24 we closed down about ten years ago, which would be about a
25 50 percent capacity increase, because it's a full shift

1 that's available that we're not running now.

2 So the first answer is by hiring and training
3 people over the course of several months, we could ramp
4 production up a lot. It might not be 50 percent, but it
5 could quickly be 25 percent increase in capacity. Our
6 motivation for doing that? Well our source for Diamond
7 Tools from Thailand has a limited capacity. As a matter of
8 fact, they hit it last year, and we would be motivated to
9 make as much profitable product in the U.S. as we possibly
10 can.

11 We have products that we make that we have not
12 moved, because we're still making, even at lower levels,
13 we're still -- we're a diamond -- we're a U.S. diamond
14 manufacturing company, and that's what we do. So we want to
15 continue doing that. If we could sell 25 percent more out
16 of our factory, that would make a lot of people happy.

17 MR. BARON: Kevin Baron, Western Saw. We're the
18 same as Diamond Products. We could add another shift and
19 basically double our production, and it would be maybe two
20 or three months we could do that. But pretty much
21 overnight, we could increase our capacity and again, as Andy
22 said, if we could make more product for U.S. manufacturers,
23 we would love to make more product.

24 MR. WOLTERS: This is Garrett Wolters from Dixie
25 Diamond. We run one full shift and a very abbreviated

1 second shift. So we do have capacity to, I would say like
2 Kevin just said, at least double the capacity and output of
3 our plant, plus we have room to expand on our plant to order
4 new diamond equipment that makes the segments in laser wells
5 and blades. So we could handle at least twice as much
6 business as we handle now.

7 VICE CHAIRMAN PINKERT: But what would have to
8 change in the marketplace for your companies to take
9 advantage of that theoretical capacity?

10 MR. BARON: Kevin, Western Saw. The prices
11 would have to stabilize and eventually start to go up a
12 little bit. If they could do that with the technology
13 that's available, we would make the investment to be more
14 productive and be able to make profitable product if the
15 prices would stabilize, because they are still falling. Not
16 as drastically, but we just can't compete with the Chinese
17 pricing on the cores. It's just not -- it's unrealistic.

18 MR. JEDICK: I think if the circumvention that
19 we are really suspicious of. We know of circumvention.
20 Just a few weeks ago, I had a local customer that we lost
21 all of their large diameter blade business to a Chinese
22 importer. As a matter of fact, in my earlier comments, I
23 said that out of that 800 and some thousand dollars, I could
24 count that among three customers of business we lost.

25 So that number is extremely low. But of that

1 800, 400,000 of that belongs to one customer that I'm
2 referring to, who told me that he was given a choice on a
3 container load of blades coming into -- that he was going to
4 order. He could get them immediately from the importer's
5 warehouse, or he could wait six weeks, so that they could
6 route them through Canada, and they would give him a ten
7 percent discount.

8 I think if that was brought under control and
9 probably not appropriate to this discussion, but if that was
10 brought more under control, the pricing would probably start
11 going back up again, and as the prices got higher, we would
12 definitely be motivated to make more product in our factory
13 in Ohio.

14 MR. WOLTERS: And I concur with Mr. Jedick, that
15 if the pricing was to stabilize, we could reinvest more in
16 our factory, employ more people.

17 VICE CHAIRMAN PINKERT: Just to clarify Mr.
18 Wolters, which product would you be increasing the
19 production of under those circumstances?

20 MR. WOLTERS: I would affect all of my
21 distribution business, and it would affect my professional
22 blade business too. The Chinese are chipping away at the
23 professional large diameter business. If that was
24 stabilized and I can even make more larger diamond blades
25 and be competitive, and sell more.

1 VICE CHAIRMAN PINKERT: Thank you very much.

2 Thank you, Madam Chairman.

3 CHAIRMAN BROADBENT: Commissioner Williamson.

4 COMMISSIONER WILLIAMSON: Okay. Thank you,
5 Madam Chairman. Just to follow up on that Mr. Wolters, your
6 professional business, what does that actually mean? Mr.
7 Walker has talked about they use all, the full range, and I
8 assume you consider them professional.

9 MR. WOLTERS: The professional blade business is
10 going to typically be larger diameter blades, and not as
11 many as the 12 and 14 inch range, although they use some of
12 those. But it's mostly going to be 24 inch to 36 inch, 42
13 inch blades used for slap-sawing, for service work, patch
14 and repair on roads, and professional cutters, all they
15 typically do is cut and drill concrete all day long. So
16 that's how we define a professional cutter.

17 COMMISSIONER WILLIAMSON: Okay, thank you, and
18 the word "stabilizing prices" has been used quite a bit
19 today, and I was wondering if, and this gets to the question
20 that I almost asked last time, are there categories where
21 the prices have stabilized more and others where they
22 haven't stabilized, the ones where you need to see more
23 stabilization by category or by size, or how would you
24 describe that mix?

25 MR. JEDICK: Sure. Andy Jedick, Diamond

1 Products. For the last maybe six to eight years, we've gone
2 from a downslide in the 14, or below, let's say below 20
3 inch range in pricing to slowing the double-digit price
4 deterioration down to single digit, to hitting bottom and
5 now, just now maybe that particular segment has stabilized.

6 So to answer your question, the destabilized
7 side now is the larger diameter blades that are being gone
8 after by the Chinese importers, and that is -- I think our
9 last study put our average selling price of an SKU, and I
10 did that for quarter to quarter, Quarter 1 of '14 to Quarter
11 1 of '15, down something like eight percent.

12 So it's very significant, and it is affecting
13 profit right now. That particular -- we can distill some
14 profit figures out of a particular side of the product line,
15 and that -- it's affecting our overall profits quite a bit.
16 So that yes, there are one segment can stabilize while
17 another segment is still destabilizing.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. BARON: Kevin, Western Saw. I would concur
20 with Andy, is that we're seeing a real price reduction in
21 the large, for us 24, 26, 30 as I said, and in my testimony,
22 I mentioned a \$28 blade for something that we're making for
23 59. So this I just received in the last three months. So
24 this was quite shocking, to see them that low.

25 MR. WOLTERS: And I would like to add that I've

1 seen in the last, I would say the last nine months, it's
2 constant phone calls from my salesmen, trying to get the
3 price down to meet the Chinese imports. Two or three years
4 ago, it wasn't as bad. In the last six to nine months for
5 some reason, it's every day.

6 COMMISSIONER WILLIAMSON: Thank you, and
7 anything you want to provide post-hearing to sort of
8 substantiate this trend, verify it, I think would be
9 helpful.

10 MR. PICKARD: We'll certainly do so.

11 COMMISSIONER WILLIAMSON: Particularly, you
12 know, what's happening in the larger segment. I guess that
13 also goes to the question of the availability of the Chinese
14 product in the market segment. It's all part of that mix.

15 MR. WALKER: Excuse me.

16 COMMISSIONER WILLIAMSON: Yes.

17 MR. WALKER: Doug Walker, Atlantic Concrete
18 Cutting. You talk about availability. We have Diamond Tool
19 Technology made a consignment deal with us, where they will
20 stock blades at our facility. They come by once a month and
21 bill us for what we use, and the rest just sits until we
22 either use it or they decide to move it on.

23 COMMISSIONER WILLIAMSON: So they're using you
24 as an inventory site?

25 MR. WALKER: They're a Chinese importer. So I

1 don't carry any freight cost, I don't carry anything else.
2 I have product that at my disposal, and it's free until I
3 use it.

4 COMMISSIONER WILLIAMSON: Okay. Anything more
5 that can be provided post-hearing to say how pervasive is
6 this trend. I guess that gets to the question, as a result
7 of the Orders, are the Chinese -- are there changes in the
8 way the product is being distributed or -- so I mean this
9 would seem to be a change of, shall we say, distribution
10 method. Anything you want to provide post-hearing that
11 highlights this trend and the significance of it.

12 MR. PICKARD: We'll certainly do so,
13 Commissioner. I think for the record, warehousing of
14 Chinese blades isn't particularly new. But running up of
15 inventories, I think there are certain importers where we've
16 seen more of that. Certainly in regard to kind of the
17 trends, what was talked about earlier with the price
18 stabilization more in the middle of the market, and seeing
19 increased competition in the larger diameter blades and
20 therefore the price deterioration that you heard the
21 witnesses talk about, you could say that that's a growing
22 phenomenon, and you can even compare kind of --

23 Even though we think the numbers are understated
24 in the most recently staff report, the numbers of the large
25 diameter blades have continued to increase even since the

1 original Period of Investigation. That information's
2 public. If you look at their unit sales of 20 inches or
3 greater by the end of the original staff report in 2005 and
4 today's standards, and then last but not least, as far as
5 kind of significant facts.

6 Mr. Walker referenced Diamond Tools Technology.
7 Not to put too fine a point on it, but they are viewed as
8 one of the most disruptive players in the marketplace,
9 specifically in the professional grade. I think there was
10 some testimony earlier in regard to it's on their web pages
11 that they advertise or that they make these products, and
12 that they sell into the professional grade uses.

13 But not only is it on their web pages; they
14 advertise here in the United States to that same -- to the
15 same audience and through the professional journals, and
16 while I'm not sure the extent of the business proprietary
17 nature of questionnaire responses, I think DTT is worthy of
18 the Commission's further examination.

19 And maybe we'll put that more in a business
20 proprietary brief.

21 COMMISSIONER WILLIAMSON: Yeah, I was thinking,
22 you know, just document that examination. And I assume
23 you're talking professional, you're also talking larger
24 sizes too?

25 MR. PICKARD: Yes, and one of the things that

1 we'll talk about is I don't know if there's a clear, or I do
2 know, there's not wide agreement as far as necessarily where
3 professional starts and how distinct it is. But we could
4 flesh that out more for the Commission.

5 COMMISSIONER WILLIAMSON: Good. Thank you for
6 those answers.

7 Mr. Baron, how much variation is there in the
8 cores you produce with respect to such aspects as quality,
9 methods of production, or end use?

10 MR. BARON: Kevin Baron, Western Saw. There is
11 no quality difference. For us it's one grade of steel, and
12 the normal process for every blade. So really no
13 difference.

14 COMMISSIONER WILLIAMSON: Okay. It's all one
15 high-quality --

16 MR. BARON: Quality is all great.

17 COMMISSIONER WILLIAMSON: Okay. Thank you.

18 What are the most popular sizes you produce and
19 has this changed since the original investigation and why
20 has it changed if it has?

21 MR. BARON: Well, the most popular size we -- we
22 call that our small from 11 inches to 20 inches. And as I
23 mentioned to you, it went from 300 down to 200. So since
24 2004, we lost 100,000 units in just these small sizes.

25 COMMISSIONER WILLIAMSON: Okay. Thank you.

1 MR. BARON: And we are losing the large and right
2 now what we would call our medium-sized cores we're off
3 50,000 cores since 2004.

4 COMMISSIONER WILLIAMSON: And what do you
5 contribute this to since originally the investigation a
6 number of domestic Salt Lake producers ceased production,
7 has this been the biggest impact on your operation?

8 MR. BARON: I think that there are two reasons in
9 my mind. One our direct competitor core manufacturers are
10 selling almost at 50 percent less than us. And two, every
11 Chinese -- low-cost Chinese blade that's sold in the United
12 States and it's still out there is a lost core sales for us.

13 COMMISSIONER WILLIAMSON: Okay. How difficult is
14 it for a blade manufacturer to shift from core sources or
15 sources of cores?

16 MR. BARON: Pretty easy especially when they're
17 willing to stock them, as Mr. Walker said, there's Chinese
18 core producers that will consign cores at your factory so
19 you could be using my cores today and tomorrow be using
20 theirs, they'll be on your shelf.

21 COMMISSIONER WILLIAMSON: Okay. Thank you for
22 that. Anything to document that post-hearing would be
23 helpful too.

24 Okay. Thank you for those answers.

25 CHAIRMAN BROADBENT: Commission Johanson.

1 COMMISSIONER JOHANSON: Thank you, Chairman
2 Broadbent.

3 I'm somewhat reluctant to ask this next question
4 as something that you all have already discussed, however it
5 is a subject which is discussed rather prominently by the
6 respondents and the question is, how does the impact of
7 Chinese products differ from that of Thailand, if you could
8 delve into this a bit further?

9 MR. BARON: Kevin at Western Saw. We don't have
10 any competitors in Thailand for the core. So I can only
11 speak to that. But also for us the Chinese price, as I
12 mentioned is 50 percent of our prices. So they're the
13 competition. If we want to stay in business, we need to
14 have their prices come up some and have some profits so
15 that we can reinvest more money and hire more people.

16 MR. JEDICK: Andy from Diamond Products. We sell
17 the imported products from Thailand in the same structure
18 from an earlier question about list pricing and discounting
19 and how do we establish prices. They're in a catalogue with
20 established prices at market -- at current market rates.
21 So, speaking for Diamond Products, we don't sell the Thai
22 products outside of the catalogue. It's just part of our
23 product offering. I have not heard complaints from anybody
24 that Thai products from us or from other Thai importers are
25 a price deterioration problem.

1 MR. WOLTERS: This is Garret Wolters from Dixie
2 Diamond. I can honestly tell you that when I get phone
3 calls from my salesmen on the road trying to meet lower
4 pricing I have never once gotten one from a Thai product.
5 It's always from the Chinese and I think the basic thing to
6 look at here is that the Chinese don't play by the rules.
7 And perhaps -- I don't know much about Thailand and how they
8 import, we just don't see them as a problem like we do the
9 Chinese.

10 MR. PICKARD: I would just add, Commissioner,
11 that in addition to their testimony in regard to the Chinese
12 prices being the lowest, and of lack of kind of a disruptive
13 effect from the Thai, I think that's also borne out by the
14 average unit value data that the Commission has collected in
15 which you see the Thai imports are coming in at higher
16 prices than the Chinese product. And interestingly, I think
17 that the importers and the purchasers questionnaires all
18 support that basic intention as well, or that the Chinese
19 are the low-price leaders, they're the ones that are
20 disruptive in the marketplace and discussion of high imports
21 or any harm caused by Thailand seems to be lacking in the
22 questionnaire responses.

23 COMMISSIONER JOHANSON: Thanks for your responses
24 on that one.

25 I'd now like to get back to the whole domestic

1 industry issue and Commissioner Williamson spoke on this
2 some, but I'd like to delve further into it. The
3 composition of the petitioners has changed substantially
4 since the original investigation. Why has this composition
5 changed and what if any significance should the Commission
6 place on these changes?

7 MR. PICKARD: I think a lot of it is proprietary.
8 I think you see three of the kind of leading members of the
9 companies who brought the case here before you today. What
10 has gone on with -- and I think it's also public information
11 that Terra Diamond has been supportive of this case from the
12 beginning and continues to do so. There are two companies
13 that have had changes but I think because we're talking
14 about specifically they're kind of proprietary information
15 it may be best appropriate to answer that in a brief.

16 I think the bottom line is that you've got the
17 sole core producer left in the United States supporting this
18 case. You've got Dixie Diamond a producer who has been
19 steadfast in their support for this case and Diamond
20 Products here before you today.

21 COMMISSIONER JOHANSON: Thanks for your answer,
22 Mr. Pickard.

23 In following that question, there appear to be
24 fewer domestic producers now than there were in the original
25 investigation. Does this represent healthy consolidation of

1 the industry or signs of continued weakness in the industry?

2 MR. PICKARD: There have been companies who have
3 gone out of business and been shut down and have directly
4 stated that it's as a result of import competition. I would
5 suggest that's not healthy consolidation. That's injury by
6 reason of imports. And it's a long length right, if you
7 think about this case was filed shortly after Precision Disk
8 went out of business and who publicly stated that they were
9 doing it as a result of low-priced imports. Black Hawk
10 Diamond was a domestic producer who went out of business who
11 explicitly stated that they did it because they were forced
12 out of business because of low-priced imports. Even taking
13 the more recent decisions for Chinese and Korean producers
14 buying New England Diamond and shutting down their
15 production and making that into a distribution outlet.

16 COMMISSIONER JOHANSON: Thank you.

17 Since the original investigation, several
18 domestic finished diamond sawblade producers have ceased
19 production including Baraka, Sangoban and New England
20 Diamond. Can you all describe the impact of these closures
21 on your sawblade core operations?

22 MR. JEDICK: Andy Jedick, Diamond Products. We
23 have not recovered to a sales volume in these products from
24 our peak in 2005-2006. So we didn't certainly benefit from
25 the closures or these people leaving the marketplace by

1 redistributing those sales among the domestic producers.
2 I'm assuming the sales were just filled in by either the
3 people that in the case of MK, is is that the Chinese
4 purchase -- in that case and New England Diamond, I'm
5 assuming those were filled right in with Chinese product. I
6 don't have enough information to say that with authority,
7 but we didn't get it, I can say that much.

8 MR. WOLTERS: This is Garrett Wolters from Dixie
9 Diamond. We're a southeast-based manufacturer. We do sell
10 nationally, but Netcut NUD is in Boston, I believe, or some
11 part of New England and then Sengoban was a west coast plant
12 which we don't sell in California. So we did not benefit
13 from the closures of those plants.

14 MR. BARON: Kevin Baron, Western Saw. When they
15 closed down we have not seen any benefit from that at all.
16 In fact, as I mentioned, our core sales are down across the
17 board, except for the mini.

18 MR. PICKARD: And there are public sources of
19 data that's not business proprietary that demonstrates that
20 those companies turn to Chinese imports. Sengoban would be
21 a classic example.

22 COMMISSIONER JOHANSON: Thanks for your
23 responses. Now, I have another really basic question.
24 Maybe I ought to save the basic ones till the end because
25 I'm kind of embarrassed to ask them in the first place. And

1 my apologies if you all have already discussed this, but why
2 do Chinese producers tend to sell smaller-sized diamond
3 sawblades in the first place? Are they easier to produce?

4 MR. JEDICK: Andy Jedick, Diamond. Well, they're
5 certainly easier to get large quantities into -- onto
6 containers for shipping over by sea freight because there's
7 tens of thousand of units that would fit in a container. I
8 don't know why the small-diameter blades were their
9 entry-level product, you know, 15 years ago when they
10 started to take over the market in those sizes. I can't
11 answer that. I suppose they could have come in with
12 different product lines at the time. Or diamond bits or
13 something, but they chose that and maybe they had a lot of
14 excess capacity at the time for their own needs and were
15 looking for outlets for that type of product.

16 MR. WOLTERS: This is Garret Wolters, Dixie
17 Diamond. Probably because they are very easy to ship. You
18 can put literally tens of thousands of these blades in a
19 container and there's a lot of high volume. So they could
20 get blades here quickly and turned around and sold quickly.
21 I think that had a large part to do with it.

22 MR. BARON: Kevin Baron, Western Saw. I would
23 think, I don't know this for sure, but I would think the
24 cost of producing a small, a mini, a four and seven, ten
25 inch blade is relatively easy. So if you used that small

1 blade as learning curve to understand the market, then you
2 can go on to the larger blades and it would make sense.

3 COMMISSIONER JOHANSON: It's like an entry-level
4 blade? Okay.

5 Now, Chairman Broadbent, can I ask one more
6 question? My time is going to expire in three seconds, but
7 I would like to fit in one more if I can.

8 And this question is, why did prices of U.S.
9 diamond sawblades tend to fall between the beginning of 2012
10 and the end of 2013?

11 MR. JEDICK: Andy Jedick, if it's general across
12 the board that they fell, it's -- from our exposure, it's do
13 to the larger -- we had a huge push on the larger more
14 expensive blades to the professional concrete cutters such
15 as Mr. Walker here. The last two years have been dramatic
16 price decreases and marketing pushes from some of these
17 companies, some of the names that were mentioned earlier.

18 COMMISSIONER JOHANSON: Why are there price
19 decreases?

20 MR. JEDICK: I'm sorry?

21 COMMISSIONER JOHANSON: Do you know why there are
22 price decreases?

23 MR. JEDICK: I think if I understand, it's
24 because of the Chinese imports that were driving the prices
25 down and us trying to match or not necessarily match, but at

1 least come a little closer to the lower prices. That's
2 been a focus for several companies in the last couple of
3 years because of the large diameter blades.

4 COMMISSIONER JOHANSON: All right. Thank you for
5 your responses. My time has expired.

6 CHAIRMAN BROADBENT: Commission Schmidtlein?

7 COMMISSIONER SCHMIDTLEIN: Thank you. To follow
8 up on a topic that's been discussed with a couple of the
9 Commissioners and I apologize if you've covered this
10 already, but I thought I heard you say that the U.S.
11 industry was willing to increase its capacity or invest more
12 if prices were to stabilize a bit more. Or at least that's
13 how I was understanding the argument.

14 You were waiting, prices had stabilized some, but
15 that's what we were waiting for was prices to stabilize. Is
16 that correct?

17 MR. BARON: Kevin, Western Saw. That's correct
18 for us. We're happy to make more investment, bring in the
19 technology, but we need the prices to stabilize and
20 hopefully go up so that we can be profitable.

21 COMMISSIONER SCHMIDTLEIN: Okay. And is that the
22 same, Mr. Jedick, for your company?

23 MR. JEDICK: Yes. We would like to see the
24 prices stabilize or even increase obviously, a little bit,
25 even to cover consumer price index numbers would be nice if

1 we could just get some increases along those lines. We
2 don't want to grow with products from our Thai source. We
3 want to grow with products from our own manufacturing. If
4 we could get back up to baseline back in 2006 in sales, then
5 we would have to start ramping capacity up again to meet
6 some growth. We haven't had that growth in that period of
7 time. So we're looking forward to it.

8 COMMISSIONER SCHMIDTLEIN: And so my question is,
9 how is it that since the orders are in place on the Chinese
10 products, so what is stopping that stabilization right now?
11 In other words, how is maintaining the order going to help
12 that if it hasn't already?

13 MR. PICKARD: I think there's a couple things.
14 The beneficial effects of the order have been slower to
15 manifest than I think the domestic industry would like. And
16 I think it's for a couple of reasons. One which is
17 circumvention. Two frankly I don't think the antidumping
18 duty rates that have been assigned to some of the largest
19 producers or anywhere in the range that the domestic
20 industry thought was sufficient to offset really what they
21 were seeing as the extent of unfair pricing. That started
22 to change. Probably most significantly Gang Yan who is
23 widely viewed as one of the most disruptive foreign
24 producers and which was importing almost with a 0 percent
25 rate, has now -- the Department of Commerce, I think, in the

1 first and second remand review has decided to give them the
2 "all others" rate. I think what we're seeing is more active
3 enforcement, hopefully a circumvention, and in regard to
4 more appropriate antidumping duties and how do we know this
5 because now we're beginning to see the decrease in the
6 Chinese import volumes accelerate. That might not be said
7 particularly well. We're seeing the decline grow in regard
8 to the Chinese imports. And we're really beginning to see
9 that in this most recent year. So I think directly
10 responsive to your question is, they have not seen the
11 benefit that they would hope out of this antidumping order
12 also due in large part to the circumvention.

13 But if it's continued, I think the hope is prices
14 will continue to stabilize. There's already some indication
15 of actual price increases and if that continues over the
16 five-year period and that continues to grow, that creates
17 opportunities for increasing capacity, increasing sales,
18 hiring more workers.

19 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.
20 That's very helpful.

21 Another line of questioning that I wanted to
22 follow up on was the difference in other characteristics
23 that can differ in TA blades of the same size. So one of
24 the arguments, of course, that's been made is that the
25 pricing product and the underselling that you see and the

1 pricing data, reflects attenuated competition because
2 otherwise you wouldn't see that great of a price
3 differential. So can you talk about what other
4 characteristics there might be of those pricing products
5 that fit within the description in the pricing data, but yet
6 differentiate them? Does that make sense?

7 MR. PICKARD: Certainly. I think it would
8 probably be most appropriate to defer to the industry
9 witnesses.

10 MR. JEDICK: Yes, early on, again, 15 years ago,
11 or 14 -- 12, 14 years ago when the initial surge of the
12 smaller-diameter, lower-quality blades were coming in, they
13 were focused on that product and they were going after some
14 of the lower priced products. As of today, they manufacture
15 everything that we have in our catalogue. So in some cases
16 more things that we have in our catalogue. So, it's
17 covered. They have all products of all quality levels
18 covered of all price levels covered. Much better at the
19 lower end prices just due to the fact that they've been
20 doing that for so many years.

21 MR. WOLTERS: This is Garret Wolters from Dixie
22 Diamond. I would say in the past five years the Chinese
23 have made great strides to get in their quality to the U.S.
24 standards. So basically they do manufacture a very similar
25 product and quality as we do.

1 MR. WALKER: Yeah, I'm Doug Walker, Atlantic
2 Concrete Cutting. When we first saw some of the Chinese
3 product it was not very good. It has increased in their
4 quality and for us it comes down to price right now. If
5 Diamond Products blade and a DTT blade both hit the same
6 amount of footage at the same speed, and a DTT blade is \$280
7 a blade, and a Diamond Products blade is 600, well, I'd be
8 more decided that I've got to go to the DTT blade.

9 COMMISSIONER SCHMIDTLEIN: Uh-huh.

10 MR. WALKER: It would be bad business for me not
11 to.

12 COMMISSIONER SCHMIDTLEIN: Okay. All right.
13 Thank you very much, I don't have any further questions.

14 Thank you to the witnesses.

15 CHAIRMAN BROADBENT: Okay. Let's see, I had one
16 here. Hang on just a second.

17 How do you respond to Table 1 of Husqvarna's
18 pre-hearing brief on page 8 showing that the average unit
19 value of shipments of subject imports in 2014 was \$7.29 and
20 the average unit value of domestic-like product was \$175.90.

21

22 MR. PICKARD: That's the problem with dealing
23 with average unit values, Commissioner. I think this is a
24 reflection of product mix. So I don't think anybody is
25 contesting the fact that the Chinese have completely or

1 almost completely taken over the smaller diameter blades
2 that generally sell for lower prices. It skews the AUVs.

3 What sometimes gets lost is just the massive
4 volume of Chinese product. And unfortunately some of the
5 data that's been collected by the Commission is really more
6 on a value basis as compared to a unit basis.

7 If you saw -- and there are a couple of ways that
8 we can derive the information for you to show how many units
9 are coming in and just in the small diameter. That's a
10 product mix issue and it's dropping the AUVs. But then if
11 you look at the pricing product, right, they're selling
12 everything. They're selling in the below seven, seven to
13 ten, ten to 12, 12 to 14, 14 to 20 and 20 or above. There's
14 no part of this market -- there's no type of blade that's
15 made in the United States that's not also being made by
16 China.

17 So I think the short answer is, I understand what
18 they're doing, but it's an apples to oranges comparison.

19 CHAIRMAN BROADBENT: Okay. Mr. Pickard, what do
20 you consider to amount to attenuated competition for the
21 Commission to find competition to be attenuated, is it your
22 position that there would have to be no overlap, 10 percent,
23 20 percent, 50 percent?

24 MR. PICKARD: Most of the court cases have talked
25 about there being kind of -- as long as it's more than a de

1 minimus connection, right, that was all of the Gerald Metals
2 language right, that it could just be a temporal connection
3 that imports were in the marketplace at the same time that
4 injury occurred to the domestic industry. That line of
5 cases was pretty strong.

6 Here what we see is, for kind of the heart of the
7 market, the Chinese are selling about \$14 million in blades.
8 The domestic industry is selling about \$14 million in
9 blades. That is one of the largest units that are sold in
10 the United States. I think that alone would defeat any
11 argument of attenuation. But I would suggest, you know,
12 what you are seeing is larger gains, more units sold by the
13 Chinese in even the larger diameter sizes and the sworn
14 testimony of lost sales as a result of Chinese imports. I
15 think that should to be the issue of attenuation as this
16 Commission rightfully found upon remand and which was
17 affirmed by the CIT and the CIFC.

18 CHAIRMAN BROADBENT: Okay. I'm not sure I heard
19 what the answer was, 10 percent, 20 percent?

20 MR. PICKARD: I don't know if it's ever been
21 quantified in the law as far as what percentage of the value
22 of domestic production has to overlap with the value of the
23 imports coming in. I don't know if your reviewing courts
24 have ever given you any guidance on that. I would certainly
25 think that, you know, if you took 10 percent of my income

1 away, would I call that material? I would say so.

2 I don't know where the magic line is. And the
3 guidance that you've gotten from the reviewing courts has
4 been more -- has been less quantitative and has been more
5 qualitative.

6 CHAIRMAN BROADBENT: Okay. Mr. Pickard, what
7 account for the rapid increase in non-subject imports
8 relative to subject imports over the period of
9 investigation?

10 MR. PICKARD: I think what we've seen is Chinese
11 producers including -- and this is right out of the staff
12 report, have moved facilities into Thailand. And as they've
13 indicated to both the Thai government that -- and, you know,
14 publicly available information that Thai facilities are open
15 for 100 percent or close to 100 percent export operations.
16 So a large part of the shift has been Chinese producers
17 moving to Thailand. And, again, that's not necessarily a
18 bad thing. Right? If it leads to replacing low-priced,
19 unfairly priced imports with higher-priced Thai product,
20 then that raises or that stabilizes prices.

21 CHAIRMAN BROADBENT: But aren't we interested in
22 increasing domestic industry market share? I mean, isn't
23 that the purpose here with respect to the -- you know, as
24 compared to the unfairly traded imports?

25 MR. PICKARD: I think there's a couple of things

1 there. First off, is there any domestic producer here who
2 doesn't want to have a larger share of the market?

3 Absolutely.

4 CHAIRMAN BROADBENT: I'm saying, we put the
5 orders in place and it didn't increase any domestic market
6 share?

7 MR. PICKARD: It hasn't translated into a volume
8 effect yet. What you've heard consistently is that it's
9 translated most directly as a price effect. You've heard
10 the domestic industry, importers, purchasers, even foreign
11 producers say that the antidumping order has primarily
12 benefitted, I'd say, what's a price stabilization.

13 The domestic industry appearing before you is not
14 anticompetition nor is the purpose of the antidumping law, I
15 would respectfully submit, to eliminate all competition.
16 It's to reduce unfairly priced competition. And as this
17 order has existed for five years, it's been to the benefit
18 of the domestic industry. And if the orders continue for
19 another five years, hopefully not only will the domestic
20 industry continue to see price benefits, but they'll begin
21 to see volume benefits as well.

22 CHAIRMAN BROADBENT: Okay. Mr. Jedick, what are
23 some of the technical innovations that have occurred in your
24 industry recently? How are things getting more
25 sophisticated in the domestic production processes?

1 MR. JEDICK: Andy Jedick, Diamond Products. A
2 lot of the innovations in the diamond blades have happened
3 years ago. Diamond quality of the diamond crystal itself,
4 the stuff that was in the safe has risen to a point where
5 there's an industry standard now. It can't get any better
6 because the people that produce the diamonds have produced
7 the best diamonds that are available. This all occurred
8 over a 15 to 20 year period. Now what we have is, I think,
9 blades that are being sold -- for example, the type of blade
10 that Mr. Walker would use that is being sold within a
11 performance range to be acceptable, it has to operate at a
12 certain speed that's acceptable, and it has to operate at a
13 certain lifetime that would be acceptable. And what we're
14 seeing now is all the product that we're competing with is
15 pretty much within those ranges. Recent innovation there
16 has been very little. There are small things with diamond
17 blade cores involving sound where in certain jobs, certain
18 environments the blades have to be quieter. So there's been
19 some blade core innovations.

20 As far as bond systems and diamonds and diamond
21 coatings, and things like that, we're at a point now where
22 the blades are pretty much they get the life that the blade
23 core can handle before it's also worn out. So we're not
24 looking for increasing life anymore. We're not looking for
25 increasing speeds anymore because those two things are

1 counterproductive to each other. The faster the blade, the
2 lower the the life. So it's all stabilized pretty much.

3 Long answer for a simple question. Very little
4 innovation lately.

5 In the recent past.

6 CHAIRMAN BROADBENT: Is this--are the blades being
7 used to cut essentially through most of the same product,
8 the concrete and--I mean, are there new substances that the
9 blades are being used to cut?

10 MR. JEDICK: Very little. There's the refractory
11 market for steel mills. That's one type. And then there's
12 building products, bricks and blocks. And then there's
13 concrete floors and factories and concrete walls in the
14 warmer weather areas where the walls are actually poured out
15 of concrete. And then the road sawing. And that has really
16 not changed.

17 There is a new market to go after for the use of
18 diamond blades recently that's come out.

19 CHAIRMAN BROADBENT: Okay. Well thank you very
20 much. I appreciate it.

21 Commissioner Williamson.

22 MR. WOLTERS: Could I add to that real quick?

23 CHAIRMAN BROADBENT: Please.

24 MR. WOLTERS: And this is something that ya'll
25 would not know because you're not familiar with our

1 industry. But if you're cutting concrete, and you're
2 cutting it in Houston, Boston, Atlanta, or San Diego, you
3 typically need a different bond and a different blade
4 because the aggregate in the U.S. varies throughout the
5 whole country.

6 So like one concrete 26-inch blade doesn't work
7 in every city in the United States. You need to develop--
8 and which Andy and I both do--develop different bonds for
9 each region. I can't hear you.

10 CHAIRMAN BROADBENT: Is that because of moisture,
11 or--

12 MR. WOLTERS: It's because, if I had an aggregate
13 map I could show you, but if you picture the U.S., it's all
14 color-coded. So very hard aggregate has a certain color,
15 very soft aggregate. In Florida it's colored blue. So a
16 different blade is needed in each part of the country.

17 CHAIRMAN BROADBENT: So that's the consistency of
18 the concrete, the input of the concrete?

19 MR. WOLTERS: Yes.

20 CHAIRMAN BROADBENT: Okay. Got it. Thank you.

21 MR. BARON: Kevin at Western Saw. I wanted to
22 answer the technology. For us, as Andy said, not a lot
23 going on with the diamond blade, a little bit with the core
24 bit. Where we're looking at it is in the equipment, the
25 technology gains in the equipment that will allow us to be

1 more productive. We need the process. We need to make the
2 investment and with the stabilizing we can do that.

3 CHAIRMAN BROADBENT: Okay. Thank you, very much.
4 Commissioner Williamson.

5 COMMISSIONER WILLIAMSON: Thank you. Just to
6 follow up on the question, Mr. Wolters. Do the Chinese
7 manufacturers, they vary their bonding?

8 MR. WOLTERS: Absolutely, because they want to
9 compete with us. So I'm sure they have their metallurgist
10 and scientists constantly zeroing in on that part of the
11 country that they're pursuing in trying to make the best
12 product possible.

13 COMMISSIONER WILLIAMSON: So does the packaging
14 then say "good for New England," "good for California", or?

15 MR. WOLTERS: No, it's going to have its own
16 number system on it, and then that number system is usually
17 in their catalogue. And it will say if it's a hard bond or
18 a soft bond, or give a very brief description of that bond.
19 It will not say the state or the city. I don't think
20 anybody does that.

21 COMMISSIONER WILLIAMSON: Okay, but the industry
22 knows--or the people in the industry know what--

23 MR. WOLTERS: Right.

24 COMMISSIONER WILLIAMSON: Okay, good. Thank you
25 for that clarification.

1 If Husqvarna were excluded from the industry as a
2 related party, how would that affect an assessment of
3 overlap, an assessment of the overlap for competition? And
4 particularly I'm interested in your response, post-hearing
5 if necessary, to Table 3 on page 10 of Husqvarna's brief.

6 MR. PICKARD: Considering it's company-specific
7 data, we'll obviously address Your Honor post-hearing brief.
8 Not surprisingly, it's our position with them in or with
9 them out there's no attenuation of competition, right? You
10 still have the remaining producers, for example, making the
11 12s, the 14s. That's where they're probably being hit
12 hardest, or have traditionally been hit hardest, and now
13 they're seeing even greater price deterioration in the
14 larger blades. But we'll address it more specifically in
15 the post-hearing brief, Commissioner.

16 COMMISSIONER WILLIAMSON: Okay. Thank you.

17 When was the last time the domestic industry
18 produced a substantial volume of smaller diameter products?
19 And are domestic producers able to produce such products
20 now? And have you attempted to sell such products from
21 domestic production in the last several years? If you want
22 to do it post-hearing, fine, but...

23 (Pause.)

24 MR. PICKARD: If I understand correctly,
25 Commissioner, the question is when was the last time the

1 domestic industry made smaller diameter blades? And when
2 was the last time that they tried to significantly sell a
3 significant percentage of those?

4 COMMISSIONER WILLIAMSON: Yeah. And I think Mr.
5 Baron has probably touched on this already, I think.

6 MR. BARON: Yes, Kevin Baron, Western Saw.

7 Back in 2005-2006 probably was our peak for the
8 small 20-inch and down. But we still, as I mentioned, we
9 made over 100,000 12s and 14s last year, and we did make
10 47,000 of the mini. So we're still strong in the business
11 and we're looking to grow it, but we do need some price
12 stabilization. Actually we need price increases, to buy the
13 equipment I was just talking about earlier in the process.
14 We can improve the process with the equipment. The newest
15 technology today would help greatly.

16 COMMISSIONER WILLIAMSON: You mean it would make
17 it more efficient to produce the smaller volumes?

18 MR. BARON: Correct --

19 COMMISSIONER WILLIAMSON: The smaller size.

20 MR. BARON: The smaller size, we'd be more--for
21 us, how much time do we have hands-on. So we've got to get
22 it automated, even more automated. We're fairly automated,
23 but we can do better. And with the--with profitability, we
24 can make that happen. We'll invest. We'll hire the people.

25 COMMISSIONER WILLIAMSON: Okay. Thank you.

1 MR. JEDICK: Andy Jedick, Diamond Products. In my
2 written statement earlier, just to review a little bit, we
3 started making small-diameter blades in '84. And somewhere
4 around 1990 we were one of the largest producers of the
5 small-diameter blades, 4s through 7s. Actually 4s through
6 10s would be a more appropriate size range. And by mid-1990
7 is when we lost it.

8 So speaking for our company, we had not made the
9 small-diameter blade since the late '90s.

10 COMMISSIONER WILLIAMSON: Would innovation also
11 help you be more competitive, given price stabilization that
12 we've talked about?

13 MR. JEDICK: Not to the extent that the price has
14 dropped. I don't think any innovation--if we can't buy the
15 raw materials for the price of, the retail price of the
16 blade, I don't think any machine that was more efficient in
17 making them would help.

18 But I think if the prices were up to a point
19 where they were more rational on the smaller blades, we
20 would look into more automation. We have machines we could
21 probably dust off from back then and try to figure out how
22 to be more efficient in making the blades. That would be a
23 good project for us and a good research project anyway to
24 see if was possible again. But it's been since probably
25 1996-97.

1 COMMISSIONER WILLIAMSON: Thank you. I don't know
2 if this has been asked or not. Husqvarna has argued that
3 the only real effect of the Order is on domestic producers'
4 decisions on which import sources to use for lower-end
5 blades.

6 You have partially answered that question, but is
7 there anything else you want to say to that argument?

8 MR. PICKARD: The data contradict it. You see an
9 increase in the average unit value from the Chinese product
10 coming up. You hear, again, price stabilization, and not
11 just from the domestic industry, from the importers and the
12 purchasers. I think they're probably two of the key indicia
13 of the benefit of the Order.

14 It's true, as Commissioner Broadbent was talking
15 about, that a large--the volume effect of the case has been
16 the trends to transfer share from unfairly priced imports to
17 certain fairly priced imports. That's a beneficial effect
18 for the domestic industry, if prices increase.

19 And what have we seen? We've seen people this
20 morning testify and answer in their questionnaires that one
21 of the beneficial effects of the Order has been to increase
22 share, or increase prices for domestically produced product,
23 or at least stop the price declines, or slow the price
24 declines.

25 COMMISSIONER WILLIAMSON: Goods. Okay. Thank

1 you for those answers, and I have no further questions.

2 CHAIRMAN BROADBENT: Commissioner Johanson? Your
3 family didn't come back to take you to lunch?

4 COMMISSIONER JOHANSON: No, they didn't, but I do
5 have to say I told my nephew this morning we're doing a case
6 on diamond sawblades, and they are actually sawblades that
7 have diamonds, and he didn't believe me.

8 (Laughter.)

9 COMMISSIONER JOHANSON: But I think they probably
10 exist, right? Thank you. I have no further questions.

11 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

12 COMMISSIONER SCHMIDTLEIN: I just had one
13 additional question after your exchange with Chairman
14 Broadbent.

15 In the documents and the slides that you gave us,
16 and they're not numbered, so on the--there was a table sort
17 of further back, arguments against relief ring hollow with
18 the breakdown for 2014, which I assume come out of the staff
19 report. So I guess my question to you, following on that
20 exchange, is where you were saying that the court hasn't put
21 down a numeric threshold for competition. If we were
22 looking at this chart and we saw that the only competition
23 was the red categories, the 10 to 12 and 12 to 14, let's say
24 that, you know, either one or the other had zero in the
25 other categories, right? Can you still, you know, can the

1 domestic industry still win that case?

2 In other words, do you have to have competition
3 across all sizes?

4 MR. PICKARD: No, absolutely not. And the courts
5 have spoken to that. And actually the Commission not so
6 long ago in, I think it was your Oil Country Tubular Goods
7 case from about a year ago, spoke to the specific issue that
8 said you absolutely don't need to have competition all
9 throughout the spectrum.

10 And what the Court of Appeals for The Federal
11 Circuit said in the original decisions connecting diamond
12 sawblades is, if you have competition kind of in the heart
13 of the matter, that's clearly sufficient.

14 So even if we assume for the sake of the argument
15 that there were zeros everywhere else, yeah, I would
16 absolutely suggest that the domestic industry would--an
17 affirmative vote would be appropriate because you have
18 significant impact in kind of the heart of the industry.

19 And I think it's probably more--I would think it
20 would be more persuasive to actually hear from the industry
21 witnesses, right, if the 12--if there were no imports in the
22 high-diameter, larger diameter sections, but the entire 12
23 and 14 market went away, I think they would tell you that it
24 would be difficult for them to survive under those market
25 conditions. But I'll turn it to them.

1 MR. JEDICK: Andy Jedick, Diamond. It's our
2 largest manufactured product group, would be the 12 and 14
3 inch. It's our highest volume, 12-14 through 18 and up to
4 20. I think it's bracketed at 20 to 12, am I correct?
5 20-inch through 12? Yeah. And that would be devastating to
6 our business if we lost that particular group.

7 MR. WOLTERS: This is Garrett Wolters from Dixie
8 Diamond. 12- to 14-inch blades are a significant part of
9 our business. It's primarily in the distribution area. And
10 of our total revenue, I would put it probably close to half
11 of our business. So it would be devastating to our company
12 if we lost all that business.

13 MR. BARON; Kevin Baron, Western Saw. The 12s and
14 14s are more than 100,000 pieces for us, so we could not
15 survive without them.

16 MR. PICKARD: So I think maybe to just put a fine
17 point on it, Commissioner, so as a factual matter, even if
18 everything was zeroed out and there was just competition in
19 these kind of 12 and 14 inches, yes, I would suggest that
20 that would justify an affirmative decision.

21 But as to your legal question, as far as--which
22 is really kind of a reverse causation, not only are you
23 seeing this kind of head to head, but you're seeing an
24 increase in the competition from the larger diameter blades.
25 You're seeing this kind of quantitative blade where you can

1 compare the units from the original staff report to what's
2 being sold now.

3 You've heard from the witness's kind of testimony
4 in regard to the Chinese producers making more of a
5 concerted effort to get the larger diameter blades. And
6 would that result if they had unfettered access and they
7 came back, as they've clearly indicated that they're
8 interested in this market, would that result in material
9 injury to the domestic industry? I think every one of these
10 members of the domestic coalition would say yes.

11 COMMISSION SCHMIDTLEIN: Okay, thank you very
12 much. I don't have any further questions.

13 CHAIRMAN BROADBENT: Vice Chair, I think you had
14 one more?

15 VICE CHAIRMAN PINKERT: No.

16 CHAIRMAN BROADBENT: Okay. Let's see. I'm a
17 little--one more question on price effects. And I'm sorry
18 to be a little fuzzy here at the end of the morning.

19 Chinese low-priced imports are coming in, and
20 your argument is that prices aren't continuing to decrease,
21 that they've stabilized. So we're not seeing any direct
22 impact on lowering prices?

23 MR. PICKARD: No, I don't think that's what they
24 would say. I think we can provide more information about
25 this is that you've seen certainly more price stabilization

1 in the mid-sized blades. And I think as Mr. Jedick
2 testified to earlier, rare for this industry there's
3 actually been some price increases. But the increased
4 presence and pressure on the larger diameter blades is still
5 contributing very much to price deterioration.

6 MR. BARON: Kevin Baron, Western Saw. As I
7 mentioned in my testimony, a 24-inch blade for \$28. My
8 steel cost is almost \$21. So the price reduction, or the
9 price--the stabilization in large is not here. In fact,
10 it's falling. So we need--if--

11 MR. JEDICK: Andy Jedick. Proprietary numbers,
12 but in post-hearing I would be happy to have some reports
13 run based on our own sales and pricing of various products
14 showing average price decreases. I think I have about 10
15 years of history that I could use, and we could put a chart
16 together that Dan could submit in the post-hearing brief
17 that would show the decline, and then at the bottom of the
18 roller coaster, and a little bit of the stabilization.

19 I could do it by product group the way they have
20 it split out. So if that's helpful at all, I would be happy
21 to have that done.

22 CHAIRMAN BROADBENT: That would be great.
23 Appreciate that.

24 MR. JEDICK: It would be interesting to look at,
25 also.

1 CHAIRMAN BROADBENT: Right. Appreciate that.

2 Okay, I have one question, one final question.

3 Can you all recommend a good horror movie that
4 features a diamond sawblade? I was thinking of the Chainsaw
5 Massacre, but that's not relevant here. Is there a good
6 movie that had one of these things looming over the hero?

7 (Laughter.)

8 MR. JEDICK: It's not a horror movie, but there's
9 a great documentary that shows a bank vault being broken
10 into with one of Diamond Products' 18-inch sawblades, and a
11 real small guy that climbed up through the 18-inch hole to
12 get the money. I think it was on the History Channel.

13 CHAIRMAN BROADBENT: That sounds good. I'm going
14 to look for that one.

15 Okay, thanks to you all. I appreciate your time
16 and enjoyed the program this morning. Thanks.

17 This is very important details, which I forgot to
18 announce, which is our lunch break. And we will resume in
19 one hour at 1:30--Yes? Oh, excuse me. I apologize.

20 Does staff have any questions?

21 MR. CORKRAN: Douglas Corkran, Office of
22 Investigations. Thank you, Madam Chairman. Staff has two
23 very brief questions.

24 CHAIRMAN BROADBENT: Okay. Please.

25 MR. FRAVEL: Dennis Fravel, with the Office of

1 Industries. The first question is, there are two U.S.
2 producers that really are not talked about too much. One is
3 General Tool and the other one is Shinhan. I was wondering
4 if Mr. Baron had tried to sell cores to those U.S.
5 producers? Or they say they're U.S. producers. I'm not
6 sure I understand their operations too much, so if you could
7 elaborate on their production, or talk about them, I would
8 be grateful.

9 MR. BARON: Kevin Baron, Western Saw. Yes, for
10 General Tool we sell them, absolutely, no cores. None.
11 They stopped buying from us once we filed the petition. And
12 for Shinhan, we do sell them some, but they both bring in
13 Chinese product. I believe that you would probably see
14 General, Tool who was part of the Nedcut deal, probably
15 brings in more--imports more than they make.

16 MR. FRAVEL: Okay. Thank you.

17 My second question goes to Mr. Walker. From a
18 realistic standpoint, how much money--how much of a lower
19 price would it take for you to change vendors? Because the
20 examples here have been \$100, \$300, and I'm asking would it
21 be \$5? \$10? \$20? I know it depends on the blade size and
22 the life, but let's say if you said for a 14-inch blade
23 versus a 36-inch blade? I mean, if I approached you, you
24 know, at what point would you say I've got to change? How
25 price sensitive are you? Or how price sensitive are your

1 competitors, your cutter competitors?

2 MR. WALKER: Our competitors are very price
3 sensitive, to the point where if we have a--I kind of like
4 to look people face to face, but if I'm understanding your
5 question correctly, if we have a \$500 blade and American
6 Brewster is selling at \$800, am I going to tell 'em to go
7 down to a \$500 blade in order to get the sale? Yeah,
8 probably.

9 MR. FRAVEL: Well, yes, that's a \$300 difference.
10 But I'm asking, you know, would it take just a \$25
11 difference and you would switch?

12 MR. WALKER: Percentage-wise, based on some of the
13 pricing we've had now, it would have to be 20 percent, in
14 that range. I mean, it's a considerable amount.

15 MR. FRAVEL: Okay. Thank you.

16 MR. CORKRAN: Douglas Corkran, Office of
17 Investigations. I have one very brief follow up, and that
18 was just to clarify one point of testimony.

19 Earlier this morning we heard about a product
20 greater than 20 inches that was available from Chinese
21 producers, and we are trying to get a sense of what the
22 relative quantities of that were.

23 I just wanted to make sure I understood the
24 testimony correctly, though. Is this product that is coming
25 from Chinese--a Chinese manufacturer regardless of where

1 their facilities are? Or are we talking about product that
2 is known to be manufactured in China? I just wanted to
3 clarify the testimony. Thank you.

4 MR. PICKARD: I'm sorry, are you looking to
5 clarify whether we said that the greater-than-20-inch we
6 think might be under-reported, and you wanted to clarify is
7 it coming from China? Or is it potentially coming from a
8 Chinese-owned company, making the distinction, for example,
9 a Thai producer that is ultimately owned by China? Is that
10 what you're looking for?

11 MR. CORKRAN: That's pretty much it, exactly.

12 MR. PICKARD: So, yes. So, yes, we believe that
13 the 20-inch and greater that's under-reported is being made
14 in China by Chinese producers and being brought in by
15 importers. And I think the reason--and just to clarify,
16 certainly no--and some of it will err on the side of putting
17 in the business proprietary information, but we think some
18 of the largest importers of those products didn't complete
19 questionnaires.

20 MR. CORKRAN: Thank you. I appreciate it, and
21 staff has no further questions.

22 CHAIRMAN BROADBENT: Do those in opposition to
23 continuation of the Orders have any questions?

24 MR. GREENWALD: We do not.

25 CHAIRMAN BROADBENT: Thank you. In that case, it

1 is time for a lunch break. We will resume at 1:30 in this
2 room.

3 The hearing room is not secure, so don't leave
4 business confidential information out. And I want to thank
5 all the witnesses for coming today.

6 (Whereupon, the hearing was recessed, to
7 reconvene at 1:30 p.m., this same day.)

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

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

3 CHAIRMAN BROADBENT: Thank you, Mr. Secretary.

4 I want to welcome the afternoon panel to the ITC. I would
5 like again to remind the witness to speak clearly into the
6 microphone and state your name for the record for the
7 benefit of the court reporter. You may begin when you're
8 ready.

9 MR. GREENWALD: Thank you, Madam Chairman. My
10 name is John Greenwald from the law firm of Cassidy Levy
11 Kent. With me today are my partners Bob Cassidy and
12 Jennifer Hillman. Just one sort of an apology in advance,
13 Mr. Cassidy is going to have to peel off for a meeting at
14 2:00, but hopefully, will return; but if you see him leaving
15 please sort of understand. You should not take it
16 personally, exactly.

17 Rather than listen to us, however, what we'd
18 like to do is have you first listen to Mr. Chris Noeth, who
19 is the Director of Finance of Husqvarna and he has the bulk
20 of our prepared remarks.

21 STATEMENT OF CHRISTOPHER NOETH

22 MR. NOETH: My name is Chris Noeth. First of
23 all, thanks for having me. As John said, I'm the Director
24 of Finance of Husqvarna Construction Products North America.
25 I've been with Husqvarna now for 10 years and have watched a

1 little bit from afar the entire tariff process from
2 beginning until now.

3 My primary purpose for being here today is, (1)
4 to talk about our U.S. operations, (2) talk about our
5 imports, (3) talk a little bit about the market and where we
6 see the market and where we see the market going, and (4)
7 why we think the tariff really should be revoked.

8 Some of the first points I'd like to make is
9 that Husqvarna is 100 percent dedicated to U.S.
10 manufacturing. I'll talk in a lot more detail later in my
11 presentation, but we are 100 percent committed. If you look
12 at our data, between 60 and 70 percent of subject
13 merchandise we sell is produced in our U.S. facility.

14 Another point I'd like to make is we make a
15 clear divide line between where imports fit in the market
16 and where U.S. product fits in the market. And finally, the
17 last point, before I start I'd like to say is that we see is
18 all that the tariff has really done is take and either move
19 low-cost production from China to other low-cost production
20 countries or there's already other people who have had
21 facilities in those other low-cost countries.

22 I'm going to start off first with just like a
23 little overview of what we see as the market. To us,
24 there's three segments to the market. There's the heavy
25 contractor. There's the distributor and then there is DIY.

1 And I'm going to give you a little bit of a view of how
2 Husqvarna looks at this market.

3 The heavy contractor to us is they're big
4 contractors who do a lot of the big construction work in the
5 U.S. They need a lot of short production runs, quick
6 turnarounds on blades. An example, which was brought up a
7 little bit earlier, is a diamond blade may work fine on one
8 part of a city, but if it doesn't work fine when they go to
9 cut the next day in another part of the city we're called in
10 and a U.S. manufacturer is at a big advantage in the fact
11 they can quickly turn around a blade to get it to their
12 customer within sometimes the same day, sometimes the next
13 day. So, from the heavy user side, we look at those
14 customers as high-end, high-premium blades with big
15 production.

16 The next one I'd like to speak about briefly is
17 the distribution market. The distribution market is a
18 little bit different in the fact that it carries both
19 low-end imports and high-end U.S. manufactured blades.
20 There's a place for both of those in the distribution
21 market. The way we rate high-end/low-end is the low-end
22 imports are probably 30 to \$80, roughly. The high-end,
23 let's say U.S. made stuff could go from 150 and up. So,
24 there is a place for both of them.

25 Within the imports, there's also what is called

1 sintered blades. To our knowledge, sintered blades have not
2 been manufactured in the U.S. 10 plus years. At the time,
3 they were a very labor intensive, low-value blade. They're
4 all produced in low-cost countries now and a lot of those
5 are sold through our distribution market.

6 And finally, DIY, we won't get into that a lot,
7 but DIY we look at as strictly imports, and that's your Home
8 Depot, Lowe's, places where you may go on the weekend if
9 you're going to redo your tile in your kitchen or something
10 like that.

11 So, who is Husqvarna in the U.S.? We are a
12 manufacturer, first and foremost. We've been in business or
13 had a factory, let's say, since the 1970s, Columbia, South
14 Carolina. We're very proud of that facility. We have 115
15 people located in that facility. We've invested hundreds of
16 thousands of dollars last year. We'll invest over \$1
17 million this year and plan to invest over \$1.6 million next
18 year. This is strictly to focus on that high-end market
19 that we see in the U.S. that is growing and will continue to
20 grow for us.

21 Some other things I'll say about that is not
22 only are we investing in it we will be moving production
23 from some other countries. We've moved some from Sweden
24 already and we're going to move some from another country as
25 well in the coming year.

1 The one thing I want to say and get across as
2 being really clear I wouldn't be sitting up here if I
3 thought removing this tariff would do any damage to our
4 factory. This is a highly profitable, very profitable --
5 and you guys can all see the details. We would do nothing
6 to jeopardize this manufacturing facility. It is a very,
7 for better terms, family-oriented company down there. They
8 have a lot of tenured employees. Some 20 and 30 years have
9 been in that facility. It is extremely important to us,
10 going forward, that this facility continues to grow and we
11 will continue to invest in it so it does grow.

12 So, if we look at Columbia, we look at Columbia
13 as being that high-end, premium blade with high
14 concentration of diamond, big blades, stuff that we would
15 never bring in from offshore. This is stuff that we will
16 use for the heavy contractors and what we call the premium
17 distribution would retail it as well. Basically, when you
18 look at it from a distribution standpoint, there's a market
19 for that 30 to \$80 blade, but there's also a market for that
20 \$150 and up blade; and our Columbia facility focuses on that
21 \$150 and up blade.

22 When you then look at we're an importer as well.
23 And we feel anyone who wants to have a complete product line
24 in the U.S. has to import. You have to have the high-end
25 blades to support that high-end market and you have to have

1 the low-end blades to support the complete product line.
2 So, if you look at what we import it is no different than
3 any of our competitors, we import from China. Some of our
4 competitors import from India, Indonesia, Thailand. They're
5 all low-cost countries to support that lower end of what we
6 call the import blades to complete your product line.

7 So, I guess when you're thinking about -- and
8 there's talk of overlap in the market. One thing that came
9 to notice to us with the overlap in the chart that was
10 displayed this morning on the PowerPoint -- if you focus
11 specifically on the 10-inch and 12-inch, for starts the U.S.
12 produced 10- and 12-inch blades within both of those that
13 are reported here. For the 12-inch Husqvarna is a majority
14 of what's reported in there. You guys can see the details
15 behind it. And if you look at the 10-inch, Husqvarna is a
16 majority of what's produced in there.

17 Now, what's interesting to note in both the 10-
18 and 12-inch blades is a lot of those blades are what's
19 called Soff-Cut product. It's a product we've had a patent
20 on that was made several years ago. And what Soff-Cut is
21 it's a high premium product, which I said that's what we
22 like to produce in our U.S. facilities and that's in the 10-
23 and 12-inch numbers. What Soff-Cut does, normally blades
24 are sold with just a blade. Well, Soff-Cut sold the blade
25 and a skid plate. This skid plate is then attached to our

1 machines we manufacture. This allows our contractors to get
2 onto freshly poured concrete before a conventional person
3 could get onto it. And what it does is it prevents the
4 concrete from cracking up. It actually forces the concrete
5 to crack down.

6 So, if you look at just those two segments of
7 the market and you look at the data behind it -- it's
8 confidential so I'd rather not say it here -- there is an
9 extreme amount of that product that is Soff-Cut Husqvarna.

10 Let's look at the 14-inch, which was another one
11 that was big. In the 14-inch, Husqvarna represents around
12 50 percent of what's in the 14-inch blades, about 80 percent
13 of what's in there is once again our Soff-Cut. It's a high
14 premium, expensive blade. It's something we will make in
15 our U.S. manufacturing plant. So, 50 percent of that is
16 ours -- a little bit more, 80 percent of that Soff-Cut.
17 What's interesting is the additional amount in there is
18 actually premium 14-inch blades.

19 So, the way we look at the market is, yes, there
20 is somebody down there that's purchasing our product and
21 they're purchasing it in the 30 to \$80 range from imports,
22 but there's also an end user who comes into our contract and
23 sees that \$150 blade and he understands that there's a value
24 to that blade. If he has a big job coming up with extensive
25 cutting and he knows that blade can last two to four times

1 longer because of how it's made, the diamond that's in it,
2 the concentration of diamond that's in it, he's willing to
3 pay \$150 for that U.S.-made 14-inch blade. But there will
4 be other times when the customer is coming in and he may
5 have just a small job and instead he's going to buy that 50
6 to \$80 blade.

7 The reason I explain this is that for us we see
8 a clear divide line between what is high premium, U.S.
9 produced products and what is lower import products. And
10 once again, I've said this before, but if we want to have a
11 complete line we need to have the high premium and we need
12 to have that low-end blade as well.

13 So, in all that, where does it take us? If
14 we're going to compete in the U.S. market we have to have an
15 import blade. And we have to have an import blade that
16 either comes from China, Thailand, Indonesia, any of those.
17 That said, we, along with any other U.S. producers who wants
18 to have a complete line also imports. The DP has mentioned
19 earlier they have an affiliate company in Thailand. Hilti,
20 another U.S. manufacturer, they have an affiliate in India.
21 Husqvarna, we have an affiliate in China.

22 All this said, what Husqvarna thinks is that we
23 want to put everyone on an even playing field. Holding a
24 tariff on one low-cost country versus them all puts that
25 country at a disadvantage comparatively to the rest. So, us

1 being the largest manufacturer of diamond blades in the
2 U.S., we don't think this will have any impact on our U.S.
3 domestic business. We're investing in it. We'll continue
4 to invest in it, but we still feel that the tariff should be
5 revoked on China.

6 MR. GREENWALD: Mr. Noeth will be here to answer
7 any and all questions you have. What I'd like to do now is
8 take some time, if you don't mind, and turn to some legal
9 issues as well as to some of the data to which Mr. Noeth
10 doesn't have access; but I would like to try and walk you
11 through it in a non-confidential way because I think it
12 exposes, clarifies, and actually resolves lots of issues
13 that were raised this morning.

14 The first question that I think we have to
15 address is this claim that Husqvarna should be excluded from
16 the domestic industry. There is an ancillary claim that
17 General Tools should also be excluded. And we've addressed
18 that in the brief, but what I'd like to do is to take a
19 couple of minutes to address the Husqvarna issue in
20 particular.

21 You just heard Mr. Noeth say that I think it was
22 between 60 and 70 percent of his U.S. sales are sales of
23 product made in the United States. So, the idea that
24 Husqvarna's interest is primarily in importing is simply and
25 demonstratively false.

1 The second issue has to do with the statute and
2 whether even if there were a bigger relative interest in
3 importing you can legitimately exclude Husqvarna. The way
4 the statute reads it talks about injury to the U.S. industry
5 as a whole or to a major part of it. Now, what I'm going to
6 do is to refer to the Petitioner's exhibit that has the
7 sales of sawblades by value. And the reason this has to be
8 by value came out perfectly clearly in this morning's
9 testimony where there was repeated mention to sales of
10 smaller, much lower value sawblades by the tens of thousands
11 and much lower volume, but much higher value sales of larger
12 laser-welded sawblades.

13 So, all my comments on essentially the U.S.
14 industry are value based. If you take these numbers at
15 value, when you just add up the sum of the domestic
16 products, you wind up with sales -- well, this was done by
17 hand, so I may be a little bit off, but very close to 68
18 million. If you look at Husqvarna's questionnaire response
19 for its U.S. sales, you will see that Husqvarna alone
20 accounts for over 50 percent of domestic production by
21 value. So, that's one point.

22 The second point today, frankly, it was
23 discouraging to listen to Petitioners this morning talk
24 about why they have not reinvested in U.S. production. You
25 just heard testimony by Mr. Noeth that Husqvarna has been

1 reinvesting in the millions in U.S. production. One had a
2 sense, listening to the morning's panel, that the U.S.
3 industry is not expanding their U.S. production. Forget
4 about investment, they're not expanding. You hear Mr. Noeth
5 say that Husqvarna has been and is expanding its U.S.
6 production.

7 So, when you take the sum of this, the fact of
8 the matter is you cannot get even a remotely accurate
9 picture of what's going on in the U.S. industry if you
10 accept Petitioner's argument that Husqvarna should be
11 excluded.

12 The second point I'd like to raise, and it's
13 sort of legal-ish, has to do with participation. It is true
14 that when there are orders like this that come up for sunset
15 review Chinese producers do not tend to flock to your
16 hearings to express their opposition to continuation. In
17 this particular case, if you want to know why all you have
18 to do is look at the average margins on a
19 Chinese-producer-by-Chinese-producer basis, the ones that
20 are in under the tent sort of like the order and they would
21 be perfectly happy for you to keep it.

22 It is the ones with, I would say, greater
23 integrity, like Husqvarna, that wants to point out why this
24 order does no good at all because the only and the perverse
25 effect of it is not going to do a thing for the U.S.

1 industry. Rather, it has been simply to encourage
2 investment, new investment or even old investment in third
3 countries.

4 And now we're going to get into this core issue
5 of subject versus non-subject. It cannot be that you listen
6 to this morning's testimony and didn't think to yourself,
7 boy, Petitioners didn't say much about Korea. They're no
8 longer subject to this. When you look at the data, what you
9 see is a shift from China, not to the United States, but to
10 third country production.

11 There was, for example -- I can give you another
12 chart from the Petitioner's brief today about how our
13 arguments against relief ring hollow. This is a list of
14 producers that are now producing in China -- I'm sorry --
15 not producing in China, producing in Thailand. Every one of
16 them is a Chinese producer. There was much spoken about
17 Diamond Tools technology as if all of their production were
18 Chinese. The evidence shows otherwise. And as a matter of
19 fact, others have gone to Diamond Products -- I'm sorry --
20 gone to Thailand, including by its own admission, Diamond
21 Products.

22 So, why is it that the data show no volume
23 benefit -- and I will tell you later no pricing benefit as a
24 result of this order for the U.S. industry, but a great
25 volume benefit to third country imports. And the reason has

1 to do with the segmentation of the market that Mr. Noeth
2 discussed. The market is segmented by product type. That
3 is, blades that are sintered, that are low end, and are
4 labor intensive and are not made here, blades that are sold
5 very few in volume and laser-welded blades. The market is
6 segmented by size, smaller blades -- again, the testimony
7 was sort of interesting listening to the testimony this
8 morning -- some define smaller blades as anything less than
9 20 inches, other defined it as anything less than 12 inches,
10 but it's perfectly clear that there is no longer any
11 significant production in the United States of smaller
12 blades. I would say, in truth, it's really 12 inches and
13 below.

14 If I can go back to this chart in Petitioner's
15 briefing materials, if you looked at our brief we said when
16 you look at the smaller sized blades you have to recognize
17 that most of those blades, as we see it, are Husqvarna
18 blades made in the United States. The rest of the producers
19 are essentially out of that market. And when Husqvarna says
20 that it is not injured in its smaller blade product by
21 imports, it's effectively saying the U.S. industry, as a
22 whole, is not injured by smaller blade imports.

23 You then have the larger blade, and that's let's
24 say it's 14 inches and above. There's the reverse because
25 the larger blades are overwhelmingly professional grade

1 blades there is a structural advantage to U.S. production
2 that imports cannot match. The testimony of Mr. Noeth and
3 also this morning was that every contracting job needs
4 blades that respond to the specific materials that are being
5 cut and something that works in Minnesota may not work in
6 Florida or if I can quote Mr. Noeth, something that works in
7 the Bronx may not work in Brooklyn. Very specific, you have
8 to be able to deliver on very short notice. There are
9 occasions when you have to be able to test a blade and then
10 turn it around and change it.

11 One of the sidebars that we had in the lunchroom
12 was how many SKUs, how many types of blades does Husqvarna
13 keep in its domestic product -- not inventory, but sort of
14 capability. And I think the number was 50,000, 50,000
15 blades that are distributed for professional grade uses.
16 You can't keep them in inventory. You can't mass produce
17 them. You have to do what Husqvarna does to service that
18 sector. And when you do it as well as they do it, which is
19 what everybody else in the domestic industry should be
20 doing, this business is, as their data show, a very
21 profitable business.

22 Now, I would like to sort of end on the market
23 segmentation by talking about what Petitioners' counsel and
24 Petitioners, frankly, talked about the heart of the market.
25 And there, there are various things, some of which I will

1 get into a second; but the first part of it is if you accept
2 Husqvarna's testimony that they're not injured and you take
3 their data out, it leaves a quantum of domestic production
4 produced by people in these size ranges that, in fact,
5 allege injury.

6 And if you listened to today's testimony, they
7 didn't allege injury on volume. They didn't say it was the
8 volume effects. They said what mattered was the price
9 effects. Well, you collected relative pricing data and a
10 lot of those data were for 14-inch blades. And you can go
11 through -- and 14-inch blades, I might add, sold to
12 distributors. You can go through those data and ask
13 yourself the question is there a underselling apparently by
14 the Chinese? And the answer to that is sure there is.
15 Actually, it's very large.

16 And it raises the question why would anybody pay
17 that much more for a U.S. blade unless they were different
18 blades? And then question becomes well are they different
19 blades? And the answer there is yes. Blade size matters,
20 whether it's sintered or laser-welded matters, but also,
21 segment size matters and the strength and concentration of
22 the diamonds matter. So, all these variables distinguish a
23 commodity grade blade from a professional grade blade.

24 The final part of this particular equation is
25 you can test the proposition of competition on price in this

1 heart of the market by looking at the correlation over time
2 between changes in the import prices and changes in the
3 domestic prices. And I submit to you that those data shows
4 zero correlation. In fact, some show import prices going up
5 and U.S. prices staying steady or going down. Some show the
6 reverse, but the correlation that you would expect to see if
7 there were real competition is zero.

8 What we did this morning, and this takes it one
9 more step in terms of this critical issue of causation,
10 what's going on and why, was pass out confidential data for
11 each of the nine producers that we grouped into three
12 groups. The first, and this includes Husqvarna, are the
13 responses of companies that do not allege injury. And all I
14 will say about that is we've provided a narrative, no need
15 to go through it. They know what's affecting their
16 business. And if they say imports are not the problem,
17 that's because they're not the problem.

18 The second group, and this is interesting, it
19 includes Western Saw that testified today. And Western Saw
20 supports continuation of the order. For this group,
21 competition with subject imports is essentially -- and here
22 I'm going to quote the staff report, "Essentially
23 nonexistent." If I can read what the staff report says
24 about cores, which is the sole product produced by Western
25 Saw, "Subject imports from China are virtually nonexistent

1 in the core market." There are non-subject imports that
2 have taken a share, but not subject imports. And all the
3 testimony about subject imports depressing, suppressing, or
4 otherwise affecting U.S. price is unsupported by any
5 substantial evidence. It is assertion and it's assertion
6 that's contradicted by the facts.

7 The other companies in this area are
8 concentrated -- if you can just go through them. I don't
9 want to talk about what we put in parentheses, but they are
10 concentrated in segments of the market where subject imports
11 are, de minimis would probably be an overstatement,
12 essentially nonexistent and their results vary by company,
13 but the idea that these data support a link between a likely
14 recurrence of injury and imports is just false.

15 The third group are supporters of the order.
16 Those that want to see the order continue and they -- a lot
17 of them testified today. Again, I don't want to go over
18 these data, except to say the following. Much of the
19 testimony talked about and what came across was rampant
20 competition from subject imports in the heart of their
21 market. So, for example, you had testimony that in the 12-
22 to 14-inch market it was let's say a majority of Company A
23 or Company B's production.

24 What I'd like you to do in this table, if you
25 would, is turn to page 20, the very last page of that. It's

1 divided by size. It's the Group Product Three, the very
2 last page, page 20.

3 I apologize. All right. Page 20, and look at
4 10 to 12 inches, and look at the volumes. And then look at
5 12 to 14 inches, and look at the volumes. And contrast
6 those volumes with the testimony that you heard this
7 morning.

8 My impression of the testimony that petitioners
9 gave is there were assertion after assertion after
10 assertion. In the opening remarks what I urge you to do
11 above all else, is pay attention to the facts. And the
12 facts disprove.

13 This is one example, that it disproves assertion
14 after assertion after assertion about competition. Now in
15 the same -- in the same package, if you would go, it's not
16 -- it's Page 7 at the bottom. And look at the volume of
17 distribution of those domestic sales, commercial separation
18 of U.S.-made product.

19 And then try and square that with the testimony
20 that you heard this morning about where the high volumes
21 were. Finally, if you would look at Page 15. Same thing,
22 these are imports. And look at the distribution of imports,
23 then look, if you can, it's all in there, of the change in
24 import levels, 2012-14, and then for the same company, look
25 at the change in domestic production, or -- domestic --

1 shipments of domestic product.

2 If those data don't squarely refute the notion
3 that what is happening is anything other than by choice,
4 then I'm completely misreading the data.

5 In other words, the company makes decisions, we
6 don't quarrel with them, but you can't make these sorts of
7 decisions, and then say, "Well, it's because of subject
8 imports from China." That thesis is disproven by the facts.

9 I don't know if -- my colleague, I ought to tell
10 you, we have long discussions about what I should say to you
11 from somebody that's been up there. So, Ms. Hillman is
12 constantly telling me not to say this, and I'm not quite
13 sure that I follow her advice as much as I should. But at
14 this point, rather than trying to think what she might say,
15 let me just pass the microphone to you.

16 MS. HILLMAN: Again, this is now unscripted
17 entirely, since I did not realize that. Thank you very
18 much.

19 Again, my name is Jennifer Hillman for the
20 record. Again, I will only say that we were very struck, I
21 would say we were very struck listening to the testimony
22 that we heard this morning and trying to square it with the
23 conversations that we'd had with Chris in preparation for
24 this, in the sense that we tried to think about the market
25 in all of these different ways, and kept ending up with this

1 sense of where this case started. And I think for me, it
2 was interesting to sort of think back, since I actually was
3 sitting up there when this case started, because I think
4 there are a couple of things that are worth remembering.

5 Obviously when this case started, it was China
6 and Korea. And the initial decision was a negative decision
7 because of a lack of overlap in competition. And when the
8 remand decision came back, I think it is very important to
9 think about what the role that the Korean imports played in
10 creating enough of an overlap. That the Commission
11 ultimately reached a three-to-three threat determination
12 that there was enough overlap when looking at the combined
13 Chinese and Korean product, such that you did in the end
14 result in an affirmative determination, again an affirmative
15 three-three threat determination because I think in my sense
16 of looking at the data was, it was very heavily, in certain
17 areas, the Korean product that provided that, if you will,
18 overlap of competition.

19 And now that you have Korea excluded from this
20 case and from this review and you are looking solely at
21 China, you are very much back to that initial question of,
22 "Is there enough of an overlap?" I think Mr. Broadbent, you
23 were trying to get at that sense of how much overlap do you
24 have to have. I'm going to think what Mr. Noeth was trying
25 to say is, you really have to look at the market from the

1 various perspectives that it exists. In other words, it
2 exists in part in the way in which it is made. Is it
3 welded? Is it soldered? Is it sintered? And again, you
4 have to start from the proposition that there has not been
5 sintered product made in the United States for well over a
6 decade.

7 So with that is a huge portion of what China is
8 sending to us. And there is no U.S. production and hasn't
9 been for a long time. You cannot say that that production
10 will come back to the United States or will change if this
11 order is revoked or not.

12 Again, and then secondly, as Mr. Noeth was
13 saying, if you look at other end of it, you heard a lot of
14 testimony this morning that the Chinese maybe, could, might
15 be, or may be, are nibbling at, the heavy construction, you
16 know, heavy usage market. And I think again, we try to
17 square that with both the data on the record that would
18 suggest numerically the Chinese again, or if they are at all
19 in that market, it is extremely small. Again, well under
20 whatever your percentage figure might be, Commissioner
21 Broadbent. My sense is well under that number, and again,
22 not likely to be able to sell well into that market, if it
23 requires a service presence here, somebody that can actually
24 go to the jobsite and produce a blade in four or eight or
25 ten hours, it is very specifically designed to work in

1 whatever the cutting material is on that particular site, on
2 that particular day, with those particular weather and
3 temperature conditions. That is a very different kind of a
4 market than the one in which you see the data coming in from
5 China.

6 So I tried to sort of look at this from where
7 this order started out to where we are today. And I think
8 it is important for the Commission to take in mind that when
9 this order started out, again it was a very different
10 market, and it was a very different set of imports that you
11 were looking at when you looked at the combined Korea and
12 Chinese imports than what you're looking at today where you
13 see, again, this very significant concentration of the
14 Chinese in, again, this low, low diameter, low-end, low
15 diamond concentration, mass-produced product that is not at
16 all the same as what most of the successful U.S. producers
17 are producing. And with that, I have nothing further to
18 add.

19 MR. GREENWALD: With that, we're at your mercy
20 for questions.

21 COMMISSIONER BROADBENT: I'm so excited, we got
22 -- you did your statement in 40 minutes too, so that's
23 perfect. Might get Commissioner Johanson out of here in
24 time after all. Let's see... Thanks for the witnesses for
25 coming and taking time from their workday to be with us. We

1 will begin our questioning with Commissioner Williamson.

2 COMMISSIONER WILLIAMSON: Thank you. We want to
3 thank the witnesses and the attorneys for presentations.
4 Before I forget, I'd like --

5 You mentioned that -- I'm sorry, that -- Western
6 Saw -- you were saying that there's no -- if I remember
7 correctly, there's no competition because basically the
8 Chinese imports are not, of course, they're not in the
9 market.

10 But he basically mentioned two bases for
11 competition, and that he thought that the imports were
12 having an impact. And that had to do with what was
13 happening to U.S. producers -- the contraction in the number
14 of U.S. companies in the market for whom he could sell to,
15 since he wasn't going to be able to sell cores in China.
16 And I don't think you addressed that question. And isn't
17 that a form of injury too? It's a global economy --

18 MR. GREENWALD: Sure, in the sense that what
19 you're talking about and what he's alluding to was demand
20 derived from production. What he actually said, because I
21 paid -- you know, that was interesting, was that, "If there
22 were not these imports from China, I'd be selling a lot more
23 cores." I mean, that was essence of his testimony, right?

24 COMMISSIONER WILLIAMSON: Yeah, uh-huh.

25 MR. GREENWALD: Okay, well, there are imports

1 from Korea -- there are imports from Thailand, there
2 are imports from India, there are imports from Indonesia.
3 What the facts before you--and again, it goes to this
4 evidence--what the facts before you show, is that the volume
5 benefit -- of this order, and therefore the increased
6 potential in this derived demand he's talking about, is
7 zero. Don't forget, the order is in effect. And it is
8 zero. If you keep the order in effect, it will still be
9 zero.

10 COMMISSIONER WILLIAMSON: Okay. Several
11 questions your statement leads to. I think they made a
12 point this morning that the basis of compet -- the basis on
13 which the Koreans were competing in this market was
14 different than the basis in which they thought the Chinese
15 producers were producing. And I think they also said the
16 same thing for Thailand. Are you saying you disagree with
17 that analysis, or --

18 MR. GREENWALD: No-no, you have to take it in
19 two ways. The first question was, is in terms of volume.
20 So just take your question, it's all a question.

21 Does the shift from China to Thailand or Korea
22 or wherever, do dime's worth of difference to him? The
23 answer is no.

24 Then the question is pricing. Is the -- is the
25 pricing such that the shift has been a good thing? And they

1 said yes. I have yet to see the data. I mean, what they're
2 really talking about, if you talk about averaging it out, is
3 a difference of modest proportions between China and
4 non-subject. And huge proportions in terms of your average
5 value with the U.S.

6 The other part of that question is, is there
7 evidence that there has been an essentially price-depressing
8 effect of the subject imports and not from the other? Well,
9 we heard a lot today about prices going down, not in the
10 area where the Chinese are, which is the smaller blades, but
11 in the areas where the Chinese aren't, in the larger. You
12 heard testimony saying what's really happening now is that
13 prices in these larger blades, twenty inches and up, are
14 under assault.

15 You have the data before you about--I think it
16 was \$848 million, a thousand, I'm sorry--\$848 thousand out
17 of a multi-million dollar market. And the only thing they
18 could say about that is well, we don't like those data. But
19 if you take what they're saying about the pricing and where
20 they see erosion on the evidence, on the numbers, it cannot
21 be imports from China, unless you decide your whole database
22 is simply wrong.

23 COMMISSIONER WILLIAMSON: Okay. True enough. I
24 don't know if even now or post-hearing one interests there,
25 it was Mr. -- I think it was Mr. Walker's, Mr. Walker's

1 contention about how Diamond, too, was setting up
2 inventories, basically setting up an inventory operation. I
3 don't know --- That is, if you have any indication, or maybe
4 Mr. Noeth has any indication whether or not this is a
5 growing trend.

6 MR. NOETH: From our business perspective, it's
7 having no impact on ours. What it shows here, and what he's
8 -- is are they coming from another country with it? That I
9 can't say. If they're coming from Thailand, maybe. I don't
10 know that. But you ask now.

11 COMMISSIONER WILLIAMSON: Okay. So you haven't
12 seen evidence of that. The -- this -- either now or
13 post-hearing. Can you indicate where does Husqvarna, do you
14 purchase cores in the U.S.? For your U.S. production, where
15 does your cores come from?

16 MR. NOETH: The U.S. and globally, both.
17 If you want it in detail or where I can send it
18 to you post.

19 COMMISSIONER WILLIAMSON: Okay, something
20 post-hearing.

21 MR. NOETH: Okay.

22 COMMISSIONER WILLIAMSON: Let's see. This
23 morning we raised this question and see if we have an answer
24 to this. Since the original POI apparent consumption by
25 quantity has increased substantially, consumption by value

1 has fallen substantially. Any reason, explanation for this
2 disparity?

3 MR. GREENWALD: Are we talking about U.S.
4 consumption or U.S. production?

5 COMMISSIONER WILLIAMSON: Yes, U.S. consumption
6 and U.S. value.

7 MR. NOETH: From our standpoint, we've -- if
8 you're talking about domestic product, we've grown.
9 Husqvarna has grown by value. If you look at their data,
10 their perspective of the world, this is a terrific market
11 for domestically produced product where they are selling
12 more, not less, and selling at higher, not lower prices.

13 COMMISSIONER WILLIAMSON: Okay, good. And I
14 guess you would say you're seeing both increase in the
15 quantity, as well as in the value?

16 MR. NOETH: That is correct.

17 COMMISSIONER WILLIAMSON: Okay. Any indication
18 what the aggregate number may be? Going in a different
19 direction?

20 MR. NOETH: Um --

21 COMMISSIONER WILLIAMSON: Without getting into
22 any --

23 MR. GREENWALD: Without getting into
24 confidential information, what I would urge you to do, I
25 don't know that we've provided it here, but I did look at

1 the value numbers in the aggregate, and they seemed to be
2 affected by, if you look at this group 3.

3 COMMISSIONER WILLIAMSON: Um-huh.

4 MR. GREENWALD: -- and you look at Page -- I
5 have it here -- Yes -- Our Page 8 --

6 COMMISSIONER WILLIAMSON: Your Page 8 is top or
7 bottom?

8 MR. GREENWALD: No-no, yours is top, always the
9 case, ours is above, if you look at the bottom of Page 8,
10 or--which line?--look at the net sales values on that
11 particular piece.

12 COMMISSIONER WILLIAMSON: Okay.

13 MR. GREENWALD: That is the explanation.

14 COMMISSIONER WILLIAMSON: Okay. Thank you.

15 This morning I talked a lot about stabilization of price,
16 and that they had seen some stabilization, I guess in the
17 smaller diameter, but less in the upper. And -- I don't
18 know -- what do you see in terms of price. What would you
19 say about that characterization of the situation.

20 MR. NOETH: Chris Noeth. From -- Once again, we
21 classify price in two different ways. One being the import
22 prices, and one being the made-in-the-U.S. prices. And for
23 us, the last few years, the prices have been pretty stable.
24 We haven't seen a lot of fluctuations. We actually raised
25 prices on some specific products this year, made in the

1 U.S.A.

2 COMMISSIONER WILLIAMSON: Okay, so are you
3 saying, the U.S. -- many of the U.S. prices are stabilizing,
4 what about the import price?

5 MR. NOETH: For us, yes, they have as well.

6 COMMISSIONER WILLIAMSON: Is that all across the
7 -- 'cause remember I also asked about the differences
8 between different sizes or different categories of product.

9 MR. NOETH: I'll put it this way. We have a
10 broad product range in the imported prices, so we have a set
11 product at each price level. So, to us, they have
12 stabilized.

13 I can send you a list of our selling prices for
14 the last couple of years, if you would like to see how that
15 looks after this, would be fine.

16 COMMISSIONER WILLIAMSON: Okay, if that's not
17 too much trouble, yes.

18 MR. NOETH: Okay.

19 COMMISSIONER WILLIAMSON: But you're saying on
20 both sides, you're saying?

21 MR. NOETH: Yes, that's correct.

22 COMMISSIONER WILLIAMSON: My time is about to
23 expire. Any forecasts?

24 MR. NOETH: Forecast, you mean on where do you
25 see the market going?

1 COMMISSIONER WILLIAMSON: Yeah, okay.

2 MR. NOETH: From our standpoint, we see
3 continued growth over the next few years. We see strong
4 demand. And if the demand keeps up, we think the prices can
5 follow.

6 COMMISSIONER WILLIAMSON: Okay. Thank you for
7 those answers.

8 CHAIRMAN BROADBENT: Commissioner Johanson.

9 COMMISSIONER JOHANSON: Thank you Chairman
10 Broadbent and I would like to thank all of you for appearing
11 here today, especially Mr. Noeth, thanks for coming up here.
12 Mr. Noeth I had a question for you to start off with, how do
13 you pronounce your company is it Husqvarna or Husqvarna?

14 MR. NOETH: It depends if you are in Sweden or
15 not. In Sweden it's Husqvarna, if you are in the U.S. we
16 call it Husqvarna.

17 COMMISSIONER JOHANSON: Okay some other people
18 are adding an extra syllable in there -- I was a little
19 confused thanks for clarifying that and Mr. Greenwald if I
20 could ask a favor of you in the post-hearing, I did not
21 follow your charts very well would you mind explaining that
22 further in the post-hearing brief?

23 Correct, yeah when you walked us through those
24 verbally, there are a lot of numbers on the pages and I had
25 a hard time in a short period of time trying to figure out

1 what was what.

2 MR. GREENWALD: Yes sir.

3 COMMISSIONER JOHANSON: I think that would be
4 helpful, thank you for doing that. Mr. Noeth you discussed
5 how Husqvarna is going to be moving production from Sweden
6 to the United States, could you describe that and why your
7 company is doing that?

8 MR. NOETH: For that we have actually already
9 moved to the U.S.

10 COMMISSIONER JOHANSON: Okay.

11 MR. NOETH: If you compare us to Europe we are
12 actually in a very competitive, very good situation when it
13 comes to our manufacturing so there are some specific blades
14 they are making for us in Sweden that it would be more
15 efficient for us to make here locally.

16 COMMISSIONER JOHANSON: Is there a reason for
17 that? Because you pointed out that Husqvarna is expanding
18 production where domestic industry is not and I am curious
19 as to why one company can and one is not? That might be
20 proprietary I don't know.

21 MR. NOETH: Without getting too far into it some
22 of it would be proprietary but all I can say is just from a
23 -- it's a blade that was mostly being sold in the U.S., we
24 were having it made in Sweden then having it shipped to the
25 U.S. We can make it at a lesser cost in the U.S. so it

1 only makes sense to have it done here.

2 COMMISSIONER JOHANSON: I'm sorry, go ahead.

3 MR. NOETH: And we also have other production we
4 will be moving here for another -- and it's not a low cost
5 entry either, we will be moving here within the next year.

6 COMMISSIONER JOHANSON: Okay I would think
7 anything would be lower cost than Sweden I'm amazed that it
8 can be produced there.

9 MR. NOETH: They do -- they produce a lot in
10 Sweden and most of it is for the European market but they do
11 make some stuff for us.

12 COMMISSIONER JOHANSON: Okay thank you I look
13 forward to seeing it you have piqued my curiosity.

14 MR. NOETH: Okay.

15 COMMISSIONER JOHANSON: And you noted that the
16 Petitioners are importing heavily from Thailand and you said
17 that you contrasted that to China but as they noted the
18 prices of products coming out of Thailand are higher so that
19 seems to be a rational decision.

20 MR. NOETH: What I can say is that anyone that
21 wants to have a complete product line in the U.S. has to
22 import from a lower-cost country. If you want to have a
23 complete line you can't make it all in the U.S. For better
24 terms 14 inch and down are gone from the U.S. so I don't
25 know what they are paying or importing it at, they are with

1 affiliated companies so I can't tell you what really is
2 happening there. All I can tell you is that if they want a
3 complete product line it has to come from somewhere outside
4 the U.S. in a low-cost country.

5 MR. GREENWALD: Mr. Johanson I think what you are
6 talking about there is at least as I understood the
7 testimony this morning, weighing the values, comparable data
8 values. And as you heard this morning unit values are a
9 function of product mix.

10 So if what you are doing is importing low-end
11 sintered blades by the tens of thousands from China and you
12 are importing let's say 14 inch blades from Thailand there
13 will be a higher price but I don't think there is anything
14 on the record that compares a chain of pricing to third
15 country pricing on an apples to apples basis.

16 COMMISSIONER JOHANSON: And you state that is
17 just the nature of the industry with a market segmentation?

18 MR. GREENWALD: Well yeah, you have a range of
19 products that we sell from you know what \$7.00, \$6.00, \$5.00
20 up to \$300.00 and where your average price is depends
21 entirely on your product mix.

22 MR. NOETH: If I could also speak to that as
23 well, if they are importing which a lot of companies do -- 4
24 to 6 inch blades, it is going to have a huge disparity on
25 what the overall market price is. So to look at volume and

1 price you really have to break it down by SKU to see really
2 what is happening in that market.

3 COMMISSIONER JOHANSON: All right thank you I
4 appreciate your answers. And this question follows my prior
5 one, at page 2 of Husqvarna's pre-hearing brief it states
6 that imports from China are far lower grade and far lower
7 priced than sawblades produced in the United States. Does
8 Husqvarna only produce what it describes as far lower grade
9 sawblades in China?

10 MR. NOETH: We produce a broad range and like I
11 said our retail price for those could be anywhere depending
12 on size but if we talked about the standard size is 14 inch,
13 12 inch, 10 inch -- we produce them that would be in the
14 market value of \$80 to let's say \$30. So are they cheap? I
15 can't say that but are they competitive within the market?
16 Yes they are.

17 Once again like I said before there's always
18 going to be a market for that price point, let's say \$80 and
19 down. Did that answer your question?

20 COMMISSIONER JOHANSON: Yeah it does, it does.
21 It does thank you.

22 MR. NOETH: Each -- if you want to look at how a
23 blade is "priced or looked at" it really depends on how big
24 the segment is, it depends on what kind of powders you are
25 using in it, it depends on what kind of diamonds you are

1 using in it, what's the concentration of diamonds in it and
2 that has a big impact on where we price them.

3 COMMISSIONER JOHANSON: All right and then
4 perhaps Miss Hillman will appreciate this but this is not a
5 commodity case. Clearly in commodity cases the Commission
6 is easier to work through than non-commodity cases and that
7 certainly I think fits that category with the arranging of
8 product differences, price differences, et cetera.

9 In the Petitioner's pre-hearing brief there is
10 extensive discussion of the alleged circumvention of the
11 Order. Does the circumvention material show anything more
12 than China's ongoing willingness to supply the U.S. market?

13 MR. GREENWALD: If it shows that. I mean what
14 you have are a series of anecdotes. I can take you back in
15 the history of this case there was an allegation of fraud
16 that Congress did investigate -- Chinese goods being passed
17 through a Korean affiliate when coming into this country,
18 improperly marked.

19 COMMISSIONER JOHANSON: I recall reading about
20 that.

21 MR. GREENWALD: Do you recall the result? The
22 result was they found nothing. There are and there always
23 are in these cases incidents of people getting around an
24 Order and it is true that importers will -- the less
25 reputable -- will try and do things, but even on the -- and

1 if you accept the anecdotal evidence as somehow truth
2 broadly written, one of the emails said what we do is we
3 lower our declared value.

4 Well I mean you are still saying it's a product
5 of China, you are still saying what a declared value is, all
6 you are doing is trying to reduce the value on which the
7 margin, the dumping margin is assessed. That certainly
8 doesn't amount to mis-labeling the Chinese product as
9 product to somewhere else.

10 But the point I would make here is allegations of
11 this sort have been made in this case and many other cases.
12 The imports are what the imports are. That is the evidence
13 and I don't really know how to respond to the assertion that
14 while there is a lot more out there that you are not
15 demonstrating in your data.

16 I mean if the customs service has found and
17 convicted that's when that should be factored in, but if it
18 is just assertion, allegations it's not evidence.

19 COMMISSIONER JOHANSON: All right thank you Mr.
20 Greenwald. And this is a difficult one, we have often had
21 to look at other investigations where there are allegations
22 of circumvention and we know that it occurs but we will have
23 to look at it further, during the post-hearing period.

24 The volume of smaller sawblades reported for
25 product 1 have fallen substantially -- do you have any

1 explanation as to why this might have occurred? And this is
2 since the initial investigation.

3 MR. NOETH: I can't tell you specifically why
4 they don't. We personally don't import a lot of 4 inch
5 blades but that is usually for the DIY market for the most
6 part and a little bit into distribution but it is small in
7 material compared to the total.

8 MR. GREENWALD: Also when you are in that level
9 you are unifying a preponderance for actually sintered
10 blades, these are laser welded. I don't know the answer but
11 it didn't seem to me to be a product definition that was
12 designed to capture significant volume.

13 COMMISSIONER JOHANSON: I'm just wondering -- I
14 wonder if that shows that the Chinese producers are moving
15 upscale, more upscale? I guess that's probably the lowest
16 grade product.

17 MR. GREENWALD: The smallest but this is laser
18 welded and this is essentially a sintered market and these
19 are sort of small blades I would assume for ceramics and
20 other stuff.

21 COMMISSIONER JOHANSON: Okay well thank you for
22 clarifying, my time has expired but I would also like to
23 state for the Petitioners I stated a moment ago that this is
24 not a commodity case. If you think I am wrong in that area,
25 if you could let me know I guess in the pre-hearing brief,

1 thank you. I didn't want to make a blanket statement like
2 that, if I stand to be corrected please do.

3 MR. GREENWALD: We appreciate it.

4 COMMISSIONER JOHANSON: Okay.

5 CHAIRMAN BROADBENT: Commissioner Schmidtlein?

6 COMMISSIONER SCHMIDTLEIN: All right thank you,
7 thank you very much. I wanted to follow up on some things
8 that Mr. Noeth just said which was 14 inch and down are gone
9 from the U.S. market. What did you mean by that Mr. Noeth?

10 MR. NOETH: Unless you have high -- as I said
11 when I was speaking -- unless you have a high value, high
12 premium product like we have. We have a blade that sells
13 for let's say \$150 if you exclude that Soff that I spoke to
14 that blade still has a life here. But getting below that to
15 what I call a more economy grade they are not going to be
16 produced here.

17 What's going to be produced here is the premium
18 blades and to us that \$150 blade that price is that price.
19 What we sell our low volume blades or our import blades has
20 no impact on what we sell that premium Husqvarna 14 inch
21 blade.

22 COMMISSIONER SCHMIDTLEIN: Okay and is this
23 reflected, this distinction that you are drawing in 14 inch
24 blades between this -- you called it the soft something, is
25 this reflected in the pricing data? How am I supposed to

1 break that out between this type of 14 inch blade.

2 MR. NOETH: Sure.

3 COMMISSIONER SCHMIDTLEIN: And correct me if I am
4 wrong. Are you saying that no other -- is Husqvarna the
5 only company that --

6 MR. NOETH: No, no I'm sure there are others I
7 mean they spoke to it earlier in testimony but what I am
8 referencing when I say that is the import low-economy blades
9 are gone. The premium blades are what gets produced here.
10 If you look in the data they showed this morning on the 14
11 inch blades, like I said then we are over 50% of what's in
12 that 14 million dollars.

13 And like I said this morning of that 50% probably
14 80% of it is our Soff-Cut blades with skid plates. The
15 remainder is what we call a high premium blade which is sold
16 through distribution and some to our heavy contractors and
17 that's at about \$150 and up price point.

18 COMMISSIONER SCHMIDTLEIN: Okay and the Chinese
19 don't produce this type of blade. Is this the blade that is
20 protected by a process patent?

21 MR. NOETH: The Soff-Cut has patent on it, the
22 skid plate does for sure.

23 COMMISSIONER SCHMIDTLEIN: Okay.

24 MR. GREENWALD: Commissioner Schmidtlein could I
25 ask you to turn because I want to address your question

1 directly.

2 COMMISSIONER SCHMIDTLEIN: Okay.

3 MR. GREENWALD: According to the staff report --
4 you can't see this, at V-11.

5 COMMISSIONER SCHMIDTLEIN: Yes.

6 MR. GREENWALD: Okay and what you have there I am
7 going to read what is public. You have a 14 inch blade --

8 CHAIRMAN BROADBENT: Mr. Greenwald could you say
9 again the page number?

10 MR. GREENWALD: V-11.

11 CHAIRMAN BROADBENT: V-11.

12 MR. GREENWALD: In the staff report. It's the
13 pricing product number 4, sales to other distributors.
14 Okay and if you look at some of those items are public so
15 first it's a fairly high volume saw. There are 196,688
16 Chinese blades sold, 89,408 domestic.

17 Not only the same and what you have is pricing
18 SEER rates that you can look at for both the U.S. and for
19 the imports and what you will see and this again is public
20 is the January to March price on the U.S. side is \$89.57,
21 the July/September price 2014 is \$89.06, the average price
22 for the period on the U.S. side and this is sales to
23 distributors, so it is not the distributors' resale price is
24 \$89.42.

25 You see virtually no price movement. Now go over

1 to the import side. And there you have a \$52 price that's
2 public, a whole bunch of other prices that are not public
3 and an average price of \$35.00. I mean that tells you two
4 things, one is there is a very significant difference
5 between what is nominally the same blade and my guess is
6 that is a function of other attributes.

7 COMMISSIONER SCHMIDTLEIN: And what are those
8 attributes that was one of my questions?

9 MR. GREENWALD: One is going to be the diamond
10 concentration here is within a range.

11 COMMISSIONER SCHMIDTLEIN: That's with the 3%
12 range.

13 MR. GREENWALD: And the carats which I think
14 speak to the -- speak to the hardness of the diamonds are in
15 a range. It's -- I don't know the specifics but it is
16 perfectly clear that there is a significant price
17 differential between China and the U.S. It is also
18 perfectly clear that the Chinese price has zero impact on
19 the U.S. price.

20 COMMISSIONER SCHMIDTLEIN: Well but couldn't you
21 also read this as the Chinese price is dropping their volume
22 is increasing substantially in that particular product?

23 MR. GREENWALD: Sure, I mean you read the
24 narrative that a company as this particular case in the
25 staff report, what you will see is the description of

1 somebody entering the market from China. It's not a price
2 drop as such it is somebody that is coming in with a
3 specific volume of blades and at a lower price and a higher
4 volume.

5 But those blades are precisely the blades that
6 Mr. Noeth says and I think that the data bear this out, that
7 are not made in the United States and the pricing of those
8 blades and the pricing of the --

9 COMMISSIONER SCHMIDTLEIN: But those blades meet
10 these criteria so that was one of my previous questions here
11 because it is tied into this. What is it that is not
12 captured in this description that is differentiating what
13 you are calling this low-end blade?

14 MR. NOETH: This blade that we are speaking to
15 has a very low content of diamond. Our high-end premium
16 ones are going to have a higher concentration and a better
17 diamond in it.

18 COMMISSIONER SCHMIDTLEIN: So you are at the .85
19 level and the blade that is being sold at the lower amount
20 here is at the .75 is that what you are saying?

21 MR. NOETH: No, not specifically I'm just saying
22 we would use a better diamond content. This has a low
23 diamond content in it compared to a premium.

24 COMMISSIONER SCHMDITLEIN: Okay let's talk about
25 this table.

1 MR. NOETH: Okay.

2 COMMISSIONER SCHMIDTLEIN: Okay and the specific
3 criteria that was set or you can pick any table right,
4 because that is what I want to try to understand. The
5 pricing products have certain criteria to be included within
6 that data and if I understand your argument you are saying a
7 couple of things. One is look at this you don't see the
8 U.S. price changing. That must mean there's no competition
9 because why wouldn't the price respond to this decrease in
10 price.

11 And so my question is that these are pretty
12 specific criteria that fall within this table so what is it
13 that is differentiating the U.S. blades from the Chinese
14 blades that's not in this product description or are you
15 telling me that this range, the range of 17 to 20% by
16 volume, you know these other ranges that the U.S. is at the
17 high end of that range and the Chinese is at the low end and
18 that's what makes all the difference.

19 MR. NOETH: For us specifically selling into the
20 U.S., we are at the high end, it will be a higher segment
21 height, it will be a better diamond, there's many other --
22 and I am not a diamond expert to say the least but what I
23 can say is in the U.S. ones they are very high content, high
24 concentration of diamonds.

25 Why this one is not moving I can't tell you why

1 it didn't move, it just says to me there is no competition
2 or else it should have dropped and why the guy is selling it
3 for \$136 on the other one, or it dropped so much I can't
4 speak to that in this case I would need more information
5 than what's here.

6 COMMISSIONER SCHMIDTLEIN: But that's what I am
7 saying, what information would you need. I mean look at the
8 criteria they are so specific but what is it that we are not
9 able to see that's the difference here?

10 MR. GREENWALD: If there is a part of our brief
11 which is entirely in brackets that we alluded to that raised
12 the question about whether or not all the reported sales in
13 fact were within the specific criteria or whether liberties
14 were taken. So one possibility is that on the domestic side
15 of the ledger in fact what you have is accuracy on size and
16 accuracy on single fitness but not on the other criteria.
17 This is the staffer you will have to check that out but we
18 did raise it in the brief because we looked at this and we
19 had frankly the same question you had.

20 But the broader point is whatever the explanation
21 is and you have to go to the individual producer that
22 responded and make sure that that response met all the
23 criteria that were actually enumerated whatever it is, what
24 you do see in the data is the way I would put it is zero
25 price responsiveness on the domestic side.

1 COMMISSIONER SCHMIDTLEIN: Okay all right my time
2 is about up, thank you.

3 CHAIRMAN BROADBENT: Okay just to focus a little
4 bit more on the price variation within our product pricing
5 data. Could you -- I asked the Petitioners this question
6 too but could you give us an approximate price for --
7 subject import prices for a 14 inch blade by grade, what's
8 the range between a low grade blade and a high grade blade,
9 is that what we are looking at in that chart?

10 MR. NOETH: Is that strictly for imports we are
11 talking about?

12 CHAIRMAN BROADBENT: Subject imports, yeah.

13 MR. NOETH: In our case it would be anywhere from
14 usually \$30 to as high as \$80. There might be an outlier in
15 there but that is where the typical range would be for all
16 of our imported 14 inch type blades.

17 CHAIRMAN BROADBENT: Okay. And you may have been
18 asked this but I wanted to make sure that we got it, the
19 soft cut product that you were talking about in your
20 post-hearing brief can you discuss whether these premium
21 products fit within any of our pricing definitions?

22 MR. NOETH: Not knowing it specifically I would
23 say no it's a -- like I said during my presentation this is
24 not a blade sold by itself, it is a blade sold actually with
25 a skid plate that attaches to our machines.

1 CHAIRMAN BROADBENT: Right.

2 MR. NOETH: It's not standard.

3 CHAIRMAN BROADBENT: Okay, all right. The orange
4 blade product of diamond products, is that a premium
5 product?

6 MR. NOETH: I'll be honest I can't answer that
7 question.

8 CHAIRMAN BROADBENT: And when we were setting up
9 the distinctions in our pricing data, did you consider
10 asking specifically for a premium distinction in order to
11 get more direct comparability in the pricing?

12 MR. GREENWALD: I don't recall asking but I would
13 have to go back and check.

14 CHAIRMAN BROADBENT: I think the way it worked
15 out and when our staff put this together the Petitioners
16 requested that we not have that category.

17 MR. GREENWALD: My guess is that request was made
18 precisely because there aren't any imports there.

19 MS. HILLMAN: Commissioner Broadbent if I could
20 ask and it's a little bit in response to Commissioner
21 Schmidtlein, I think part of the reason why we did as much
22 analysis in the brief of product 4 is because it strikes me
23 that of your 5 products it's really the only one in which
24 there is anything resembling a sufficient amount of real
25 overlap.

1 And I mean you look at product 1 and you have no
2 domestic production so there's basically no overlap. You
3 look at a fair number of the other products, on product 5
4 for example, yes there is a tiny, tiny bit of Chinese
5 production but again you have very limited coverage from
6 those products in terms of actually making any real
7 comparisons.

8 And even your 2 and 3 again you have relatively
9 small volumes where there actually is an overlap which is
10 why the product 4 data in some way really do matter, but I
11 think the point that we have discussed with Mr. Noeth is
12 that it is a little bit of an odd description from
13 Husqvarna's perspective in that it is a relatively higher
14 segment thickness which again normally is connected more to
15 a somewhat more premium blade and yet the diamond content is
16 small. I mean it's low in comparison to what it would
17 normally be.

18 So again it is slightly if you will aberrational
19 in that you wouldn't normally spend the money for the
20 thickness if you are not going to then put a more higher
21 premium diamond concentration on that thickness. So for
22 Husqvarna this is a little bit of an odd product to get your
23 arms around because it is not in that sense what is normally
24 sold, which is why we just had some questions about why the
25 data comes out the way that it does which is again reflected

1 in the confidential section of the brief.

2 CHAIRMAN BROADBENT: Mr. Greenwald and Miss
3 Hillman I have a couple of questions that might be important
4 for your argument. The first question is how is the current
5 record different from -- I was thinking back on the recent
6 OCTG case that we did where the Commission considered a
7 number of factors in which the market could be attenuated
8 but the decision was that there was sufficient overlap
9 across all of those factors between the domestic production
10 and the subject imports.

11 In these reviews I am specifically looking at
12 blade type, diameter, channels of distribution, all of which
13 are areas where there are compelling differences between
14 subject imports and the domestic product. They are also
15 major areas of overlap and is there anything you can tell me
16 to put this case in perspective to the decision that we made
17 at OCTG recently?

18 MR. GREENWALD: I don't have the facts of the
19 OCTG at my fingertips but it's a very good question and we
20 will answer it in detail if we may in our post-hearing brief
21 when we can compare the two.

22 CHAIRMAN BROADBENT: Yeah that would be great, I
23 appreciate it.

24 MS. HILLMAN: The only think that I would add is
25 that I think in some ways this is a harder case because

1 these factors are if you will kind of like a matrix. In
2 other words they are somewhat very different from each other
3 because you do have again as you have said, I mean blade
4 type -- is one thing where automatically you are taking out
5 all of the sintered product and yet that is a huge portion
6 of what are the Chinese imports where there is no overlap.

7 I mean there's not any argument about the overlap
8 you know and then you have soldered which is again a very
9 small amount of production in the United States. It exists
10 but it is small so really that pushes you then to where is
11 the overlap only in the laser welded.

12 And then within laser welded you get into again
13 all of these different diameters where again laser welded
14 can be done across a wide variety of diameters and yet it is
15 the U.S. industry that is heavily in the large. The Chinese
16 again are heavily in only the smaller blades, so as you
17 piece through again this big matrix you start to see the
18 areas of overlap are actually getting smaller and smaller
19 and smaller.

20 And then when you get to what is "and then you
21 look about distribution" again on the heavy construction
22 side, limited to no Chinese presence because of this need to
23 have servicing readily available and have these very quick
24 turnarounds you have very, very limited Chinese presence if
25 any in that end of the market.

1 So you have one huge distribution channel where
2 again there is no Chinese presence. At the other end, at
3 the do-it-yourself Home Depot market you have no U.S.
4 presence so again as you start to peel away a number of the
5 factors that you would normally look at you are ending up
6 with an overlap, a much more limited overlap sort of only in
7 the distribution area and even within that distribution area
8 you start taking out these blade sizes and again you have a
9 very limited overlap which leaves you at the overlap in this
10 you know 10 to 14 inch segment of that distribution and so
11 everything else gets peeled away as basically not enough
12 competition to say there's an overlap.

13 And then as Mr. Noeth has said even within that
14 10 to 14 inch the highest proportion of what is the U.S.
15 made product that you would be comparing with is their
16 proprietary product which is in that sense not as if you
17 will directly comparable in that it is this Soff-Cut
18 material that is made subject to various patents that
19 Husqvarna has held.

20 Again you start to push that all the way down and
21 you end up, I don't know where you end up numerically but
22 again you are ending up with this very, very tiny place
23 where you can say there is actually any significant overlap
24 in competition, I don't know whether it would fall within
25 the OCTG but it strikes me that a huge amount of it again

1 falls away.

2 And even then when you get to this tiny bit of
3 the 10 to 14 inch as Mr. Noeth has said, you have the
4 Chinese product selling at 30 to 80 dollars and you have the
5 U.S. product selling at 150 to 180 and they don't have any
6 price effect on one another because the person that is going
7 in to buy that \$80 blade doesn't care that if he buys the
8 \$150 one it would last three or four times longer because he
9 doesn't intend to use it three or four times more often.

10 The person that knows they are going to use it
11 three or four times more often pays the money for the
12 premium blade up front because they want that longer usage
13 or they have another reason why they are prepared to pay the
14 premium price for the premium blade.

15 The two markets, again the customer that wants
16 that isn't going to be attracted by you know a difference in
17 price because they are not going to go all the way down to
18 that \$80 blade because it won't serve their needs. So I
19 think if you add all of that together you end up with a
20 slice in which there is any overlap that is so small as to
21 say I think that on this record you would say competition
22 between the Chinese product and the domestic product is
23 attenuated.

24 CHAIRMAN BROADBENT: Okay well assuming that the
25 Commission accepts your argument on the attenuation that is

1 currently in the market, how do we know it will stay that
2 way when the order is revoked, that the Chinese won't move
3 into the higher?

4 MR. GREENWALD: Well isn't the difference on that
5 question -- I'm sorry. What you have here is history of an
6 order in effect and what happened. Let's accept that you
7 accept our interpretation of attenuated. What's going to
8 happen? Well the only thing that happens is that some third
9 country may come back to China. That's the only effect this
10 import has.

11 In OCTG I believe while this is an iteration of a
12 bunch of cases, you didn't have this history of showing
13 swings in demand for subject and non-subject and the U.S.
14 production not effected. The essence of the case was it was
15 affecting U.S. production. So here in that sense is the
16 fundamental difference.

17 CHAIRMAN BROADBENT: Okay, Vice Chairman Pinkert.

18 VICE CHAIRMAN PINKERT: Thank you, Madam Chairman,
19 and I join my colleagues in thanking all of you for being
20 here today to help us to understand these issues.

21 I want to pick up with the Chairman's last
22 question and put a slight twist on it. We have in this case
23 I think a rather unusual natural experiment that occurred
24 because there was a negative by the Commission back in 2006.
25 And then there was a period from 2006 to 2009 before the

1 remand that, when affirmative, went into effect where these
2 imports were not under Order.

3 And so what I want to ask is whether that period
4 from 2006 to 2009 contains the answer to the Chairman's
5 question about what would happen with the subject imports
6 from China in the event that this Order is revoked.

7 MR. GREENWALD: I think the answer to that
8 question--and again it's well articulated and it's a good
9 question--but it isn't the entirety of it. Because when you
10 look at this period--and I frankly don't know what the data
11 show--but if you look at the period when the Order is not in
12 effect and you ask yourself the question, what happens? The
13 other part of the equation is what happens when the Order is
14 in effect?

15 And if when the Order is in effect all you see is
16 a migration from China to third country with no net benefit
17 to the U.S. industry, whether Chinese imports rose or
18 whatever when the Order was in effect does not address the
19 question: Will there be a recurrence or a continuation of
20 material injury?

21 Because if the only effect--the only visible
22 effect of the Order is in favoring nonsubject versus
23 subject, there's no point under the statute in continuing
24 it.

25 VICE CHAIRMAN PINKERT: What I'm particularly

1 interested in about that period from 2006 to 2009 is whether
2 we see more direct competition in that say 10 to 14-inch
3 category between the Chinese product and the U.S. product.

4 Because I think you testified today that in those
5 categories the numbers that we see under the discipline of
6 the Order are deceptive. I think that's part of what I'm
7 hearing, because there's not really much direct competition
8 in that 10- to 14-inch.

9 So I'm asking whether there was more direct
10 competition from 2006 to 2009 in those sizes.

11 MR. GREENWALD: I don't know the answer because
12 I've not looked at the data. It is a good question, if we
13 can find the data anywhere in the record. We'll look for it
14 and we'll try and find out what happened.

15 VICE CHAIRMAN PINKERT: Thank you very much.

16 Perhaps Mr. Noeth has something to add just based
17 on his experience in the marketplace.

18 MR. NOETH: Sure. The one thing I will add,
19 though, is the data will be skewed in the fact that about
20 2008-2009 is when the construction market dropped by
21 anywhere from 25 to 30 percent. So I think you will see a
22 skew in the imports, potentially. Let's see what the data
23 holds, but there will be a big skew because it dropped
24 heavily over that period.

25 VICE CHAIRMAN PINKERT: Thank you.

1 Now we talked about one natural experiment.
2 Here's another one. Why is China without an Order, or China
3 going forward in the absence of an Order different from
4 Korea post-Order?

5 MR. NOETH: The one thing I can come back to and
6 say is that, and I said it earlier, everyone who wants to
7 have a complete line is going to buy from some import
8 country, whether that's China, Thailand, or India. There's
9 going to be someone who is buying from those specific
10 countries, if you want to carry a complete line.

11 So whether companies are going to come back from
12 Thailand or from India to China, I don't know. They made
13 big investments in those other countries, so I can't imagine
14 they're just going to walk away from them. But we will
15 import from some low-cost country in the end.

16 MR. GREENWALD: The essence of the testimony, and
17 everything I've seen corroborates it, is you cannot make
18 your lower price, lower value blades economically in the
19 United States.

20 And there are reasons why they, for example the
21 professional construction market is so heavily concentrated
22 in terms of its dependence on U.S. supply. There's a
23 natural division. I think that's the essence of Mr. Noeth's
24 testimony.

25 And the Order really doesn't have any impact on

1 that. What you can make profitably--and Husqvarna is very
2 good at it--in the United States, it will do so. It will
3 expand as that market grows, and it has been doing it.

4 What you can't make economically here will be
5 imported, be it from China, or Thailand, or Korea, or
6 wherever. But to my mind, when you look at the evidence,
7 what it shows is in fact this division has held, holds, and
8 will hold in the future regardless of what happens to the
9 Order.

10 What the Order does is put a company like
11 Husqvarna with a Chinese subsidiary at a relative
12 disadvantage to a company like Diamond Products with a Thai
13 subsidiary.

14 VICE CHAIRMAN PINKERT: What I'm trying to
15 understand is, when you define that division in the market,
16 where does Korea fall in that spectrum?

17 MR. GREENWALD: It's a good question. We're going
18 to have to get back to you because we really haven't focused
19 on Korea as Korea. We've looked at third-country imports in
20 the aggregate.

21 VICE CHAIRMAN PINKERT: Thank you.

22 MS. HILLMAN: The only other thing I would add is,
23 just keep in mind that again you have another time lag.
24 Because as you recall, you know, the original investigation
25 would have had a period of investigation 2003 to 2005. I do

1 believe there was some product mix even then between what
2 Korea was shipping. For example, they were involved in
3 cores as opposed to China that is not as much on the cores
4 side.

5 Then you have the Order actually coming into play
6 in 2009 following all the remands. And it was not until
7 late in 2011 that the zeroing decisions and their aftermath
8 resulted in the revocation of the Order from Korea.

9 So you would have had, during your thought
10 experiment time period, you would have still had Korea under
11 Orders. So we will try to take that into account in what we
12 look at in the post-hearing brief, as well.

13 VICE CHAIRMAN PINKERT: Yeah, that's why when I
14 was setting up the second experiment I was asking about
15 Korea post-Order. So after--

16 MS. HILLMAN: It would be post-2011.

17 VICE CHAIRMAN PINKERT: Correct.

18 MS. HILLMAN: Because that's when they would have
19 had the Order lifted from them as a result of the zeroing
20 decision.

21 VICE CHAIRMAN PINKERT: Correct. Thank you.

22 Now this gets into I think proprietary
23 information and I certainly don't want you to supply any
24 such information in this public hearing, but I believe that
25 there has been a characterization of Husqvarna's financial

1 performance as aberrational. And I want to give you an
2 opportunity to respond to that characterization, either here
3 or in the post-hearing.

4 MR. NOETH: Again, I don't know if aberrational is
5 the right word. We run a very efficient, profitable U.S.
6 manufacturing facility. And like I said, it must be working
7 well because we're investing in it and we'll continue to
8 invest in it.

9 I think you guys have the data and can see how
10 we're doing. I don't know that we're doing anything
11 special, other than we run a good, very efficient
12 manufacturing facility in the U.S.

13 MR. GREENWALD: The implication of the testimony
14 was that because Husqvarna has been importing from China
15 therefore it somehow had an advantage over let's say a
16 Diamond Products which is importing from Thailand. I think
17 the data, when you look at who produces what where, and what
18 the basis is of each company's operation, will disprove the
19 notion that their U.S. operations is in any way advantaged
20 by what they import.

21 They import the same thing that everybody else
22 imports. They make domestically higher grade products that
23 sell at a very good price because they give a very good
24 product and very good service.

25 The idea that that's aberrational somehow, for

1 purposes of your analysis, strikes me as indefensible.

2 VICE CHAIRMAN PINKERT: Thank you. And one other
3 related-party issue. In analyzing whether to exclude a
4 related party from the domestic industry, does it matter
5 whether the production in the United States is from parts
6 that come from China?

7 MR. GREENWALD: Let me answer that because what
8 Mr. Noeth said, rightly so, was, gee, I have no idea. But
9 not really. As long as the production is U.S. production--I
10 mean, you would face this in assembly, for example, the
11 assembly segments, let's say. In Husqvarna's case, that
12 isn't an issue because the segments and the cores are not
13 subject merchandise. The segments are made here.

14 MR. NOETH: And you can see in the report, the
15 confidential report, all of our segments are made in the
16 U.S., without question.

17 VICE CHAIRMAN PINKERT: Thank you.

18 Thank you, Madam Chairman.

19 CHAIRMAN BROADBENT: Okay, Commissioner
20 Williamson.

21 COMMISSIONER WILLIAMSON: Thank you. This hearing
22 is for both sides. I want to go back to this table 5-6 on
23 page-- I mean B-6 on page B-11. And this will be
24 post-hearing, really, because I don't know whether anybody
25 has this data, but it looks to me, looking at this table,

1 that there was an increase in market--in demand, and that
2 the Chinese captured all of the demand.

3 Now of course I have no idea what nonsubjects
4 did, and that might be it. But I'm just wondering, in this
5 particular narrow case here--and this may not be a product
6 Husqvarna makes--was there a case where the Chinese really
7 captured all the quantity in domestics--you know, continued
8 to sell at the same price but got no increase in market
9 demand?

10 MR. GREENWALD: I think what you will see in this
11 is that the quantities on the domestic side are constant.

12 COMMISSIONER WILLIAMSON: Yes.

13 MR. GREENWALD: And what you see on the Chinese
14 side is there is a fairly radical shift, increase, right?
15 This is a narrow product. The total amounts are not that
16 significant. What these data actually reflect, I believe
17 it's in your staff report and I think the staff has, is a
18 particular company that comes in in volume with a particular
19 blade. But this is in the 14-inch blade universe, still a
20 relatively small part of the business.

21 I mean, these are not huge numbers. And what you
22 see in it is one particular supplier qualifies under this
23 particular definition, whereas before its products may not
24 have. I don't know the details.

25 COMMISSIONER WILLIAMSON: Okay. Any further light

1 you could shed on this, because it does seem like it might
2 be a--there is some overlap of competition here, I assume.
3 And that's for both sides to say if there is anything we
4 should make of this. Thank you.

5 We so far has foreign producer questionnaire
6 responses from only a few Chinese producers. Do you have
7 any information on what share of overall Chinese capacity of
8 production these producers account for?

9 MR. GREENWALD: No, is the answer. We could try
10 and find out. But if you just have a minute for the record,
11 let me state there's a frustration in sunset reviews with
12 foreign producers, some of whom have simply given up the
13 U.S. market because it costs too much to lawyer cases like
14 this and they simply don't want to pay it.

15 There are others who have no interest in seeing
16 the Order go away because they like it because they have
17 locked in, in their view, a low rate. And if they can
18 discourage other Chinese, no skin off their nose.

19 So I understand--

20 COMMISSIONER WILLIAMSON: It's not the first time
21 we've seen that.

22 MR. GREENWALD: No, and I understand the
23 frustration and we share it. But you have to understand why
24 it is that not too many Chinese producers are anxious to
25 pour money either to seek a revocation of an Order they

1 like, or to press for revocation of an Order they have
2 essentially given up in the market anyway.

3 COMMISSIONER WILLIAMSON: Okay. Thank you. But
4 if you do have any idea of what account for it, I'd be
5 interested.

6 Mr. Noeth, Mr. Walker this morning talked about
7 the fact that the--and we're talking about the professional
8 market now--that the prices of the Chinese products were
9 getting so cheap that I guess the blades are not as
10 important a factor to cost as it used to be.

11 And that led me to wonder, could we get to a
12 situation where even a premium producer like Husqvarna is
13 going to be hurt because the professionals say, okay, I'll
14 use 10 of these cheaper ones and I'll still be making more
15 money than if I used one good one.

16 MR. NOETH: Sure. And I can't speak to what he
17 sees in the market. But what I can see is what we do and
18 why we're so successful is because we are quick to change
19 for the market.

20 Our contractors are going to call us two days
21 before they need 20 blades for a job, or 25 blades for a
22 job. Where we've been successful, we've invested in
23 specialists to work with our contractors to be a team,
24 partnership with them.

25 So could that happen in the future? I can't say

1 it will or it won't, but what I can say is our service level
2 is what makes us who we are today. We are quick to react.
3 We don't hold a lot of inventory because what needs to be
4 made one day is completely different than what needs to be
5 the next.

6 John referenced earlier about how many SKUs we
7 have in our system. We are creating new blades every day,
8 which means we're creating new specifications for the
9 market. So I'm not sure how any importer can get to that
10 point, but we're doing it daily.

11 COMMISSIONER WILLIAMSON: Okay, good. That is a
12 model that seems to work sometimes in this country. I will
13 note that he also mentioned that your blade on the JFK
14 project was the best, so take comfort in that.

15 Given the record we currently have and the
16 limited number of foreign questionnaire responses, why would
17 it not be appropriate for us to find that the Chinese
18 industry is large and has significant excess capacity and is
19 highly export oriented?

20 MR. GREENWALD: I mean why wouldn't you
21 essentially make an adverse inference, to put it another
22 way. Historically you haven't. It doesn't mean you can't,
23 and it doesn't mean there aren't occasions when you should.
24 But if what you do is you give people--again, in China, that
25 like an Order, for whatever reason, and we would

1 characterize the dumping margins in this case as nuisance
2 level, and it is true for all but one of the big exporters,
3 big producers, if you are thinking why don't they respond,
4 then you have to ask yourself are they not responding
5 because they like the Order? Or are they not responding
6 because they just don't care?

7 In that case, why is the adverse inference to
8 make assumptions that make retention more likely? Why don't
9 you show them the error of their ways by revoking the Order?

10 COMMISSIONER WILLIAMSON: I won't try to follow
11 that logic. Do price differences--prices of different sizes
12 and types of sawblades affect each other?

13 MR. NOETH: Do prices of different sized sawblades
14 affect each other?

15 COMMISSIONER WILLIAMSON: Yeah. In other words,
16 can movements or developments in terms of one sized sawblade
17 affect the price of other sawblades?

18 MR. NOETH: I can speak for Husqvarna in the fact
19 that we have specific prices for 14-inch blades, 24-inch
20 blades, 32-inch blades. And the major thing that affects
21 the price of that blade is the content of the segments that
22 we put on it. That is the main driver of what drives the
23 price in this market. It's the quality.

24 And for the U.S. manufactured stuff, it's
25 premium, high-quality products that we're pushing that will

1 drive what the price is.

2 And if you go down to the lower import blades,
3 it's a similar case in every case. The size of the blade,
4 plus what is the content within the diamonds is really the
5 main driver of what will set the price on that blade. Oh,
6 and the import in our case does not have any impact on what
7 that blade is from the U.S.

8 So if I'm selling a 14-inch high-quality blade,
9 to us an \$80 blade from import, or a \$50 blade import does
10 nothing, because the guy who wants this blade, or the guy
11 who wants this blade, he's not looking at the other one. He
12 either wants this blade because he knows he's got a small
13 job and he's going to do it and he's going to pay \$50 and
14 go, or he knows he's going to have several jobs and he knows
15 this blade is going to last three to four times longer and
16 he's going to buy this one because he understands the
17 economics behind it.

18 COMMISSIONER WILLIAMSON: Okay. So you would say
19 basically every blade is, sui generis, is in its own
20 category and there is no overlap of--

21 MR. NOETH: Okay, once you get within specific
22 sizes that are close, so say you had two 20-inch blades that
23 are very similar. Can those two 20-inch blades push a price
24 one way or another? Yeah, probably. Same thing with a
25 low-end 14-inch blade. Can one push the price a little way

1 or another depending on who was trying to buy it, how big
2 the customer is? Of course it can. For sure.

3 COMMISSIONER WILLIAMSON: Okay, that's what I was
4 asking. I guess the question is how significant is that?

5 MR. NOETH: In our case it depends on the
6 customer. The bigger the customer, I think Diamond Products
7 said the same thing today, the bigger the customer the
8 bigger the discount you get.

9 COMMISSIONER WILLIAMSON: Okay. And that would
10 keep them from going someplace else, then.

11 MR. NOETH: What's that?

12 COMMISSIONER WILLIAMSON: That's one way of
13 keeping them from going someplace else.

14 MR. NOETH: That's true. Absolutely. Volume.

15 COMMISSIONER WILLIAMSON: Okay. Good. That's all
16 the questions I have for now. Thank you.

17 CHAIRMAN BROADBENT: Commissioner Johanson.

18 COMMISSIONER JOHANSON: Thank you, Chairman
19 Broadbent.

20 As you know well, the composition of the
21 Petitioners has changed markedly since the original
22 investigations. Could you talk as to why it has changed? I
23 understand from the Petitioners this morning some of this is
24 proprietary, but I was wondering if you had a view on this,
25 since you are, arguably, are or are not a member of the

1 domestic industry?

2 MR. NOETH: Well as I stated in my initial
3 presentation, we are definitely a part of the U.S.
4 manufacturing. As to what's changed in the DSMC, I can't
5 speak to that. I don't talk to them, to be honest. I worry
6 about what Husqvarna is doing and what's going to help us
7 going forward. I've got nothing to add on that.

8 COMMISSION JOHANSON: All right. Thanks. It
9 appears that the coverage ratio of the pricing products for
10 China have increased over the level observed in the original
11 investigations.

12 Since all the pricing products are laser welded
13 sawblades, does this tell us anything about the evolution of
14 the Chinese industry since 2005?

15 MR. GREENWALD: No. It tells you that Petitioners
16 were determined to keep sintered blades off of the pricing
17 products because there wouldn't be any domestic production.

18 So what they've done is they have narrowed a
19 bunch of products. They've selected ones where they think
20 there is Chinese production of consequence, Chinese sales.
21 On one, they're correct. On the others, they're not.

22 There actually is, to my mind, very poor
23 coverage. It's also no coincidence that there is only one
24 small blade that is a blade less than 12 inches. And there
25 what you see is no comparisons.

1 There is only one sales to professional
2 contractors. And on there you see no comparisons. This has
3 been an effort to try and come up with, and I suppose for
4 pricing analysis I understand why, a limited area where
5 there is nominally overlap.

6 But even there in this 14-inch, which I call the
7 heart of the market, there is only significant production of
8 one of these items. And on there, I would submit to you,
9 there is no visible price impact which suggests no
10 meaningful competition.

11 COMMISSIONER JOHANSON: Thank you.

12 After the Commission's original negative
13 determination, domestic producers Baraka and New England
14 Diamond ceased production before the Remanded Orders came
15 into effect.

16 Does the timing of these firms ceasing production
17 inform the Commission of what might happen if the Order on
18 China is terminated?

19 MR. NOETH: When did they specifically file
20 bankruptcy or go out of business?

21 COMMISSIONER JOHANSON: Between 2008 and 2009?

22 MR. NOETH: I can personally tell you that, I
23 won't say how much, but our market fell an extreme amount
24 between 2007 to the end of 2009. So if they were going to
25 go out of business, it was going to be then. A lot of our

1 distributors and customers actually did at the same time, as
2 well.

3 MR. GREENWALD: But that's Recession-related.

4 COMMISSIONER JOHANSON: All right. Thank you. Is
5 the declining trend in subject imports since 2012 in your
6 opinion primarily due to the results of Commerce's
7 administrative reviews?

8 MR. GREENWALD: No. Petitioner is correct when
9 they say Gang Yan, which was a big producer, the margin went
10 up from zero to 80 percent as they were found to be part of
11 the Chinese State. And that had a--it did have, undeniably,
12 a major impact on that one producer's participation in the
13 market.

14 It is not true that the margins for any other
15 large producer have had a material impact. Husqvarna I
16 think now has a 4.79 percent; Boson I think has a one point
17 something, or a two point something, way high, one point
18 something or two point something margin.

19 To the extent you're going to take margins into
20 account, they matter for Gang Yan. They don't matter for
21 any of the other participants in the U.S. market.

22 COMMISSIONER JOHANSON: Thanks. And do you all
23 have an opinion as to why prices of U.S. diamond sawblades
24 tended to fall between the beginning of 2012 and the end of
25 2013?

1 MR. GREENWALD: It certainly was not because of
2 subject imports, which also fell. I think it was a function
3 of, we've been through some of the company-specific
4 production and sales data. On the pricing products, frankly
5 I don't think you see any significant fall. Now you'll have
6 to look at them yourselves, but there you have four pricing
7 products and I was hard-pressed to find any systematic
8 decline.

9 So the other question becomes: To what extent is
10 it just a change in product mix? And on that, I have no
11 idea. I don't know.

12 COMMISSIONER JOHANSON: Alright, Mr. Noeth, this
13 is something which I don't think I saw anywhere, but it came
14 to my mind this morning while I was driving in over the
15 Tidal Basin. You don't live in D.C., do you?

16 MR. NOETH: Kansas City.

17 COMMISSIONER JOHANSON: Okay, well, you have
18 bridges there too.

19 MR. NOETH: We do.

20 COMMISSIONER JOHANSON: You might know what I'm
21 talking about. And the bridge over the Tidal Basin they
22 were doing construction on one of the lanes at like 8:30 in
23 the morning, which is probably not the best time to be doing
24 construction on the lines.

25 MR. NOETH: Not in D.C.

1 COMMISSIONER JOHANSON: Especially, not today.
2 It's so hot out. And that made me think do the prices of
3 diamond sawblades have a seasonal pattern because you
4 couldn't be doing this type of work in February.

5 MR. NOETH: Did you say seasonal pattern?

6 COMMISSIONER JOHANSON: Seasonal, correct.

7 MR. NOETH: I'll say this, I don't know that
8 they have so much -- the products themselves do have a
9 little bit of a seasonal pattern. The way Husqvarna runs
10 promotions because we're very consistent in how we do it
11 will have a pattern, but I don't know so much that season
12 has anything to do with in our case as much as it's just how
13 we run our business model.

14 COMMISSIONER JOHANSON: But I assume sales are
15 seasonal?

16 MR. NOETH: That's what I said, yes, sales are
17 seasonal.

18 COMMISSIONER JOHANSON: Okay. Would that give
19 an advantage to a domestic producer in not having to
20 warehouse a product?

21 MR. NOETH: Well, like I said earlier, we don't
22 warehouse a lot of our U.S.-produced product. We do some,
23 but not a lot because we do a lot make-to-order and we're
24 very flexible on that.

25 COMMISSIONER JOHANSON: How about

1 Chinese-produced products?

2 MR. NOETH: Chinese-produced product has to be
3 warehoused.

4 COMMISSIONER JOHANSON: Okay.

5 MR. NOETH: And you have to time that depending
6 on what your seasonality is, which, in my mind, is going to
7 be a little bit different for each company, depending on how
8 they run their business.

9 COMMISSIONER JOHANSON: Okay, I assume the
10 location as well.

11 MR. NOETH: Yes, we have 8 to 10 warehouses as
12 well around the U.S.

13 COMMISSIONER JOHANSON: Okay. All right, well,
14 that concludes my questions. I've been tapped out, but
15 thank you very much for appearing here today. I appreciate
16 it. I learned a whole lot about yet another product I'd
17 never heard of. Well, I'd heard of this one by reading
18 Inside U.S. Trade since 2005, but I knew nothing about the
19 actual product itself, so thank you for informing me today.

20 MR. NOETH: Thank you.

21 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

22 COMMISSIONER SCHMIDTLEIN: Thank you. All
23 right, so I'm still trying to understand the attenuated
24 competition argument. And one of the things that the staff
25 did, which will be coming out in the final staff report, is

1 they compiled the data from Tables 110 to 113 in a slightly
2 different way so you see the different types of blades
3 between soldered, centered, continuous, segmented, laser.
4 And when I look at these -- so, you'll be getting this,
5 right, and it's really a breakdown 2014 of these numbers
6 that were in the Petitioner's chart by various types of
7 blades.

8 And when you look across the board, right, the
9 numbers get smaller in certain categories. In some
10 categories in some sizes, I should say, there is zero
11 Chinese and some there is zero U.S., not too many, though,
12 quite frankly. And so my question is I'm really trying to
13 get my head around -- and this was an issue. You know we
14 had this same question in an OCTG, same thing where we had
15 different sizes and so forth and there was different types
16 of pipe and so forth. And you know why is -- where are we
17 supposed to draw the line? And if -- and I guess this is a
18 further question, if we were to look at some of these
19 categories and say take this chart and zero out all the
20 other sizes besides the two red ones, right, where you see
21 the more concentrated head-on-head, although I think in 7 to
22 10, at least based on this chart, you see a fairly close
23 number there too. Why isn't that enough? Why isn't that
24 enough competition? I mean put aside your argument about
25 the pricing data for a second. Why isn't that enough

1 competition between -- in those three sizes?

2 So, in other words, if we revoke the order, you
3 see competition there. How could we say there's not going
4 to be an occurrence or a continuation?

5 MR. GREENWALD: Let me take you through all
6 three. I assume you're saying 7 to 10 -- 10 to 7 is your
7 first one, not in red, but you were including that?

8 COMMISSIONER SCHMIDTLEIN: Right. When you look
9 at those numbers --

10 MR. GREENWALD: Okay.

11 COMMISSIONER SCHMIDTLEIN: You know.

12 MR. GREENWALD: The first thing you have to do
13 there is ask yourself the question how much of that is
14 Husqvarna, especially Soff-Cut.

15 COMMISSIONER SCHMIDTLEIN: But you're arguing
16 Husqvarna should be included.

17 MR. GREENWALD: Included in the industry, that
18 is true. You can't take them out. But then when you look
19 at causation, when you look at what's happening, if their
20 blades in this segment were Soff-Cut blades that do not
21 compete, the dollars are in here, but they don't compete.
22 And this is what Husqvarna's testimony is telling you.

23 So, the first thing you have to do -- and I'm
24 starting here -- is take out Husqvarna. When you do that,
25 on the U.S. side you're left with a very small number. So,

1 in that area, what you have is the producer that accounts
2 for the lion's share of those sales saying we're not
3 injured. We don't compete, right? And you can say, well, I
4 don't believe you.

5 COMMISSIONER SCHMIDTLEIN: But let me back up.
6 Okay, you said very small number. I heard him testify that
7 it's 50 percent, at least in the 12 to 14, 50 percent of 14
8 million. And that was only 80 percent of that was soft-cut.
9 So, you say the other 20 percent doesn't compete either?

10 MR. NOETH: Well, what it is for us, is we still
11 feel there is a place for a \$150 U.S. made premium blade.
12 The blade we've been selling it for years and it's not gone
13 away, so we always feel like there's a person that can
14 appreciate a blade that'll last two to four times longer
15 than what this \$80 blade is going to last.

16 COMMISSIONER SCHMIDTLEIN: Okay.

17 MR. NOETH: That price is not moving because of
18 that.

19 COMMISSIONER SCHMIDTLEIN: Okay. All right,
20 well, let's just take out the whole 50 percent.

21 MR. NOETH: Okay.

22 COMMISSIONER SCHMIDTLEIN: Right, so you're left
23 with seven million; why is that not enough in that category?
24 Is it 50 percent across the board, Husqvarna?

25 MR. GREENWALD: No, no, no.

1 COMMISSIONER SCHMIDTLEIN: No?

2 MR. GREENWALD: Let me just take you where the
3 actual numbers are in order of magnitude. If you take away
4 Husqvarna on the first one, on 7 to 10, you're left with
5 less than a million. It goes down dramatically. On the
6 second one, if you do the same thing -- we've done this in
7 our pre-hearing brief because of precisely this issue.
8 You're left with less than a million, okay?

9 The one where there is a legitimate argument to
10 be made, and the other side made it, is on the 14-inch. And
11 there Husqvarna is a significant amount, but as you say,
12 that leaves you seven million. So, the first question is
13 let's assume that the U.S. sales -- the U.S. industry's
14 market, by these numbers, is 67 million, 68 million and
15 there is significant competition on 7 million of that. Is
16 that enough for there to be competition across the board?

17 If you want to talk attenuated competition, I
18 was on the wrong end of that in refrigerators where the
19 overlap of competition was far greater than it is, but what
20 you're left with then is seven million. You then get to the
21 question what's happening? Who are those seven million?
22 And that's why I would urge you to go through this. We have
23 Group Two. A part of that seven million is in the
24 construction market.

25 There is no significant Chinese presence in the

1 construction market. So, you're then left with, okay, what
2 portion of the seven million is distribution. And there,
3 again, there is overlap, but you're down from 10 million --
4 7 million. Let's say it turns out to be five million. You
5 then have 5 million of 68 million where there is an arguable
6 overlap of competition.

7 And what I would urge you to do there because we
8 can't essentially bring this -- then we're down to zero, but
9 look at the pricing data. You have three items that are 14
10 inches and you have average prices within these pricing
11 product categories for domestic production and for imports.
12 And there is underselling. There's no doubt about that, but
13 the underselling is so great I find it impossible to argue
14 that these are in any economic sense competitive.

15 Mr. Noeth's testimony, and I think it's
16 absolutely right, there are customers that are willing to
17 pay \$80, \$90, whatever, \$100 for a professional grade blade
18 in this category and there are customers that won't. And
19 the customers that won't will buy imports because that's
20 their choice. It is competition among the foreign
21 producers, and on the domestic side they're just not
22 competing on price or anything else. So, when you put all
23 that together -- I mean I can understand how you can look at
24 it and say this looks like a lot overlap to me, but in fact,
25 when you work through the numbers and you focus on the

1 evidence the real overlap of competition, the economic
2 impact of one on the other -- subject imports on domestic
3 production is very, very small indeed. And yes, it's
4 attenuated. I think your standard is.

5 MS. HILLMAN: The other thing, I know
6 Commissioner Schmidtlein you said leave aside price, but I
7 do think at the end of the day when you look at the other
8 cases in which the Commission has found attenuated
9 competition and the cases in which it has examined the
10 question and not found it in almost everyone that I looked
11 at you would've at least seen a significant overlap in
12 prices at some margin.

13 I guess here we're saying that even within these
14 ones where you're seeing potentially an overlap you do see a
15 big price gap between the imported product and the domestic
16 product such that there isn't any overlap in price between
17 the two, which again, suggests an attenuation that is deeper
18 than what you might see in other attenuated competition
19 cases. In other words, as Mr. Noeth is saying, their
20 imported product selling at \$70, whether that price change
21 -- that import price changes from 65 to 70 or 75 has no
22 effect on whether or not the domestic price, which is at
23 150, is going to change at all. And that, I think, does
24 suggest a degree of attenuation that you really have not
25 seen in your other cases.

1 Again, if you look at the refrigerator case, et
2 cetera, even within all of these categories I mean there was
3 this jumbo size, et cetera, you still saw at some point the
4 prices crossing over each other at the extreme ends of
5 whatever this attenuation was. Here you don't have that. I
6 mean you look at all of this data and you see these very
7 wide gaps between the Chinese price and the U.S. price where
8 they don't cross.

9 I mean, to me at least, that does suggest a
10 degree of attenuation that is not seen in many of the other
11 cases in which the Commission has examined that question.

12 COMMISSIONER SCHMIDTLEIN: Okay.

13 MS. HILLMAN: And part of that, again, goes to
14 this issue that -- again, I appreciate how much the staff
15 has already done to parse this out by size and by
16 distribution and by welding technology or a fixing
17 technology, but the thing that they're not adding into it is
18 the thing that is -- again, because this matrix is this
19 diamond content. I mean which gives it -- it's the length
20 at which the life -- the longevity of the blade and the
21 speed at which it can cut, and that's also not going to be
22 captured.

23 Even when you capture all of these other things,
24 you don't capture that last sort of sets of elements that go
25 to what is a high-quality, high-end blade that will be used

1 repeatedly versus the ones that are going to wear out faster
2 or can't be run at as high a speed. And that's part of what
3 also creates this big gap in price and it won't be reflected
4 in your Table 110 data.

5 COMMISSIONER SCHMIDTLEIN: And why wasn't that
6 included in the pricing product data? Why didn't someone
7 comment that that type of -- is that not measurable? Is
8 that not objective?

9 MR. GREENWALD: Sure.

10 COMMISSIONER SCHMIDTLEIN: Then why wasn't that
11 something that was captured?

12 MR. GREENWALD: I can't answer the question.
13 And I can't even tell you that we pressed for it. I just
14 don't know. I'd have to go back and look and see what, if
15 anything, we said; but I think as far as I could tell what
16 Petitioner's were interested in doing were trying to force
17 things down away from the higher end. As you said, they
18 took out a premium product precisely because it would
19 capture a lot of U.S. production, but no imports.

20 MS. HILLMAN: Okay. The other thing I would
21 only add is, again, you're always in this problem of the
22 narrower you make it the less coverage that you have, but I
23 will say I mean the product that you've priced that has the
24 most overlap is this Product 4, but for example, it turns
25 out for the larger producer, Husqvarna, that's not a product

1 that they normally produce because it's a thick segment, but
2 a low diamond cut. And for them that's an odd, sort of a
3 not a normal product that they would produce. So, even
4 within this one pricing Product 4, it's a bit of an odd
5 definition because its sort of -- some elements of it are
6 premium and then other elements are not premium.

7 COMMISSIONER SCHMIDTLEIN: Well, I would invite
8 you in the post-hearing to again -- I know we talked about
9 this before -- but to answer that question, specifically for
10 Product 4, what is it that wasn't captured in the product
11 description that you believe is accounting for that so that
12 I can understand it better -- accounting for that
13 difference. Thank you.

14 CHAIRMAN BROADBENT: So, you all are arguing
15 that in that Product 4 there really aren't price affects to
16 be identified.

17 MR. GREENWALD: Zero price effects, yes.

18 CHAIRMAN BROADBENT: Okay. All right, I had one
19 more question. Just a small question, please comment on
20 whether you think St. Gobain should be excluded as a related
21 party?

22 MR. GREENWALD: Okay, may we do that in the
23 post-conference brief?

24 CHAIRMAN BROADBENT: Yes, that would be good.
25 This may go to something Ms. Hillman had said about Korea.

1 The Commission collected data on imports from Korea since
2 the order on that country was lifted. What significance
3 should we place on that data and what does it tell us, if
4 anything, regarding likely import trends for subject imports
5 should the order be revoked?

6 MR. GREENWALD: We'll do it in the post-hearing.

7 CHAIRMAN BROADBENT: Okay, I'm just doing my
8 cleanup here. I think that's about all I had. Vice
9 Chairman Pinkert.

10 VICE CHAIRMAN PINKERT: Thank you. Would
11 revocation of the order help the Chinese move up market to
12 the premium quality and higher or greater diameter products
13 in the United States?

14 MR. NOETH: No, because in my mind they'd be
15 doing it already today. Like John said earlier, the tariff
16 on most of the big ones are low enough. Why wouldn't they
17 already be doing it?

18 VICE CHAIRMAN PINKERT: Okay. And then in terms
19 of the quality of the diamonds, is that something that would
20 be beyond any kind of operational definition that we could
21 use to sort out the different products in the market?

22 MR. NOETH: We could have something written up
23 from our R&D team in the U.S. here for you. It can be
24 pretty complex, but we'll have them write something up and
25 you can come back with comments.

1 VICE CHAIRMAN PINKERT: Thank you. I know that
2 gemologists have all kinds of standards that they seem to
3 agree on, but it can be based on expert judgment rather than
4 any kind of operational definition that we could actually
5 employ.

6 MR. NOETH: Absolutely. We can do that.

7 VICE CHAIRMAN PINKERT: Thank you. Thank you,
8 Madam Chairman. I appreciate the testimony and I look
9 forward to the post-hearing submission.

10 CHAIRMAN BROADBENT: Commissioner Williamson.

11 COMMISSIONER WILLIAMSON: Just one other
12 question, right, for post-hearing, in looking at this
13 whether there's overlap of competition in the 7, 10, 12
14 range. And you made a big point of the fact that a lot of
15 this what you produce is soft-cut. So, I guess my question
16 is post-hearing can you explain is there any competition
17 between soft-cut and non-soft-cut product?

18 MR. NOETH: I will say this, Soff-Cut in itself
19 with any of our other products, no, because Soff-Cut is sold
20 with a skid plate. It's got a special arbor and is attached
21 to a Soff-Cut machine. Does that answer your question?

22 COMMISSIONER WILLIAMSON: So, people buy your
23 machine and the saw?

24 MR. NOETH: That's correct.

25 COMMISSIONER WILLIAMSON: To the saw blade.

1 MR. NOETH: It's not to say that people aren't
2 getting around it and being able to do something with it,
3 but it is a proprietary product to be used on a Husqvarna
4 Soff-Cut machine.

5 COMMISSIONER WILLIAMSON: Okay. And I guess the
6 question is if someone is buying a product where they say,
7 okay, then I'm going to Husqvarna with this or I'm going to
8 go with somebody else's product and not do that. And so
9 what's the nature of the competition there? You're saying
10 it's none, right?

11 MR. NOETH: There is competition coming in the
12 equipment market we've seen recently. Just it's been small,
13 but we've seen it out there, but beyond that it's been
14 fairly -- I mean this product last year to this year grew.
15 I mean it's made in the U.S., so we feel very comfortable
16 with it. I mean it's a very -- I can send you the data on
17 it. It is a very profitable product to be made in the U.S.

18 COMMISSIONER WILLIAMSON: Okay. Thank you. In
19 these categories where there is an overlap in terms of
20 competition and the sizes and you made a big point that
21 there is not really one when you drill down, so I'm just
22 trying to understand.

23 MR. NOETH: Well, a majority is our U.S.
24 manufacturing, as John pointed out and I did, yes.

25 COMMISSIONER WILLIAMSON: Okay. Thank you. No

1 further questions.

2 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

3 COMMISSIONER SCHMIDTLEIN: I just had a couple
4 follow up. Mr. Noeth, you mentioned that you're from Kansas
5 City, so is that where the headquarters for Husqvarna is in
6 the U.S. You mentioned also South Carolina operation.

7 MR. NOETH: North America is where our equipment
8 manufacturing is and Columbia, South Carolina is where our
9 diamond blade manufacturing is.

10 COMMISSIONER SCHMIDTLEIN: I see. And so how
11 many people do they have? I'm from Kansas City, or near
12 Kansas City, so I'm just kind of curious. How many people
13 do they have in Kansas City?

14 MR. NOETH: We have about 100 -- let's say 120.

15 COMMISSIONER SCHMIDTLEIN: In Kansas City?

16 MR. NOETH: Correct.

17 COMMISSIONER SCHMIDTLEIN: I see. Okay.

18 MR. NOETH: We have about plus/minus 400 and
19 some in the U.S.

20 COMMISSIONER SCHMIDTLEIN: Okay. And what is
21 your day-to-day -- you're the Director of Finance?

22 MR. NOETH: I'm Director of Finance.

23 COMMISSIONER SCHMIDTLEIN: So, what's your main
24 responsibility there?

25 MR. NOETH: I'm actually over all financial

1 responsibility, whether it be cost accounting, financial
2 reporting for all the Americas actually. We cover both
3 Canada and South America.

4 COMMISSIONER SCHMIDTLEIN: Okay.

5 MR. NOETH: And filling out questionnaires and I
6 have worked in other parts of the business. I spent a
7 couple of years in Marketing, Product Management, and now
8 I'm in Finance.

9 COMMISSIONER SCHMIDTLEIN: I see. Okay, thank
10 you very much for coming.

11 MR. NOETH: Sure thing.

12 CHAIRMAN BROADBENT: Okay, I had one more
13 question. Mr. Greenwald, I heard you say that this order
14 ought to sunset because so much had changed since the
15 original order was in place. How would you sort of
16 characterize, big picture, the transformation that's gone on
17 in this industry since the order's been in place?

18 MR. GREENWALD: Well, the first thing is the
19 Koreans are no longer subject. That is a major change.
20 Second, the supporters of the coalition, the initial
21 investigation Husqvarna was neutral where there was clear
22 industry-wide support. As best we can tell, those that
23 support it are now down to the four that testified today.
24 Husqvarna opposes affirmatively. It has lived with this
25 order for five years and believes it does more harm than

1 good because the truth is that every U.S. producer, whether
2 it's Diamond Products or Husqvarna or Hilti imports the same
3 types of low-value blades from an offshore platform. That's
4 a change.

5 The segmentation of the market has increased,
6 not decreased. What's happened is Hilti, at the initial
7 stage, was producing a range of products. They were taken
8 over by the -- Diamond B, I'm sorry, became Hilti. Diamond
9 B had a broad range of products. They're strictly, as I
10 understand it, in servicing their own saw manufacturer and
11 their business has changed dramatically. I think they were
12 the third largest producer.

13 So, you have greater segmentation of the market,
14 changes in the composition of the U.S. industry, the
15 elimination of Korea's subject merchandise, a history that
16 shows that the only impact of the order has, in fact, been
17 to shift production from China to other low-cost countries
18 with no net benefit to the U.S. industry, either in terms of
19 the volume of production or in terms of pricing.

20 I mean it seems to me the record is so very
21 different from what existed before that the idea that
22 whatever you found back then, which was not actually
23 material injury, somehow would continue now under different
24 circumstances it seems to me to be a bridge too far.

25 CHAIRMAN BROADBENT: Okay. And for the

1 post-hearing brief, could you kind of walk us through how we
2 ought to take out the Korea imports from the overlap
3 question. I mean is there a way to look at what the
4 Commission did after the remand and they decided there was
5 overlap and competition. Now Korea is no longer involved is
6 there something we can learn from that?

7 MR. GREENWALD: Well, we can look at how it had
8 to be true that the Koreans replied to the data that was
9 requested on specific types of blades sold and that has to
10 be in the record of the prior review, probably confidential.
11 But if that is made available to us, then yes, I think we
12 should be able to do it; but depends on entirely what the
13 record was back then.

14 CHAIRMAN BROADBENT: Understood. Yes, it would
15 be interesting to see if you could do it. Okay, with that,
16 it looks like no more Commissioner questions. Does the
17 staff have any questions?

18 MR. CORKRAN: Douglas Corkran, Office of
19 Investigations. Thank you, Madam Chairman. Staff does have
20 questions.

21 MR. FISHBERG: Good afternoon. David Fishberg,
22 Office of the General Counsel. Thank you for your testimony
23 today. I just had one quick question. When you're
24 negotiating sales with customers for your
25 domestically-produced sawblades have you ever been quoted a

1 Chinese price in those negotiations?

2 MR. NOETH: Are you asking if our customers are
3 quoting us a Chinese price?

4 MR. FISHBERG: Your customers are quoting you a
5 Chinese price.

6 MR. NOETH: No. No, we quote our customers,
7 both domestic and Chinese prices, but they don't quote them
8 to us. No.

9 MR. FISHBERG: For your domestic supply, has a
10 customer ever come back to you and said that price is too
11 high. I can get this product from China for "x" amount.
12 Could you meet it?

13 MR. NOETH: There is definitely push-back from
14 competition across the board and usually our pricing is
15 based on the volume or what promotion is running at that
16 given time. Do we make exceptions in markets to be
17 competitive with U.S. and domestic? Totally, we do it
18 whenever it's necessary, but we never are quoted or told --
19 they're never quoting us Chinese prices.

20 MR. FISHBERG: Thank you very much.

21 MR. NOETH: Sure.

22 MR. CORKRAN: Thank you, Madam Chairman. Staff
23 has no additional questions.

24 CHAIRMAN BROADBENT: Do those in support of
25 continuation of the order have any questions for this panel?

1 Okay, thank you. In that case, I want to thank the panel
2 for their testimony and I'll dismiss you now.

3 With that, we'll come to closing statements.
4 And I hope we don't take all this time, but those in support
5 of continuation have 19 minutes from direct and 5 for
6 closing for a total of 24 minutes. And those in opposition
7 have 21 minutes from direct and 5 for closing for a total of
8 26 minutes.

9 As is our custom, we will combine both of those
10 times. Please you do not have to take all of your time. We
11 will start with those in support of continuation of the
12 orders.

13 You may begin, Mr. Pickard. Thank you.

14 MR. PICKARD: Thank you. And again, for the
15 record, this is Dan Pickard of Wiley Rein. I am pretty sure
16 I can do this in under 19 minutes.

17 So, I think our pre-hearing brief does an
18 excellent job of laying out our major theory of the case.
19 So, I'm not going to attempt to restate our major arguments.
20 I think there are some points that came up in the afternoon
21 that I would like to clarify. And then, obviously, there's
22 a lot of additional information that we'll provide in our
23 post-hearing brief.

24 Let me start off by saying, first off, I
25 certainly agree with counsel of Husqvarna that you should

1 look at the facts and not just the assertions that are made
2 from attorneys. So, I want to review some kind of I think
3 facts that a little bit of light that was shed upon today.
4 So, related parties, clearly our positions are I think
5 clear. One of the factors that the Commission
6 traditionally looks at in regard to whether it's appropriate
7 to exclude a related party is whether their performance
8 trends are similar to those of the rest of the industry.

9 I think what you heard from Husqvarna this
10 afternoon is clearly distinct from what you heard this
11 morning and I would suggest that that further argues in
12 support of exclusion from the order. I'd also point out
13 that I don't find it particularly convincing to say that
14 when those who import most suggest that imports aren't
15 particularly hurtful to the domestic industry.

16 Husqvarna, while it is also, we would suggest,
17 not appropriate to be included within the domestic industry,
18 I think it's also important to make clear they're not also
19 all of China. Just because Husqvarna might not be producing
20 or might not be importing certain product lines from China
21 or it might not be engaging in certain activities like other
22 Chinese producers that doesn't mean that that's still not
23 going on.

24 What you heard I think them say was they wanted
25 a level playing field. Well, that's exactly what the

1 anti-dumping law is about. The difference here is that the
2 Chinese prices have been found to be dumped, to be sold at
3 unfair prices. That hasn't occurred for Korea. That isn't
4 the case for Korea anymore and it's certainly not the case
5 for Thailand.

6 I would point out our testimony and the story
7 that was told hasn't changed one wit from the original
8 investigation. I don't believe that this is an industry
9 that is dramatically restructured. I think what you're
10 hearing is a reread of a lot of their previous arguments.
11 That's it about related parties.

12 I'd like to talk briefly about adverse facts
13 available. One, I got to say it's the first time I've ever
14 heard that the Commission should revoke the order to teach
15 the Chinese a lesson. That is a different spin, but the
16 facts do remain there are hundreds of Chinese producers.
17 Three of them provided you with questionnaires. Is the
18 question then an adverse inference is appropriate in regard
19 to how large they are and how much excess capacity they have
20 and their export orientation? I would say yes.

21 I would also say that an adverse inference isn't
22 necessary because the record evidence already has -- fully
23 supports all of those contentions, the idea that they didn't
24 cooperate because they gave up the market that is not borne
25 out by the facts. They're still very much here. Or the

1 idea that they've become burnt out on participation in
2 government investigations. I would suggest also untrue.
3 These companies are actively involved in Department of
4 Commerce administrative reviews day in and day out and you
5 have three domestic producer -- or three foreign producer
6 questionnaires. They're willing to participate at your
7 sister agency when it's in their best interest. They're not
8 here today.

9 In regards to the question as far as is this a
10 commodity product, it certainly not a commodity like gold.
11 Are there elements where these products are commodity-like?
12 Yes, I think so. And we'll explore this more in our
13 post-hearing brief. I think especially when you start
14 talking about 12 and 14 inches they're probably the most
15 commodity part of the market.

16 It was suggested that we've made an assertion of
17 circumvention here. That is not factually correct. What is
18 factually correct is we introduced evidence that
19 demonstrated that they were willing to do so, but more than
20 that we've attached to our pre-hearing brief a copy of the
21 Customs report -- the most recent Customs report on AD, CVD
22 enforcement. And it documents the penalties that have been
23 assessed for a group of violators, including those who've
24 violated the anti-dumping order on diamond sawblades.

25 It was also suggested that in regard to the

1 allegation that Chinese product was going to Korea and
2 having its country of origin removed and that "The
3 Department of Commerce found nothing." I don't believe
4 that's an accurate representation. What I would suggest is
5 or what is clear is they didn't change their administrative
6 review results, but it's certainly within the Department's
7 discretion to request that information that was submitted to
8 the Department under their APO and it may be relevant.

9 In regard to kind of the Customs issues, which
10 is kind of a retread again, I would point out that by all of
11 the domestic industry witnesses this morning testified
12 Customs jobs are probably less than 1 percent of their
13 production. And if the domestic industry wasn't producing
14 basically for inventory, you wouldn't have heard Husqvarna
15 testify that they have eight warehouses throughout the
16 United States because that's how sawblades are sold.

17 I also wanted to clarify the investment comment.
18 It was suggested that the domestic industry has refused to
19 invest in itself and has refused to increase its capacity.
20 They're two different things, right? You've heard Kevin
21 Baron testify this morning that his family alone has
22 invested \$8 million to improve their facility. Dixie
23 Diamond has invested more than a million dollars in the past
24 three years in order to improve their equipment. Similarly,
25 Diamond Products has had investments of over a million

1 dollars.

2 But why would you increase your capacity when
3 you're already at low capacity utilization rates? They're
4 making the investments that they can, but they're making
5 smart investments. And I think they would all be willing to
6 make more -- more investments, more R&D if there were more
7 profits. That information is in front of you.

8 So, I think there's probably three more topics I
9 would like to touch on, one is pricing products. And
10 Commissioner Broadbent, I don't believe I understood your
11 question correctly when you were asking about why was
12 premium removed from the pricing product. And if I recall
13 correctly, this is way. The pricing products are very
14 specific in regard to objective criteria, but as you heard
15 this morning, there's no universally accepted definition of
16 what's premium or any other type of standards. As a matter
17 of fact, it's a vague term. So, we thought it was most
18 appropriate, if you want to do an apples-to-apples
19 comparison to have it based on objective criteria.

20 The question was also raised and to confirm for
21 the staff did the domestic producer report the pricing
22 products specific to the criteria that's included in the
23 questionnaires to confirm, yes, we talked to the client.
24 Yes, it exactly matches the criteria from the pricing
25 product definition. So, what do we see? We see specific

1 product definitions. There's more coverage than there was
2 during the original investigation, which I think is
3 supportive of the idea that more and more Chinese product is
4 moving into laser welding, but what it show? It shows
5 massive underselling.

6 What's the simplest reason to explain large
7 margins of underselling; probably the fact that the Chinese
8 are underselling the U.S. product by large margins, right?
9 And it comports with what you heard the domestic witnesses
10 testify to this morning and what they testified to in 2006
11 when the appeared before you. There was evidence then and
12 there's evidence now that the Chinese prices are fairly
13 described as irrational and that there are cases where we
14 have Chinese product coming into the United States that's
15 priced below its raw material costs. That's the difference
16 between -- there were questions as far as what makes the
17 Chinese product different than the Koreans? What makes it
18 different than the Thai? We're not aware of the Koreans or
19 the Thai selling in the marketplace today at below their
20 cost of production.

21 And in regard to the idea that the U.S.
22 producers can't compete in low-priced blades, if you ask
23 Dixie Diamond, yes, they can make a \$70 14-inch blade and
24 they can do it at a profit. They could compete with
25 imports. They can be as effective and efficient, but they

1 shouldn't be asked to compete with unfairly priced imports.

2 So, I think I'm down to my last two topics, (1)
3 discussing overlap again and then, (2) discussing the
4 remedy. The original investigation, the data and it was a
5 shrewd move by Respondents. I will take my hat off to them.
6 They tried to slice and dice the data and do different
7 diameters, different welding, multiple channels of
8 distributing, confusing definitions in regard to what's a
9 branded distributor, what's an unbranded distributor.

10 The evidence demonstrates throughout the
11 marketplace anywhere U.S. saw blade is sold it competes
12 against a Chinese blade. And it's interesting advocacy to
13 argue, yes, the Chinese produce stuff that the U.S. industry
14 doesn't make, so that's attenuation of competition. I would
15 suggest that's not the proper focus, right? The question is
16 if you're looking at competition with the U.S. product it's
17 whether everything that's made in the United States facing
18 import competition from China. And I think the answer to
19 that is unequivocally yes, in diameter size, through
20 channels of distributions, and ultimately, to end users.

21 And the Commission has looked at this before,
22 and ultimately, after it really dug in and it looked at who
23 was buying the blades they're the same blades ultimately
24 going to the same end users for the same end use.

25 I've heard more than one of my clients say it's

1 frustrating to hear that the imports aren't coming in in
2 large diameters and that all the Commission needs to do is
3 look at what they're saying to the marketplace. So, I am
4 repeating that concern to you. If you would be so kind as
5 to look at the exhibits in our pre-hearing brief, which have
6 web pages from all of the major Chinese producers, you see
7 that they are offering for sale and say that they're
8 explicitly targeting the professional grade market.

9 On top of that, we'd be happy to put in
10 advertisements that they run in the United States to
11 professional concrete users in regard to targeting that
12 business. And on top of that, the one customer witness that
13 showed up today told you that he was a professional concrete
14 cutter and that he has shifted from essentially zero
15 imported products to in excess of 40 percent of his
16 purchases now are Chinese blades done on the basis of price.

17 It was suggested that 14-inches or less is gone.
18 That would especially be news to Dixie Diamond considering
19 that's about 50 percent of their product. I think it was an
20 interesting concession that Husqvarna produces a broad range
21 of products in China. It was implied that they're only
22 bringing in the low-priced product, but when asked they
23 conceded, essentially, that they make a broad range of
24 products.

25 Maybe last on the whole overlap idea, the vast

1 majority of blades are sold from inventories. And Mr.
2 Walker wanted to point out that DDT actually maintains
3 inventories at his work, so it's not that there are these
4 quick, amazing turnaround times. In his own words, if one
5 blade doesn't work we just grab another one and their rep
6 will bring others to us.

7 So, I'd like to talk about overlap and then
8 conclude and thank you for your attention to this matter.
9 The domestic industry has not gotten the full measure of the
10 relief that it's entitled to as a matter of law. A large
11 part of this is due the Gang Yan factor. Gang Yan was
12 probably the largest in this room public source exporter of
13 diamond sawblades to the United States. It was hugely
14 disruptive force and for years it had a zero rate.
15 Retroactively, the Department has decided to put in the
16 China-wide rates in for the first administrative review, the
17 second administrative review, the third administrative
18 review and the recently completed fourth administrative
19 review.

20 It is, as we're speaking, having a huge impact
21 on the marketplace. It was delayed relief, but it's
22 important relief. In regard to Commissioner Pinkert's
23 question as far as kind of natural experiments, what did we
24 see between 2006 and 2009? You saw huge volumes of Chinese
25 blades coming into the U.S. each and every year and they

1 were consistently the lower AUVs. So, for consideration of
2 the natural experiment, what would happen again if you
3 revoke the order? No reason to believe it would be any
4 different.

5 The shift of market share to non-subject imports
6 is not ideal, but I would suggest and my clients would say
7 the same thing, if the anti-dumping order just stopped the
8 hemorrhaging of market share, even if they didn't regain
9 anything that's a substantial remedy, the fact that we're
10 now seeing really significant drops from China even better.
11 The legal question, of course, is counter-factual. If the
12 order was taken off, would imports increase again and would
13 the domestic industry start to rapidly lose market share
14 like they did during the period of investigation, which was
15 17.4 points, I believe, during the original period.

16 So, just the fact that the anti-dumping order
17 has slowed market share deterioration is an important
18 benefit to the domestic industry, but as we've talked about
19 it's also stabilized prices. And as I said on a couple of
20 different occasions this morning, you're hearing from the
21 domestic industry. You're hearing it from importers in
22 their questionnaires, purchasers in their questionnaires,
23 and foreign producers oddly in their questionnaires.

24 I think Commissioner Williamson asked the
25 witness this afternoon are you seeing price stabilization

1 and he said yes. He said are you seeing it -- and I believe
2 question are you seeing it on both sides, meaning both
3 domestic and Chinese prices and the answer was yes. That's
4 what we've all been saying. It's an important benefit.
5 There's still price deterioration going on on certain
6 product lines, but it has either stopped the price
7 deterioration. Some instances it's actually lead to price
8 appreciation, but at a bare minimum it slowed price
9 deterioration across the board.

10 And if the order was revoked, I don't think
11 anybody would have any doubt that those Chinese factories
12 which have access capacity and are export-oriented would be
13 open for business, right, and they would be coming in at the
14 very lowest price.

15 So, here's kind of my last two thoughts. One is
16 if you wanted a piece of evidence from a Chinese producer
17 were they specifically say we're going to increase prices in
18 the United States as a result of the anti-dumping order I
19 would ask you to look at the exhibits to our pre-hearing
20 brief where we have a letter from General Tool, who is a
21 major importer of Chinese products and related to WeiHai who
22 explicitly says we are increasing prices in the United
23 States by 5 to 6 percent margin, by 5 to 6 percent as a
24 result of the anti-dumping order on diamond sawblades from
25 China.

1 So, last but not least, I'm aware how seriously
2 the Commission staff and the various offices are in
3 executing their obligations under the Anti-dumping Law, but
4 I'd be remiss if I didn't emphasize that there is an added
5 degree of seriousness for this industry. These are, by and
6 large, not major or multi-national corporations who are
7 discussing you know potentially losing a couple of points of
8 operating profits. You're talking about an industry that's
9 primarily made up of family businesses in the case of
10 Western Saw now going into their fourth generation, Dixie
11 Diamond in their third generation, and a variety of other
12 members out there that are family-owned companies.

13 If this order is revoked, some of those
14 companies are going out business. Businesses that families
15 took generations to build up and that would be terminated as
16 a result of unfairly priced imports from China. So,
17 respectfully, on behalf of the domestic industry, we would
18 ask for continuation of the anti-dumping order. Thank you
19 very much.

20 CHAIRMAN BROADBENT: You may begin.

21 MR. GREENWALD: Thank you. I'm not going to
22 keep you long at all. There's no inclination on our part to
23 come up here and try and quarrel with this bit or that bit.
24 There are some things that I think require a response on the
25 smaller points than I would've otherwise have done, but

1 that's simply because some of the arguments are so offensive
2 to the structure and purpose of the Anti-dumping Law that I
3 can't help but at least begin with them.

4 As far as I could tell, the argument for
5 excluding Husqvarna from the domestic industry came down to
6 the proposition that Husqvarna is doing differently than
7 others in the industry. And if that is a metric for
8 exclusion, it will be a Godsend for industry that comes in
9 and says we want you to judge injury on the basis of those
10 of us that are not doing well and please exclude from your
11 analysis those that are. That is not a serious
12 recommendation nor could you follow it even if you were
13 emotionally inclined to do so.

14 The essence of the argument is that you should
15 keep, in effect, an order for another five years that by the
16 industry's own admission hasn't really done anything for the
17 volume of its production, although they do allege some
18 beneficial price effects, because it has simply shifted
19 production from China to third countries. That's not the
20 purpose of the statute. It is to protect the U.S. industry
21 from harm by reason of dumped imports. And when all the
22 imports do is prompt expansion of capacity in other
23 low-costs countries, which is the case here, it does more
24 harm than good.

25 At the outset, however many hours ago it was, I

1 asked really one thing of you and that is to base the
2 decision on the facts. And by that, I mean in addition to
3 the aggregation of facts that appears in the various staff
4 aggregations, to look behind the numbers. I'll just give
5 you one instance, in closing remarks counsel talked about a
6 domestic industry that is characterized by small family,
7 businesses that deserve your support for reason of emotion,
8 if nothing else.

9 In fact, Hilti used to be Diamond Products.
10 Hilti is a major multi-national corporation based out of
11 Europe. Diamond Products is another affiliate of a major,
12 multi-national corporation, Tyrolit which is even part of
13 the Swarovski Group. They know exactly what they're doing
14 in here and it has nothing whatsoever to do with a family
15 business.

16 What's going on is that Diamond Products, in
17 particularly, which has been sort of the spine of the
18 support for the petition, has opened a plant in Thailand.
19 Husqvarna, another admittedly multi-national corporation,
20 produces its lower-value products in China. Nothing would
21 suit Diamond Products purposes better if they were free to
22 increase their shipments from Thailand, attack Husqvarna's
23 U.S. operations, and at the same time preclude Husqvarna
24 from answering by going to its lower-cost, lower-value
25 production in China. Again, that is not the purpose of the

1 anti-dumping statute.

2 The answers to all the questions that you raised
3 today are actually in the data. There is evidence that
4 refutes assertions that 50 percent of Company X's production
5 is in this heart of the market. It's not. There's evidence
6 that refutes assertions that what's going on in the U.S.
7 industry in terms of production is anything beyond a
8 decision to shift production offshore, voluntarily, by some
9 companies.

10 This isn't a case where -- well, mind you, no
11 case is -- where rhetoric really ought to matter, but it is
12 a case where the facts scream at you. And when you look at
13 them, you will find that, in fact, the competition by any
14 fair measure is attenuated to the point where if you keep
15 this order for another five years, as has happened in the
16 past, all you're going to do is benefit third country
17 production and frankly, prejudice the U.S. industry by
18 opening and creating new capacity, creating an incentive to
19 establish new capacity in the countries other than China.
20 And that, as I said before, is simply not a legitimate
21 purpose of the anti-dumping statute.

22 So, with that, once again, pay attention to the
23 facts. Pay attention to the facts that are not in or beyond
24 the aggregation of data in the staff reports and make a
25 decision on that basis. And if you do, there's only one way

1 I think you can possibly come out on this, which is to
2 sunset an order that has done no good and a fair amount of
3 harm. Thank you.

4 CHAIRMAN BROADBENT: Thank you. Again, I
5 express the Commission's appreciation to everyone who
6 participated in today's hearing. Your closing statement,
7 post-hearing briefs, statements responsive to the questions
8 and request of the Commission and corrections to the
9 transcript must be filed by July 2, 2015. Closing of the
10 record and final release of data to the parties will be on
11 July 30, 2015. Final comments are due on August 3, 2015.
12 With that, this hearing is adjourned. Thank you.

13 (Whereupon the hearing was adjourned at 4:19
14 p.m.)

15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Diamond Sawblades and Parts Thereof from China

INVESTIGATION NOS.: 731-TA-1092

HEARING DATE: 6-23-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Review

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

DATE: 6-23-2015

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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

SIGNED: Gregory Johnson
Signature of Proofreader

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

SIGNED: Gaynell Catherine
Signature of Court Reporter