

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
CERTAIN AMORPHOUS SILICA FABRIC ) 701-TA-555 AND  
FROM CHINA ) 731-TA-1310 (PRELIMINARY)

**REVISED AND CORRECTED**

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Date: Wednesday, February 10, 2016



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4 CERTAIN AMORPHOUS ) 701-TA-555 and 731-TA-1310

5 SILICA FABRIC FROM ) (PRELIMINARY)

6 CHINA )

7

8

9 Wednesday, February 10, 2016

10 Hearing Room A

11 U.S. International

12 Trade Commission

13 500 E Street, S.W.

14 Washington, D.C.

15 The meeting commenced, pursuant to notice, at

16 9:30 a.m., before the Investigative staff of the United

17 States International Trade Commission, Director of

18 Investigations, Michael Anderson, presiding.

19

20 APPEARANCES:

21 On behalf of the International Trade Commission:

22 STAFF:

23 MICHAEL ANDERSON, DIRECTOR OF INVESTIGATIONS

24 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

25

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4 AMELIA PREECE, ECONOMIST

5 MARY KLIR, ACCOUNTANT/AUDITOR

6 CHARLES ST. CHARLES, ATTORNEY

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

3 Drinker Biddle & Reath LLP  
4 Washington, DC

5 On behalf of:

6 Auburn Manufacturing, Inc.

7 Kathie Leonard, President and Chief Executive Officer,  
8 Auburn Manufacturing, Inc.

9 Garrett VanAtta, Vice President of Innovation  
10 Engineering, Auburn Manufacturing, Inc.

11 James Dougan, Vice President, Economic Consulting  
12 Services, LLC

13 OF COUNSEL: Douglas J. Heffner, Richard P. Ferrin,  
14 Drinker Biddle & Reath LLP

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

3 Haynes and Boone LLP

4 Washington, DC

5 On behalf of:

6 AVS Industries, LLC

7 David Sydow, President and Chief Executive Officer, AVS  
8 Industries, LLC

9 Doug Sydow, Vice President, Sales and Marketing, AVS  
10 Industries, LLC

11 OF COUNSEL: Edward M. Lebow, Haynes and Boone LLP

12

13 Mowry & Grimson, PLLC

14 Washington, DC

15 On behalf of:

16 ACIT-USA, Inc.

17 Jie Ao, President, ACIT-USA, Inc.

18 John Knapp, President and Chief Executive Officer,  
19 Mid-Mountain Materials, Inc.

20 Lewis Dill, President and CEO, LEWCO Specialty  
21 Products, Inc.

22 OF COUNSEL: Jeffrey Grimson, Kristin Mowry, Mowry & Grimson,  
23 PLLC

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P R O C E E D I N G S

9:30 a.m.

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

MR. ANDERSON: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase Antidumping investigation and Countervailing Duty Investigations nos. 701-TA-555 and 731-TA-1310 concerning imports of certain amorphous silica fabric from China. My name is Michael Anderson. I am the Director of the Office of Investigations and I will preside at this conference.

Among those present from the Commission Staff on my right are Supervisory Investigator Doug Corkran and our Attorney Advisor Charles St. Charles; and to my left is our Economist Amelia Preece and our Accountant Auditor Mary Klir and our Industry Analyst Kathryn Lundquist and our Statistician Maureen Letostak. I would remind speakers not to refer in your remarks to any business proprietary information and if you would kindly speak directly into the microphone and state your name and affiliation for the record before beginning your presentation when answering any questions for the benefit of our court reporter.

All witnesses must be sworn in before presenting testimony and I understand that all parties are aware of the time allocations. Any questions regarding the time

1 allocations should be addressed with our Secretary. Are  
2 there any questions?

3 (No response)

4 MR. ANDERSON: Mr. Secretary, are there any  
5 preliminary matters?

6 MR. BISHOP: Yes, Mr. Chairman. With your  
7 permission, we will add Lewis Dill President and CEO of  
8 Lewco Specialty Products Incorporated to the panel in  
9 opposition to the Imposition of Antidumping and  
10 Countervailing Duty orders.

11 MR. ANDERSON: Okay, thank you.

12 MR. BISHOP: I would also note that all witnesses  
13 for today's conference have been sworn in.

14 MR. ANDERSON: Very well, let us proceed with  
15 opening remarks.

16 MR. BISHOP: Opening remarks on behalf of  
17 Petitioner will be by Douglas J. Heffner, Drinker Biddle and  
18 Reath.

19 OPENING REMARKS OF DOUGLAS J. HEFFNER

20 MR. HEFFNER: Good morning. Good morning Mr.  
21 Anderson and members of the Commission Staff. I am Douglas  
22 Heffner of Drinker Biddle and Reath representing Auburn  
23 Manufacturing Inc. or AMI, the Petitioner in this case.  
24 This case concerns imports of industrial grade amorphous  
25 silica fabric or for short ASF from China, a product that

1 the Commission investigated previously.

2           Although it has been some time since the  
3 Commission has investigated this product, the story is the  
4 same. Unfairly traded imports, this time from China are  
5 undercutting Domestic Industry prices which has caused  
6 material injury or threat of material injury to the U.S.  
7 Industry. Petitioner AMI is the largest U.S. Producer of  
8 industrial grade ASF which is a domestic like product. AMI  
9 is located in Maine and is one of the last remaining textile  
10 facilities in the Northeastern United States.

11           Today, you will hear from the President and CEO  
12 of AMI, Ms. Kathie Leonard about how Chinese Imports have  
13 been undercutting Domestic Industry prices. This has  
14 occurred in both the military segment of the market and the  
15 industrial segment of the market. You will hear how AMI has  
16 lost a significant amount of business from military  
17 contracts by being underpriced by Chinese Imports.

18           But it is not just in the military market where  
19 AMI is losing sales to Chinese imports. In fact, when one  
20 importer found out about the petition, he wrote Ms. Leonard  
21 an e-mail saying essentially that he would prefer to  
22 purchase from AMI but they were simply not competitive.  
23 AMI's inability to sell ASF is directly due to the dumped  
24 and subsidized imports from China. China is by far the  
25 largest player in the market. The volume of Chinese Imports

1 of industrial ASF have increased significantly. Due to the  
2 slowdown in the Chinese economy along with the devaluation  
3 of the Chinese currency, AMI believes that Chinese Imports  
4 are likely to continue to grow rapidly and price their  
5 products even more aggressively in the near future.

6 In addition to the volume effects, Imports from  
7 China have become the de facto reference price in the U.S.  
8 Market. As shown in the Petition and AMI's questionnaire  
9 response, AMI has had to lower its price to compete with  
10 Chinese imports over time. Early in the POI such  
11 concessions resulted in AMI winning the business even though  
12 it meant lower revenue and lower prices or lower  
13 profitability. More recently however, it has become clear  
14 that for some customers AMI cannot possibly lower its price  
15 enough to win the business when bidding against Chinese  
16 Imports.

17 The lost sales and revenues have dramatically  
18 impacted AMI. Production is down. Sales are down. Profits  
19 are down and the loss of sales and revenue have negatively  
20 impacted hours worked in employment at AMI. It has also  
21 impacted its ability to invest in its business and grow. As  
22 you will hear from Ms. Leonard, all of this has occurred at  
23 a time of stagnant demand caused by anemic naval budgets and  
24 the slowdown in U.S. Manufacturing. Clearly, AMI has been  
25 materially injured by Chinese Imports of industrial grade

1 ASF.

2           Concerning threat, one of the largest Chinese  
3 Exporters of industrial grade ASF, ACIT, has recently opened  
4 a new one hundred and sixty thousand foot facility near  
5 Shanghai. Overall, AMI believes that there is a significant  
6 unused capacity in China and that Chinese Imports of  
7 industrial grade ASF are likely to enter into the United  
8 States in increasing volumes and will likely depress and  
9 suppress U.S. prices significantly. Therefore, in addition  
10 to material injury, Chinese Imports of industrial grade ASF  
11 threaten to injure the U.S. Industry.

12           AMI is a small company employing only  
13 approximately fifty people. If AMI and the U.S. Industry  
14 are no longer able to make amorphous silica fabric  
15 profitably, it will continue the hollowing out of the U.S.  
16 Industrial base, especially for industrial textiles. In  
17 addition, this is a product that is purchased by the Defense  
18 Industry for ship-building maintenance and repair. If AMI  
19 can no longer profitably make industrial grade ASF, the Navy  
20 will be required to purchase product from imported sources  
21 such as China.

22           In the long run this will hurt the U.S. Defense  
23 Industry if its domestic suppliers such as AMI can no longer  
24 earn a sustainable profit margin. Without relief from the  
25 dumped and subsidized imports, industrial grade ASF will be

1 yet another textile product that is lost to China. Thank  
2 you.

3 MR. BISHOP: Opening remarks on behalf of  
4 Respondents will be given by Jeffrey Grimson, Mowry and  
5 Grimson.

6 OPENING REMARKS OF JEFFREY GRIMSON

7 MR. GRIMSON: Thank you, Mr. Bishop and good  
8 morning Mr. Anderson and Commission Staff. I'm Jeff Grimson  
9 from the Law Firm Mowry and Grimson. I'm joined here by my  
10 partner Kristin Mowry. We represent Access China Industrial  
11 Textiles, otherwise known as ACIT. ACIT is an importer and  
12 also the owner of a factory in China, which you heard Mr.  
13 Heffner just mention. For the three year Period of  
14 Investigation both we and the Petitioners believe that ACIT  
15 was the largest exporter of China and the product we're  
16 discussing here is amorphous silica fabric but what I've  
17 learned in a few days of talking with the folks in the  
18 industry, they just call it silica. It's very simple.

19 If you hear the word silica today out of our  
20 panel at least they are talking about silica fabric. We are  
21 also joined by Mr. Jie Ao, who is the CEO of ACIT. He will  
22 testify today as well as the Principals from Mid-Mountain  
23 Materials and AVS Industries. AVS' Counsel Mr. Ed Lebow and  
24 Mr. Dill who is an addition from this morning. AVS and  
25 Mid-Mountain together represent a very large share of

1 purchases of silica fabric and not just from China.

2           The Petition as presented by Auburn suffers a  
3 serious flaw and we believe the proper course if for the  
4 Petition to be withdrawn. Auburn's case is premised on  
5 estimates of imports from numerous basket categories in the  
6 Tariff Code which greatly inflate the apparent import market  
7 share. Worse yet, Auburn left out the HTS codes that we  
8 believe specifically cover silica fabric meeting the  
9 historical industry definition of 96% silica content. This  
10 is not the kind of error that should be remedied by passing  
11 this case along to a final determination and fixing it  
12 later. We've all heard the expression "It's just a prelim"  
13 but that is not the legal standard. There's a purpose for  
14 prelims and that is to weed out cases that need to be weeded  
15 out.

16           American Lamb should not be read to permit  
17 Petitioners to bring cases with data questions due to the  
18 Petitioners own errors. The Petitioner's list of foreign  
19 producers of subject merchandise is also grossly overstated  
20 for pretty much the same reason. They are hitting the  
21 fiberglass industry of China with those long lists of  
22 producers. In fact, there's really only six producers in  
23 China and the total exports you'll hear from our panel  
24 today, are estimated, I'm talking about scope merchandise  
25 between six and seven million dollars, not figures of

1       fifteen, nineteen, fifty-one million was in the Petition in  
2       one place.

3                 We think the Commission's Importer questionnaire  
4       data is going to be the only source for useable data that  
5       does not have a lot of garbage in it of non-scope  
6       merchandise. You will also hear from our witnesses today  
7       about the historical presence of imports in the Domestic  
8       Market. China was not the first foreign player. Mr.  
9       Heffner mentioned Japan, then it was Russia, Belarus,  
10      Latvia, and China came along in the late nineties. China  
11      competed with these other import sources and really does so  
12      today.

13                The Commission's evidence and our witnesses  
14      agree, will show flat or possibly even declining demand.  
15      There's not a lot of dispute about that. But there is one  
16      area of growth and it is in an area that is served by  
17      Chinese Imports, not necessarily Subject Imports but Chinese  
18      Imports below ninety percent, the arbitrary threshold the  
19      Petitioners established represent a growing part of the  
20      market for end-use applications that do not require a  
21      ninety-six percent silica standard, which comes out of the  
22      Aerospace Industry. A welder doesn't necessarily need the  
23      same thing that you would need in an Aerospace and Military  
24      application.                 But Auburn clings to the  
25      ninety-six percent standard because this is where their

1 bread is buttered in the military defense government  
2 contracting segments of the market where they alone compete  
3 because of buy America requirements. We have heard  
4 allegations of lost sales from military buyers. We've heard  
5 it repeated in the opening testimony today. These are  
6 allegations, charts that show lines going up and down don't  
7 prove causation and it's up to you the Commission Staff and  
8 the actual evidence you gather to decide what is cause and  
9 effect. We believe when you gather all that evidence and do  
10 the hard job that faces you, you will find that the  
11 Commission should make a negative preliminary injury and  
12 threat of injury determination. That's all I have.  
13 Thank you very much. I look forward to the remainder of the  
14 morning.

15 MR. BISHOP: Would the Panel in support of the  
16 Imposition of Antidumping and Countervailing Duty Orders  
17 please come forward and be seated.

18 MR. HEFFNER: Again, Doug Heffner from Drinker  
19 Biddle and Reath representing Auburn Manufacturing Inc. I'd  
20 like to introduce our Panel and have our Panelists begin  
21 their testimony. To my left I have Ms. Kathie Leonard the  
22 President and CEO of Auburn Manufacturing. Next to her is  
23 Garrett VanAtta. He is an innovation engineer VP of  
24 engineering at Auburn Manufacturing. I have Jim Dougan from  
25 ECS and Richard Ferrin from Drinker Biddle and Reath. I'd

1 like to start this off by having Kathie give her testimony.

2 STATEMENT OF KATHIE LEONARD

3 MS. LEONARD: Good morning, I am Kathie Leonard  
4 the President and CEO of Auburn Manufacturing Inc. or AMI.  
5 AMI is the largest U.S. Producer of ASF and it is the  
6 petitioner in this case. I started AMI in 1979 and I am  
7 proud to say that AMI is a small woman-owned business.  
8 Briefly, ASF is a woven fabric made of fiberglass which is  
9 then refined or leached with acid to remove everything in  
10 the fiberglass other than the silica itself. The result is  
11 a fabric with the special ability to be used in industrial  
12 applications involving very high levels of heat, much more  
13 so than simple fiberglass fabric.

14 AMI makes an exceptionally broad product line  
15 consisting of hundreds of standard and specialty textile  
16 products in addition to ASF. AMI is a leading developer,  
17 manufacturer and marketer of the most advanced safest and  
18 high-quality flexible barriers against extreme temperature  
19 challenges. AMI's products are used in almost every major  
20 industry: Primary metals, petroleum, chemicals, glass,  
21 paper, power generation, construction and transportation  
22 wherever heat protection is needed.

23 AMI was the first manufacturer to obtain third  
24 party certification by FM approvals of our Hot Works Safety  
25 Fabrics providing dependable protection from heat, sparks,

1 and molten metal in the workplace. FM Approvals is  
2 recognized as a testing lab and certification agency by the  
3 world's leading regulatory authorities including the  
4 National Fire Protection association. Our products are used  
5 by major institutions and corporations along with small and  
6 medium-sized businesses worldwide.

7 Unlike many of the companies that petition the  
8 Commission for relief, AMI is a small company with  
9 approximately fifty employees. AMI began producing ASF in  
10 1987. AMI produces ASF in its Auburn, Maine location.  
11 Garrett VanAtta, out Vice President of Engineering will  
12 discuss in detail the manufacturing process and the physical  
13 attributes of ASF. However, I would like to point out that  
14 AMI makes all of its ASF from U.S. produced materials.

15 First, we purchase fiberglass yarn that is  
16 produced in the United States. Second, we weave the yard in  
17 our Mechanic Falls plant and Auburn Maine facilities to make  
18 fiberglass cloth. In the greige state, the fiberglass cloth  
19 typically has a silica content between fifty and fifty-five  
20 percent. We then leach the fiberglass fabric by immersing  
21 it in a hydrochloric acid bath. Once leached, the  
22 fiberglass fabric has a typical silica content of ninety-six  
23 percent or more. The leaching is what converts the  
24 fiberglass fabric into ASF.

25 The high silica content is what provides the

1       excellent thermal protection and heat resistance that allows  
2       the fabric to withstand continuous temperatures up to 1800  
3       degrees Fahrenheit with a melting point in excess of 3000  
4       degrees Fahrenheit. AMI is the leading U.S. Producer of  
5       ASF. The two major ASF products made by AMI meet stringent  
6       U.S. Navy specifications for welding operations during  
7       shipbuilding, maintenance and repair. AMI has provided well  
8       over a million yards of its ASF products either directly to  
9       the Navy or to defense contractors who have contracts with  
10      the Navy for shipbuilding maintenance or repair, principally  
11      for welding applications.

12                 AMI has provided ASF for ship building,  
13      maintenance and repair through multiyear contracts, yearly  
14      contracts, shorter term contracts and spot-buys. AMI also  
15      sells ASF to original equipment manufacturers and  
16      distributors. When AMI sells ASF to the Navy, Buy American  
17      and the Berry Amendment requirements are invoked. Buy  
18      American applies to contracts below one hundred and fifty  
19      thousand dollars and the Berry Amendment applies to  
20      contracts of one hundred and fifty thousand and over.  
21      Pursuant to the Berry Amendment requirements, any synthetic  
22      fabric or coated synthetic fabric including all components  
23      must be one hundred percent produced in the U.S. if the  
24      synthetic fabric is purchased by funds made available by the  
25      Department of Defense.

1                   However, the situation as to whether the Berry  
2 Amendment applies is less clear when the contract for Navy  
3 shipbuilding maintenance or repair is with a defense  
4 contractor. Sales to defense contractors as opposed to  
5 sales directly to the navy appear to be the new norm. In  
6 fact, current direct purchases by the Navy have decreased by  
7 almost fifty percent from previous contracts. Although AMI  
8 believes that the Berry Amendment should apply to purchases  
9 of ASF by defense contractors, it is in this area in which  
10 AMI has lost millions in sales to imported Chinese ASF.

11                   Since 2014, AMI has lost numerous contracts with  
12 Navy contractors to imported Chinese ASF. In the last two  
13 years, AMI has lost two million dollars and over a million  
14 dollars in the past twelve months from one defense  
15 contractor alone. AMI was told by a former employee of that  
16 contractor that those contracts were won by a U.S. Company  
17 supplying Chinese ASF. Those sales are noncompliant with  
18 either Buy American or the Berry Amendment. Since that time  
19 AMI believes that either it has lost additional contracts to  
20 Chinese Imports because of price or won the contract because  
21 it had to lower its price in competition with Chinese  
22 Imports to get the contract.

23                   In the third quarter of 2015 AMI again lowered  
24 its price for a contract with a defense contractor and still  
25 did not get the business. In the fourth quarter of 2015,

1 AMI lowered its price once again but was again informed in  
2 January 2016 by the defense contractor that it lost on the  
3 basis of price. As detailed in AMI's questionnaire  
4 response, those lost sales have had a significant negative  
5 impact on AMI resulting in decreased production, sales,  
6 profits and employment.

7 Lost profits on sales has resulted in our  
8 noncompliance with borrowing covenants with our bank,  
9 thereby impacting AMI's ability to invest in its business  
10 and its ability to grow. With Navy purchases of ASF at much  
11 lower levels than prior years due to budget constraints  
12 coupled with the migration of contractor purchases to  
13 imports, demand for ASF from the Navy has been stagnant at  
14 best although there is a chance that defense budgets may  
15 improve. Other areas of the global industrial economy are  
16 now weakening, driven in large part by a glut of oil at low  
17 prices and a slowdown in China's demand for materials.

18 Besides shipbuilding and repair, other large  
19 users of ASF include steel production, forging, mining and  
20 power generation including nuclear. With so many industrial  
21 sectors affected by low oil prices and a strong U.S. dollar,  
22 sales of ASF in the U.S. will continue to be negatively  
23 affected. All this should be put in the context of what is  
24 happening in China. There is a significant economic  
25 slowdown in China with economic growth at its slowest pace

1 in a quarter of a century. To make matters worse, China has  
2 devalued its currency twice, making Chinese Imports in  
3 general and Chinese Imports of ASF in particular, much  
4 cheaper. The devaluation of the Chinese currency by nine  
5 percent in the past year has led to even more aggressiveness  
6 by importers of Chinese ASF.

7 There are several producers of Chinese ASF in  
8 China. Some companies such as ACIT have recently opened new  
9 production facilities. I believe that significant excess  
10 capacity exists in China and that exports of ASF are both  
11 dumped and subsidized. This has allowed importers of ASF to  
12 aggressively undercut AMI's prices. As we all know, most  
13 consumer-related textile manufacturing has moved overseas.  
14 AMI, along with other advanced textile manufacturers like us  
15 is one of the few remaining industrial textile producers in  
16 the United States. I believe it is only one of a handful of  
17 small specialty producers in New England.

18 Without relief from dumped and subsidized  
19 low-priced Chinese Imports, it will become increasingly  
20 difficult for AMI and the U.S. Industry producing ASF to  
21 continue making this product. AMI does not want its ASF  
22 business to suffer the same fate as much of the U.S. Textile  
23 Industry, being replaced by Chinese Imports. Moreover, if  
24 AMI and the Domestic Industry producing ASF are no longer  
25 able to produce this product, the Navy will be required to

1 purchase all of their requirements of ASF from China or  
2 other imported sources.

3 We hope that the Navy does not go down that road  
4 because the more products it purchases exclusively from  
5 imported sources, the more vulnerable we are regarding  
6 defense much like U.S. concern about rare earth minerals and  
7 sensitive electronics used in weaponry due to compromised  
8 quality standards and supply distortions. In addition,  
9 there is no assurance that the Chinese prices to U.S.  
10 Government would remain low without U.S. Competition. Yes,  
11 AMI is a small company but if AMI and the U.S. Industry are  
12 no longer able to make ASF profitably it will continue the  
13 hollowing out of the U.S. industrial base, especially for  
14 advanced textiles.

15 As a member of the National Council of Textile  
16 Organizations and its Government Contracts Committee as well  
17 as the Industrial Fabrics Association International and a  
18 member of the Industry Trade Advisory Committee for  
19 Textiles, that's ITAC Thirteen, I am making a stand for U.S.  
20 Produced Industrial Textiles because I believe it is  
21 essential not only to my business or not only to my industry  
22 but also to our National security.

23 On behalf of AMI, I thank you for this  
24 opportunity to testify before the Commission Staff. I  
25 sincerely hope that the Commission provides the requested

1 relief from the dumped and subsidized Chinese Imports of ASF  
2 which have adversely effected and impacted the Domestic  
3 Industry and threatened to harm it further.

4 Thank you.

5 MR. HEFFNER: Thank you, Ms. Leonard.

6 We would now like to turn to Garrett VanAtta. We  
7 have some samples and we also have a handout.

8 STATEMENT OF GARRETT VAN ATTA

9 MR. VAN ATTA: Good morning. My name is Garrett  
10 VanAtta. I am Vice President of Innovation Engineering at  
11 AMI. I have worked at AMI for three years and I have an  
12 addition ten years of experience in the textile industry as  
13 an industrial engineering manager and knitting plant  
14 manager. I would like to describe in detail AMI's  
15 production process for amorphous silica fabrics.

16 There are five major processing steps involved in  
17 AMI's production of ASF. You can refer to the prepared  
18 photo handouts that we have passed around earlier, I  
19 believe, as well as some fabric samples in a binder that are  
20 going around.

21 AMI starts with the purchase of fiberglass yarn,  
22 but some Chinese producers may actually produce their own  
23 fiberglass yarn. So I will start with a brief description  
24 of the fiberglass yarn-making process.

25 Furnaces melt silica, sand, limestone, kaolin

1 clay, flurorspar, colemanite, dolomite, boron, and other  
2 materials into a liquid form. The liquid mixture is then  
3 extruded through bushings which produce fiberglass  
4 filaments. The filaments are coated with a chemical  
5 solution.

6 Next the individual filaments are bundled,  
7 twisted, and cleaned to result in a soft strand of fiber  
8 that is called a roving. The diameter of the filaments and  
9 the number of filaments in the roving may vary resulting in  
10 differences that are measured as text or cotton count. The  
11 fiberglass is then formed into yarn and the yarn spools are  
12 then placed into an oven to dry the chemical solutions.

13 Warp yarn is first treated with a finish to  
14 assist the weaving process. The warp yarn is then plied  
15 with other like-size yarns and can be wound onto large  
16 stainless steel beams with a precise number of yarns  
17 required to weave a specific weight and width of fiberglass  
18 fabric. Or the warp yarn can remain on the individual  
19 spools to be run from a creel. The fill yarn may also be  
20 plied and are wound onto plastic bobbins. The bobbins are  
21 fed into the loom from the side.

22 In addition to plying and finish treating, the  
23 yarn may go through a texturizing process. This process  
24 injects air into a plied yarn bundle which separates yarn  
25 strands and thereby increases the yarn diameter. The

1       texturized yarns are also treated with a finish to help the  
2       weaving process.

3                 The texturized yarns are wound onto beams or  
4       bobbins. AMI purchases its fiberglass yarn and begins its  
5       production process with yarn preparation. In weaving there  
6       are two types of yarn, warped yarn and fill yarn. Fill yarn  
7       is also known as "weft." The warp yarn is the lengthwise or  
8       longitudinal thread in a roll while the fill yarn is the  
9       transverse thread.

10                After yarn preparation AMI begins the weaving  
11       process. The beams are placed at the rear of the loom and  
12       are drawn into the machine by hand. AMI uses automated  
13       looms. The yarns feed into the weaving process may be  
14       pulled from several different sources including bobbins or  
15       creels. AMI also draws warped yarn from several sectional  
16       beams with one bobbin to string a strand of fill yarn  
17       cross-sectionally. Some processes may draw warp yarn from a  
18       warp beam rather than a sectional beam. Fiberglass cloth  
19       may be woven in various patterns and may be woven in two  
20       different widths. Standard widths are 60 inches and 36  
21       inches. Most of AMI's material is 36 inches.

22                The cloth is woven with a selvage edge. Beyond  
23       the selvage are ends of fill yarns that must be trimmed.  
24       The finished cloth is wound onto a cardboard core and then  
25       cut for delivery to the next processing stage. At this

1 point the woven cloth is white.

2 The next production stage is heat cleaning. The  
3 cloth is unwound and run through a heat cleaning oven at a  
4 temperature of approximately 1300 degrees Fahrenheit. The  
5 heat cleaning process removes starches and oils from the  
6 cloth that were applied in the yarn preparation stage to  
7 make weaving easier.

8 At this point the cloth is a light brown color.  
9 The cloth is then rewound onto special leaching cores. AMI  
10 understands that some Chinese producers may skip the heat  
11 cleaning stage choosing instead to coat the cloth in a  
12 vermiculite solution during a later step in the process.

13 After heat cleaning, the spooled cloth is placed  
14 in vats with a solution of hydrochloric acid or HCL. The  
15 HCL is heated to approximately 120 degrees Fahrenheit, the  
16 leaching process takes about seven hours in most cases. The  
17 leaching process removes essentially all of the material  
18 from the fiberglass cloth except the silica itself. The  
19 leaching process consists of transfer of the rolled cloth to  
20 a leaching vat. Multiple process tanks are used in the  
21 leaching process such as the HCL storage tank, a  
22 neutralization tank, and acid rinse water tanks.

23 The fabric rolls are leached and washed during  
24 the seven-hour period. AMI adds lime to the water as part  
25 of the neutralization process before the water is disposed.

1           After leaching process, the silica content  
2           generally is 90 percent or higher. AMI's industrial grade  
3           ASF is at least 96 percent silica.

4           After the role is removed from the leaching bath,  
5           they are unrolled and run through a drying and coating  
6           machine. The cloth then runs through a trough containing  
7           acrylic latex compound solution which contains silicone oil.  
8           The silicone oil is applied to lubricate the material to  
9           prevent breakage. For abrasion resistant versions of  
10          industrial grade ASF, the cloth goes through a second round  
11          of drying and coating with a heavier silicone oil applied.

12          The abrasion resistant products may be tinted a  
13          different color by adding a dye into the second pass coating  
14          dip. Sometimes this is the end of the process for producing  
15          industrial grade ASF. However, some production orders  
16          require a final coating stage which may include silicone,  
17          aluminum foil, or pressure-sensitive adhesive. Silicone  
18          coating at this stage is a heavy viscous material and is  
19          different than the light silicone treating at the earlier  
20          coating stage. Pigments may be added to the silicone  
21          coating to achieve a particular color.

22          After manufacturing industrial grade ASF is  
23          labeled and packaged for shipment. Packaging is important  
24          because the silica fabric is brittle and could break easily  
25          without proper packaging.

1           Industrial grade ASF is rated by the ANSI FM4950  
2           standard. This standard rates the ability of the fabric to  
3           withstand heat for various industrial-grade applications.  
4           ASF that achieves the highest rating is called a welding pad  
5           and can be used directly under a hot work operation such as  
6           welding or cutting. ASF with welding pad ratings are needed  
7           for severe exposures such as pouring of hot, molten  
8           substances, or heavy horizontal welding. ASF that achieves  
9           an intermediate rating is labeled as a welding blanket and  
10          can be used for horizontal applications with light to  
11          moderate heat exposures.

12                 Finally, the lowest of the three ratings is  
13          called a welding curtain. Welding curtains are used for  
14          vertical operations with light to moderate exposure.

15                 In addition to industrial grade ASF, there are  
16          other amorphous silica fabric products that are not included  
17          in the scope of our petition, but that I will describe for  
18          the Commission's benefit.

19                 First is a separate product called aerospace  
20          grade ASF which is used in pre-impregnated materials which  
21          are then incorporated into a downstream composite product  
22          that operate at extreme high temperatures. Aerospace-grade  
23          ASF requires an additional step of preshrinking the ASF by  
24          heating it through a special oven. The purpose of this step  
25          is to prevent the ASF from shrinking at extremely high

1 temperatures that it's used for such as part of the  
2 protective outer layer for ballistic missile reentry  
3 vehicles.

4 Aerospace grade ASF generally does not include  
5 the abrasion resistant silicone or other coatings that are  
6 used for investor grade ASF because the product is being  
7 designed strictly for extreme temperature resistance.  
8 Abrasion resistance and breakage does not tend to be an  
9 issue for aerospace applications because the ASF is  
10 physically incorporated into a downstream product like a  
11 missile nosecone.

12 Also, historically aerospace-grade ASF required  
13 use of specially controlled sourcing of fiberglass. In  
14 general aerospace-grade ASF is significantly more expensive  
15 to produce than industrial grade ASF and sells at a higher  
16 price.

17 AMI is in the industrial grade ASF business and  
18 has only recently explored entering the market for  
19 aerospace-grade ASF.

20 Finally, there are various other products that  
21 are made with some form of ASF as a starting point including  
22 rope, tubing, and tape. ASF rope is round unlike ASF fabric  
23 which is flat. ASF tubing is also round with a hole down  
24 the middle of it. Rope and tape are typically used as  
25 gasket materials on flanges or oven doors which require

1 thicker texturized material than ASF cloth. Tubes are  
2 typically used as gasketing or hose or wire covers. Unlike  
3 ASF cloth rope and tubing are manufactured on circular  
4 knitting or braiding machines. Tapes are either woven on  
5 narrow looms or slit from wider fabric, however tape made  
6 from slit fabric will unravel. So tapes are normally  
7 laminated to foil, aluminized plastic or pressure-sensitive  
8 adhesive.

9           Although AMI makes these products, again, these  
10 products are not within the scope of the petition. I'm  
11 happy to answer any questions that the staff or Commission  
12 might have about our products and our processes. Thank you  
13 for your time.

14           MR. HEFFNER: Thank you, Mr. VanAtta. I'd like  
15 to now turn it over to Mr. Ferrin of Drinker Biddle.

16                           STATEMENT OF RICHARD FERRIN

17           MR. FERRIN: Good morning, I'm Richard Ferrin of  
18 Drinker, Biddle, and Reath, counsel to AMI. The purpose of  
19 my testimony is to outline AMI's view on like product.

20           AMI believes that the Commission should focus its  
21 injury and threat of injury inquiry on the domestic industry  
22 producing industrial-grade amorphous silica fabric. As  
23 detailed in the petition, AMI believes that industrial-grade  
24 ASF is a separate like product from aerospace-grade ASF.

25           The Commission recognized the distinction between

1 the two grades since the 1987 determination and should do so  
2 again in this investigation for essentially the same  
3 reasons.

4 AMI also believes that industrial-grade ASF is a  
5 separate like product from rope, tubing, and tape.

6 First, look at industrial grade versus aerospace  
7 grade ASF. First, industrial-grade and aerospace-grade ASF  
8 have different uses and physical characteristics.

9 Industrial-grade ASF is primarily used for welding  
10 protection whereas aerospace-grade ASF is primarily used to  
11 make pre-impregnated material for composites unique to the  
12 aerospace industry such as missile reentry vehicle heat  
13 shields.

14 Second, the production process for  
15 aerospace-grade ASF differs from industrial-grade ASF. As  
16 Mr. VanAtta explained, these downstream aerospace products  
17 operate at extreme temperatures which requires an additional  
18 step of preshrinking the ASF by heating it in a special  
19 oven. This preshrinking step helps improve the performance  
20 of the fabric in ultra-high temperature applications. But  
21 at the same time it also means that the ASF cannot have a  
22 binder or coating which means the ASF has a lower breaking  
23 strength and lower abrasion resistance.

24 In other words, aerospace-grade ASF will remain  
25 dimensionally stable at higher temperatures than

1 industrial-grade ASF, but it is more brittle. The  
2 brittleness does not matter much for aerospace applications  
3 because the ASF is encased with a hardened epoxy in the  
4 composite component.

5 Third, aerospace-grade ASF typically has a  
6 minimum silica content of 98 percent compared to 96 percent  
7 for industrial-grade ASF. Again, this improves high  
8 temperature performance but makes the fabric more brittle.

9 Finally, historically, aerospace-grade ASF has  
10 required much more careful monitoring of the fiberglass  
11 input through the use of what is called locked glass yarn in  
12 the industry. This means that the fiberglass has to be  
13 fully traceable to the glass source materials for the  
14 fiberglass. Lot glass starts with glass beads which are  
15 used as a raw material in order to ensure purity. The glass  
16 beads are melted to form the yarn.

17 Industrial-grade ASF and aerospace-grade ASF also  
18 have a significant difference in manufacturing facilities.  
19 Again, aerospace-grade ASF requires a special oven to  
20 preshrink the fabric before it can be impregnated into  
21 downstream aerospace products. Industrial-grade ASF, on the  
22 other hand requires no preshrinking oven, but does often  
23 require the use of various special vinyl coatings such as  
24 silicone which is a separate step in the process, but is not  
25 relevant to aerospace-grade ASF.

1           Industrial-grade ASF is not interchangeable with  
2 aerospace-grade ASF. Industrial-grade ASF cannot be  
3 substituted for aerospace-grade ASF because it is not  
4 preshrunk and therefore it cannot perform properly in  
5 aerospace applications. Moreover, aerospace-grade users  
6 cannot simply preshrink industrial grade ASF to make  
7 aerospace-grade ASF because aerospace-grade ASF requires  
8 traceability of the fiberglass input that typically is not  
9 provided for fiberglass source for industrial-grade  
10 applications.

11           On the other hand aerospace-grade ASF cannot be  
12 used for industrial-grade ASF applications because the  
13 aerospace-grade product does not meet breakage or abrasion  
14 resistance requirements.

15           Customers perceive industrial-grade ASF and  
16 aerospace-grade ASF as entirely different. Aside from lack  
17 of interchangeability I just mentioned, customers would not  
18 substitute one for the other because aerospace-grade ASF  
19 generally is much more expensive than industrial-grade ASF.

20           The channels of distribution for industrial-grade  
21 and aerospace-grade ASF differ. Aerospace-grade ASF is sold  
22 to intermediate manufacturers that use it as a component to  
23 impregnate in manufacturing downstream composites. On the  
24 other hand, industrial-grade ASF is either sold to  
25 distributors or is sold to end users that use it mainly for

1 shields against sparks and molten metal splash, refractory  
2 lining and furnace curtains and cover for ducting and pipes.

3 Finally, in terms of price, again,  
4 aerospace-grade ASF is significantly more expensive to make  
5 than industrial-grade ASF and commands a higher price. For  
6 all of these reasons the Commission should find that  
7 industrial-grade ASF and aerospace-grade ASF are separate  
8 like products just as it did in the 1987 investigation.

9 Now, let's turn to silica fabric versus rope,  
10 tubing and tape. The petition specifically excludes rope,  
11 tubing, and tape and AMI believes that these products are  
12 not part of the same like products as silica fabric. It  
13 should be obvious from the samples AMI has provided. Silica  
14 rope, tubing, and tape is physically different than silica  
15 fabric. Silica rope and tubing is round unlike silica  
16 fabric. Silica tape is flat, but is generally woven thicker  
17 than standard silica cloth. Also, silica fabric is  
18 generally woven with smaller diameter, lighter-weight  
19 filament yarns whereas silica rope, tubing, and tape use a  
20 larger diameter, heavier weight, texturized yarn.

21 Silica rope, tubing, and tape have different uses  
22 than silica fabric. Rope and tape are used mainly as  
23 gasketing materials on flanges or oven doors. Tubes are  
24 generally used as gasketing or hose or wiring covers.  
25 Industrial-grade silica fabric, on the other hand, is

1 generally used for welding protection. Silica rope, tubing,  
2 and tape use different manufacturing equipment than silica  
3 fabric. Specifically rope and tubing are manufactured on  
4 circular knitting or braiding machines. Tapes frequently  
5 are woven on narrow looms, although sometimes tapes are made  
6 from wider fabric that is slit. Where tapes are made from  
7 wider fabric, however, it will almost always be laminated to  
8 foil, aluminized plastic, or pressure-sensitive adhesive.

9 For these same reasons silica fabric is not  
10 interchangeable with silica rope, tubing, or tape. Rope and  
11 tubing must be made on special circular knitting or braiding  
12 machines and if a manufacturer tried to make rope or tubing  
13 with regular silica fabric, it would not work because it is  
14 so fragile. Tapes made from slit fabric are usually  
15 laminated on one side to some other material and therefore  
16 cannot be used in the same applications as silica fabric.  
17 These same physical differences are immediately apparent in  
18 customer perceptions. Customers would never consider  
19 switching between fabric on the one hand and rope, tubing,  
20 or tape on the other hand because they are simply totally  
21 different products.

22 Channels of distribution are different. Tapes,  
23 ropes, and tubing are usually sold through special  
24 distributors for maintenance repair and operations which  
25 sell gasketing materials. ASF fabric, however, is generally

1 sold to welding and other hot-work markets.

2 Finally, it is difficult or impossible even to  
3 compare the price of silica fabric with rope, tubing or tape  
4 because the dimensions of the products are so different and  
5 use different sizes and types of fiberglass yarns.

6 For all of these reasons the Commission should  
7 conclude that the domestic industry to be examined in this  
8 investigation is co-extensive with the scope of the  
9 petition, specifically excluding aerospace-grade ASF and  
10 excluding rope, tubing and tape.

11 Thank you.

12 MR. HEFFNER: Thank you, Mr. Ferrin. We will now  
13 turn to Jim Dougan of Economic Consulting Services.

14 STATEMENT OF JIM DOUGAN

15 MR. DOUGAN: Good morning. I'm Jim Dougan from  
16 Economic Consulting Services, appearing on behalf of  
17 petitioner AMI. While the questionnaire of record before  
18 the Commission at this preliminary phase is not yet  
19 complete, the data that are already available provide a more  
20 than reasonable indication that the domestic industry has  
21 suffered material injury.

22 First with respect to volume. As shown in slide  
23 1, based on public import statistics using the codes in the  
24 petition, the quantity of amorphous silica fabric imported  
25 from China increased by 48 percent from 2013 to 2015. These

1 data show not only significant volumes, but significant  
2 increases in volume.

3 Now, I'd like to take a moment to address some of  
4 the statements of Mr. Grimson from his opening statement. I  
5 think petitioners have always acknowledged that the HTSCs in  
6 the petition are basket categories. And there is certainly  
7 a hope and an expectation that importer questionnaire data  
8 will provide more clarity and more precision about what  
9 specifically among those or what exactly the volume are.

10 But even if the questionnaire data that are  
11 currently on the record are the best metric that we have,  
12 they definitely show that imports from China dwarfed the  
13 domestic production. And we believe that the questionnaire  
14 data on imports are far from complete at this stage. We  
15 encouraged the Commission to compare the foreign producer  
16 data on exports to the U.S. market versus the importer data  
17 on imports from China. There is a very substantial gap.  
18 And even so, we do not believe that all of the foreign  
19 producers who export to the United States have provided  
20 questionnaires.

21 These data should not be affected in any way by  
22 the nonsubject merchandise that is captured in the basket  
23 categories. So, again, there is -- so that way any  
24 uncertainties associated with HTS classification aside, the  
25 questionnaire data on the record provide a more than

1 reasonable indication that imports from China are causing  
2 adverse volume effects to the domestic industry.

3 Specifically AMI's production, capacity,  
4 utilization, and shipment volume have all declined  
5 substantially over the POI. This is a result of sales lost  
6 to unfairly traded imports.

7 As shown at slide two, and as discussed in the  
8 petition and as will be discussed in more detail in our  
9 post-conference brief, these lost sales to just a single  
10 customer represented a very significant portion of AMI's  
11 sales in 2014 2015. But for these lost sales the domestic  
12 industry sales, production, and shipments would all have  
13 been substantially higher.

14 The domestic industry is also experiencing  
15 adverse price effects. Petitioner's average unit net sales  
16 value declined from 2013 to 2015 while import prices have  
17 been significantly lower and declining, showing price  
18 depression by reason of imports.

19 AMI's COGS to sales ratio increased over  
20 the POI which demonstrates price suppression.

21 And finally the pricing data available thus far  
22 show rampant underselling. We will provide a more thorough  
23 analysis of price effects in our post-conference brief.

24 Moreover, the lost sales -- excuse me, the lost  
25 sales discussed earlier have a kind of counter-intuitive

1 effect on the prices observed in the questionnaire data as  
2 shown in slide three. While the lost sales have led to  
3 significant decreases in sales volume, the fact that AMI  
4 lowered its prices and still lost these sales means that had  
5 the sales been awarded, the average selling prices for AMI  
6 would have been significantly lower. Without these sales  
7 AMI's prices appear to have increased late in the POI, but  
8 in actuality, they simply exclude sales to a particular  
9 customer who is particularly price sensitive. Thus, AMI  
10 experienced a tradeoff between lower volumes and lower  
11 prices. Making the sale would have helped their volume  
12 indicators, but harmed their pricing indicators. Not making  
13 the sale made their price levels look higher than they would  
14 otherwise have been, but led to significant adverse volume  
15 effects.

16 In either case, they are substantially worse off  
17 than they would have been without the presence of large  
18 volumes of unfairly traded imports in the U.S. market.

19 Finally, the domestic industry has suffered  
20 adverse impact by reason of subject imports. Petitioner's  
21 operating income margin plummeted from 2014 to 2015  
22 concurrent with the increasingly significant amount of lost  
23 sales. This has led to a reduction in working hours and  
24 headcount and also forced AMI to cut back on or cancel  
25 further investments in their ASF business.

1           In short, petitioner submits that the record  
2 provides more than a reasonable indicator of current  
3 material injury. The domestic industry's performance is on  
4 an unsustainable path and unless a trade remedy is imposed,  
5 the domestic industry is threatened with further injury.

6           And threat will be discussed in more detail by  
7 Mr. Heffner.

8           Thank you.

9           STATEMENT OF DOUGLAS J. HEFFNER

10           MR. HEFFNER: Thank you, Mr. Dougan for your  
11 discussion of material injury.

12           I would like to turn now to threat. This is Doug  
13 Heffner.

14           First, as alleged in volume three of our  
15 petition, AMI presented evidence indicating that Chinese  
16 producers of industrial amorphous silica fabric benefit from  
17 export subsidies. Some of the subsidies that we listed  
18 there are preferential export financing, export sellers'  
19 credit, export buyers' credit, and export credit insurance.

20           Second, we believe that there is significant  
21 unused production capacity in China. And I'd just like to  
22 emphasize what Mr. Dougan was saying. We believe that there  
23 are many other producers out there of ASF. At least they  
24 sure advertise that way on the Internet. And we also will  
25 go into that more in our post-conference brief for you, but

1 we also believe that the record is not anywhere near  
2 complete because we have not received questionnaire  
3 responses from a lot of those producers. And we can specify  
4 those in our post-conference brief.

5 We would also like to point out that ACIT on  
6 their website they state that in order to meet an  
7 ever-increasing demand of ACIT's products worldwide, another  
8 state-of-the-art 160,000 square foot facility is being built  
9 30 miles from Shanghai and we believe that's already  
10 functioning.

11 So, not only has ACIT built a new facility that  
12 produces industrial-grade ASF, but we believe that it has a  
13 previous facility that still produces or is capable of  
14 producing the product.

15 Also, the record in this preliminary  
16 investigation is devoid of information about the number of  
17 Chinese producers and we believe that there's further  
18 evidence that will come out in a final determination. And  
19 then I'd like to just briefly comment about imports from  
20 China of products entering under what we believe are the  
21 correct HTS numbers. We don't believe that the HTS number  
22 that they're talking about is correct. Okay. We believe  
23 that it is the incorrect HTS code. Maybe they're using it.  
24 Okay. That's fine. Maybe they are using it. Maybe we'll  
25 go ahead and amend the petition and include that number.

1           But what we can tell you is that we believe that  
2 a lot of products are coming in under the HTS codes that we  
3 listed in the petition and, oh, by the way, when AMI exports  
4 their products -- their ASF around the world, they use one  
5 of the codes that we list in here.

6           So I just want to emphasize that the data show a  
7 significant increase in imports of industrial-grade ASF in  
8 2015 and point toward a finding of threat of injury. As Mr.  
9 Dougan testified in the last two quarters of 2015 AMI has  
10 lost two large contracts to Chinese producers despite the  
11 fact that AMI lowered its bid price significantly for the  
12 RFQs.

13           This indicates that the prices of ASF from China  
14 will enter at prices likely to have a significant depressing  
15 or suppressing effect on domestic prices.

16           Finally, a couple other factors. First China is  
17 in economic slowdown. This is significant because China is  
18 likely going to fall back on its same old model of exporting  
19 its way out of the jam that it's in with one of the more  
20 stable economies in the world, the U.S. is a very attractive  
21 market.

22           Second, China has intervened to devalue its  
23 currency. So it makes it much more attractive for Chinese  
24 exporters to sell to the United States.

25           And, you know, what we saw, this is what we've

1 actually seen in 2015, an increased aggressiveness from the  
2 Chinese. Look at the last two quarters where we have lost  
3 sales allegations there. We believe that that's very  
4 significant evidence of declining prices and lost sales due  
5 to Chinese imports and we'll get more into that in a minute.

6 So although we believe that there is a reasonable  
7 indication that dumped and subsidized imports have caused  
8 material injury, as outlined by Mr. Dougan, AMI also  
9 believes that there is a reasonable indication of threat of  
10 material injury.

11 Now, I'd like to turn to the very last exhibit  
12 that we have in this package here. And I'd like to ask Ms.  
13 Leonard some questions about this document here.

14 Ms. Leonard, can you tell us what this document  
15 is?

16 MS. LEONARD: Yes, Kathie Leonard, Auburn  
17 Manufacturing. This is one page out of an RFQ that came  
18 from a defense contractor to us to bid on ASF.

19 MR. HEFFNER: Okay. And can you go down to the  
20 box that says "reference part number" and discuss, there are  
21 what appear to be approved suppliers here.

22 MS. LEONARD: Yes.

23 MR. HEFFNER: Can you go through that?

24 MS. LEONARD: Yes. It's a bit curious. The  
25 first one is listed as Ametek, A-m-e-t-e-k, with a product

1 number of 188CH. Ametek is the parent company of a company  
2 called Haveg Industries that was one of the two major  
3 producers of silica fabrics for many, many years and in fact  
4 was one of the companies that participated in the 1987  
5 action against Japan.

6 Former employees -- well, that company Haveg  
7 actually got out of the business in the 1990s and their -- a  
8 few of their employees formed the company AVS with their  
9 blessing and in fact, I think those three initials, A-V-S  
10 stand for the folks that started the business who were  
11 formerly with Havig Industries. That number 188CH was their  
12 product number and as I understand it and understood it from  
13 Havig at the time, they allowed AVS to take that product  
14 number. They used a different name AVSIL, because you can  
15 go down two items and you see AVS Industries, AVSIL 188CH.  
16 It's exactly the same product number.

17 MR. HEFFNER: Okay. And so if -- you were saying  
18 that Ametek or Havig no longer produces the product.

19 MS. LEONARD: Right.

20 MR. HEFFNER: There's another company that's  
21 listed there.

22 MS. LEONARD: HITCO Marine. They are a producer,  
23 another U.S. producer.

24 MR. HEFFNER: Okay. And then there's you.

25 MS. LEONARD: And there's Auburn Manufacturing.

1 MR. HEFFNER: And there's AVS?

2 MS. LEONARD: And there's AVS.

3 MR. HEFFNER: Okay. Thank you. And why do you  
4 think that they're using the same number?

5 MS. LEONARD: My thought is that there's a  
6 perception at the end-user level that 188CH is a number  
7 that's in their systems -- in the end-user systems and that  
8 it's easy to transfer the business to another company that  
9 is selling the same product. And maybe even with the  
10 understanding that it is U.S. made.

11 MR. HEFFNER: And I'd just like to point out for  
12 the Commission that if Haveg or Ametek is no longer  
13 producing the product and we're claiming lost sales and  
14 there's only one other company, HITCO, I understand that  
15 they're going to be submitting a questionnaire response and  
16 they informed us that they have not made any sales at all to  
17 this defense contractor during the POI, period of  
18 investigation.

19 So the only company that's left is the AVS  
20 Industry Company and I'll note for the Commission that AVS  
21 Industries did not file a U.S. producer questionnaire  
22 response.

23 Thank you.

24 MR. ANDERSON: Thank you, Mr. Heffner. And I  
25 want to express my thank you to the panel for being here

1       today, and for your testimony and your providing us your  
2       information.

3               We would now like to turn the time over to staff,  
4       and we will start with our attorney, Mr. St. Charles.

5               MR. ST. CHARLES: Thank you. And thank you for  
6       coming. Your testimony is helpful.

7               For considering the domestic like product, most  
8       of what you said is in your Petition, as I understand it,  
9       and as you point out a lot of discussion at least on the  
10      aerospace was considered in 1987. And a lot of what you're  
11      saying today repeats that.

12              What I am curious about is the price difference  
13      issue for both the aerospace and for the rope, et cetera.  
14      You say you can't compare the rope, and I think it's also  
15      called sleeving at one date, is it possible to find some  
16      basis to compare them on price, instead of simply concluding  
17      that it's impossible? Is there some weight, or some other  
18      criteria you could use so that we're able to discuss in the  
19      Commission's final analysis the price issue?

20              MR. HEFFNER: Sure. You're talking about for rope  
21      sleeving tape?

22              MR. ST. CHARLES: I'm also talking about the  
23      aerospace because you say there's--one time you said it's  
24      generally much higher. Then you said it's always much  
25      higher. And I'd just like to get an idea of what the ratios

1 are. Is it like three times higher? Is it like twenty  
2 times higher?

3 MR. HEFFNER: Doug Heffner for Drinker Biddle. We  
4 will provide that to you in the post-conference brief.

5 MR. ST. CHARLES: And if you could, on this  
6 document you were discussing, your ultimate point is not  
7 clear to me.

8 MR. HEFFNER: Our ultimate point is that we  
9 believe that AVS is the one selling to the--to this defense  
10 contractor, and that is part of our lost-sales allegation.  
11 And for reasons of confidentiality, we can't get into  
12 exactly what that means here. However, you can, if you look  
13 at the lost-sales allegation and compare that to what--or  
14 the response on the lost sales, and compare that to what  
15 we're saying here, saying that if we didn't get the product,  
16 if we didn't get the contract, and if HITCO didn't get the  
17 contract, and if Ametek is not the company that's even  
18 producing the product anymore, the only other approved  
19 supplier that could get that contract would be AVS.

20 So we encourage you to compare that to the  
21 response concerning the lost-sales allegation that is on the  
22 record in this case.

23 MR. FERRIN: This is Richard Ferrin. One other  
24 thing I would add--we don't need to get into the  
25 confidential response--but the question that the Commission

1 asked I believe in the lost-sales allegation was whether it  
2 was to a U.S. producer, or to a Chinese producer. They  
3 didn't ask who the name of the producer was.

4 So there may well be a misunderstanding somewhere  
5 along the line of who the producer--the country of origin of  
6 the producer that got that sale in question.

7 MR. HEFFNER: And if I can also add--this is Doug  
8 Heffner again--that if you look at the product numbers  
9 again, I mean, as Ms. Leonard was testifying, there could be  
10 some confusion because a U.S. company that produced it in  
11 the United States had a product code of 188CH, and now that  
12 same code is being used by what we believe is an importer of  
13 Chinese product.

14 MR. ST. CHARLES: Thank you. And you may get  
15 further questions from Ms. Preece, our economist, who has  
16 the most hands-on experience and role in these  
17 investigations on lost sales.

18 When you refer--since we're talking about defense  
19 contractors, have you done anything to resolve what you call  
20 the ambiguity about the Berry Amendment and whether it  
21 applies to contractors, as well as the military directly?

22 MR. HEFFNER: We're working with people on the  
23 Hill right now to try to solve that.

24 MR. ST. CHARLES I have no further questions.  
25 Thank you.

1 MR. ANDERSON: Thank you, Mr. St. Charles.

2 Now we'll turn it over to Ms. Preece.

3 MS. PREECE: Thank you. Thank you for coming.

4 It's always good to see the industry here.

5 I am going to follow up on Charles' question.

6 You know who the lost sale is, the firm involved, and your  
7 allegation of lost sales, and so I would like you to provide  
8 me with the quantity that you sell to that firm for the--for  
9 each year during the period of this investigation, just so  
10 we can figure out what's, you know, clearly what's going on,  
11 as much as we can.

12 Obviously everything is never going to be clear,  
13 but as much as we can I'd like to get some clarity.

14 MR. HEFFNER: That is not a problem. This is Doug  
15 Heffner again. That is not a problem. We would be glad to  
16 do that. We would also ask that you do that for the other  
17 side, that you ask the other side that same questions.

18 MS. PREECE: Well they don't know the name of the  
19 firm involved.

20 MR. HEFFNER: Right.

21 MS. PREECE: So it's not so easy for them to tell  
22 us how much they sold to a firm that is unnamed, as it is  
23 for you to tell me what you sold to a firm that you've  
24 named.

25 MR. HEFFNER: Okay.

1 MS. PREECE: I mean, I just can't imagine how they  
2 would get that information. So, you know, if you can give  
3 me an idea of how I would ask for that, I would--

4 MR. HEFFNER: What if they gave you the sales in  
5 '13, '14, and '15 to their top 10 customers?

6 MS. PREECE: Well, we're asking for something now  
7 later--I mean, this you can do easily within the time we are  
8 doing the case. So I hope that at least this will give us  
9 some light on this. I would--maybe in the final this would  
10 be something we can, if there is a final, we can ask for.  
11 But I don't really want to go there now.

12 Okay, you've specified a product which is this  
13 industrial product called ASF. And we've talked about many  
14 uses for it. However, what comes out of your discussion of  
15 this is the importance of military and Buy American demand  
16 in that, the total demand for this product.

17 Are most of your sales for industries that are  
18 limited to Buy American by the Berry Amendment, or the Berry  
19 Amendment to--I mean, let's link those two together.  
20 There's a Buy American Program, and you say there's a Berry  
21 Amendment, and I want to know for your sales how--what share  
22 of your sales to do you perceive as being covered by these  
23 two legal structures?

24 MR. HEFFNER: Doug Heffner again, DBR. We will  
25 provide that in a post-conference brief, because that is

1 obviously business confidential. But we can definitely  
2 provide that. But what I would like to add is, there's a  
3 difference in what we're saying when you're selling directly  
4 to the Navy versus if you're selling to a contractor to the  
5 Navy, on whether Buy America or Berry Amendment is being  
6 applied.

7 MS. PREECE: Yes. I would also like to know how  
8 much of what you sell is clearly not covered by either Berry  
9 or Buy American. So to those welders out in the global  
10 welding world that is not the Navy but these other people.

11 There seem to be a number of different uses for  
12 your ASF. It's hard for me to do that one. ASF. For the  
13 material that you sell, are you being used in all of the  
14 uses that ASF is used in? Or are there specific end uses  
15 that your product tends to be used for?

16 MS. LEONARD: Kathie Leonard. We sell a good  
17 portion of the product through distribution. So we don't  
18 always know exactly where the products are used as end uses.  
19 But these materials, the majority of the fabrics, are made  
20 to meet a military specification that was written by the  
21 Navy for welding protection.

22 And so these materials do meet that  
23 specification. They also have been tested and approved by  
24 FM approvals for use as hot-work protection, which is  
25 primarily welding. "Hot work" encompasses more than

1 welding. There's heat-treating and other hot-work  
2 activities.

3 So I do believe that most of the silica fabric  
4 that we sell and we make goes into hot work protection  
5 applications. Does that answer your question?

6 MS. PREECE: Well, we're working on it. Along the  
7 same lines--and I'm probably going to be getting this  
8 information from you from your brief--but anyways, you have  
9 this military classification, I don't know what it's called--  
10 -"standard," let's call it that, this military standard  
11 which is MILC? Is that correct? And is that the only  
12 military standard in this product? Is there another  
13 military standard? Do you sell any other military  
14 standards? Or is this just sort of a--I mean, I have this  
15 MILC 24576. Is there a 24577?

16 MR. VAN ATTA: I can try to--I guess, yeah, the  
17 mill spec that you're referring to is for amorphous silica  
18 fabric. In the mill spec it actually covers the two  
19 weights, major weights of fabric, both the 18-ounce and the  
20 36-ounce. But that's really the military standard for these  
21 products. We don't really deal with any other ones related  
22 to that.

23 MS. PREECE: Okay, so there's just one military  
24 standard for silica fabric. And it's--that's fine. That's  
25 fine. I just was trying to get my mind around this because,

1       you know, we don't--I'm ignorant. So how much of the  
2       product you sell is sold under this standard?

3               MS. LEONARD: That standard is applicable to two  
4       of the amorphous silica fabrics that we make. So--and it's  
5       on the data sheet. So we don't always know where it might  
6       be going, but those two products meet that standard.

7               So I guess the question is, then, what portion of  
8       our sales are with those two products.

9               MR. HEFFNER: Right. And that we can provide you  
10      also, but in the post-conference brief because obviously,  
11      again, it's business proprietary. But we would like to  
12      emphasize that that standard is also a standard that's used  
13      in the industry because it's sort of the gold standard, if  
14      you will. And that standard, or the common standard that  
15      has been developed since I think you said 1949 has been  
16      around, and people, a lot of users that aren't military will  
17      actually ask for that spec.

18              MR. DOUGAN: Ms. Preece, Jim Dougan from ECS. If  
19      I could just add on to that. A lot of the discussion in the  
20      Petition and in our presentation today has focused on actual  
21      defense contractors or the Navy. And that is because in  
22      terms of providing a causal link with respect to injury, if  
23      there is an RFQ process where it is a particular spec that  
24      should be interchangeable, and what we understand to be a  
25      limited number of buyers, we can more easily show where a

1 lost sale occurs.

2 That doesn't mean that this is, you know, all or  
3 a majority even of the business. Because as Ms. Leonard was  
4 saying, in sales to distribution they may not necessarily  
5 know why their volume is going down, or to whom the eventual  
6 sale is made.

7 So it's a question of emphasis in terms of our  
8 injury presentation that may over-emphasize something versus  
9 how it is in their actual business. Would that be a fair  
10 statement?

11 MS. LEONARD: I agree.

12 MS. PREECE: Okay, so you produce--I'm still kind  
13 of--okay, so we've got the 18-ounce and we've got the  
14 36-ounce, and both of those that we use in the pricing  
15 product are through this military standard.

16 Are there other weights of this fabric that you  
17 produce that aren't covered by these military standards? Is  
18 that what I'm getting out of what you said?

19 MS. LEONARD: Kathie Leonard. You are absolutely  
20 correct. We make several other amorphous silica fabrics  
21 that do not meet the military specification. They do meet  
22 the silica content requirement, but they have different  
23 constructions. And that military specification,  
24 Mil-C-24576, only has the--has two weights of fabric with  
25 the mechanical specifications on how to make it.

1 MS. PREECE: Okay. Great. That's very helpful  
2 Okay, I've looked at your samples and it appears  
3 that when we talk about something called a "welding pad" or  
4 a "welding blanket" or a "welding curtain," it's the way the  
5 fabric is woven and the weight of the fabric that determines  
6 what you call what this product is? Is that correct?  
7 That's why, intuition from what I've seen, I just want to  
8 understand that better.

9 MR. VAN ATTA: Garrett VanAtta, Auburn  
10 Manufacturing. Yes, the different weights of the fabric and  
11 the construction do set up whether that fabric can be used  
12 in those three different types of applications. So we kind  
13 of described some of that in the testimony here, that  
14 there's an FM standard where we have our fabrics third-party  
15 tested. And they have to pass a specific ASTM test to be  
16 able to meet those specifications to be used either  
17 horizontally, vertically, or in a pad application where you  
18 can actually drop hot molten metal on top of them and it  
19 won't affect the piece of paper underneath them.

20 So very strict standards, and they are sort of  
21 based around the different constructions of the fabric.

22 MS. LEONARD: I'd just like to add to that--Kathie  
23 Leonard--that the FM standard is relatively new compared to  
24 the military standard. The military standard that exists  
25 was, as I said before, it's a mechanical specification. It

1 tells you what the weight, and thickness, and the strength,  
2 and so forth, need to be. But the FM 4950 standard is a  
3 performance-based standard. FM approvals. The laboratory  
4 designed that, the test criteria to test for hot-work  
5 applications. They try to replicate real-world, they call  
6 it, hot work applications.

7 So the products are all tested the same, you  
8 know, and then they're rated either as a curtain, a blanket,  
9 or a pad. Those are FM's ratings. And because we have the  
10 certification, we are required to pass that information  
11 along to the buyer.

12 MS. PREECE: Okay, okay. So, oh, yes, I remember.  
13 What's entailed in this testing? Do they test every bolt  
14 of fabric? I mean, I don't know what your fabric even comes  
15 in, but I'm always used to bolts of fabric. Do they test a  
16 piece of every bolt? Do they have to test every piece of  
17 every bolt? How do they do this testing?

18 You know, I hear the words "they're tested. They  
19 test it all," but I don't know what that means. So can you  
20 explain that to me, please?

21 MR. VAN ATTA: Without getting into all the  
22 details of the testing, but they do test--when a new product  
23 is developed and a certain weight of fabric and weaving  
24 construction, types of fibers, et cetera, at the initial  
25 development of that product, once it's been, you know, sort

1 of fully developed, it's tested once by sending them--  
2 actually, they come up to the plant. They cut pieces of  
3 fabric off the production system. They bring it down to  
4 their facility where they actually do the testing.

5 After that, after it gets approved as either a  
6 welding blanket, a pad, or a curtain, you get the approval.  
7 We actually apply a labeling and printing and different  
8 things to the fabric so that the end user understands  
9 exactly what type of material they're using.

10 And then there are actually yearly audits where  
11 the FM approvals actually comes back out and retest to make  
12 sure that you're still applicable.

13 MS. LEONARD: And just to tack onto that. If any  
14 change is made in the components to that fabric, as an FM--  
15 approved product you're required to submit a form asking for  
16 a variation of any kind.

17 MS. PREECE: Okay, thanks. That's very helpful.  
18 You know, what does it mean when every bit of it's tested?  
19 Well, now I know.

20 Okay, I hear these words, and somebody told me  
21 something about a fire blanket. Is that a welding curtain?

22 MS. LEONARD: Kathie Leonard. A fire blanket is  
23 just a generic term that's used in the marketplace to mean a  
24 welding protection product. It could be a curtain. It  
25 could be a pad. You know, as I said earlier, the FM

1 approval rating system calls it a "pad," but "fire blanket"  
2 is a generic term.

3 MS. PREECE: Okay. That's helpful because you get  
4 these words, and people in the industry know what they mean  
5 but I don't know what they mean, and I'm certain the  
6 Commissioners wouldn't know what a fire blanket was. So  
7 that's very helpful.

8 How long do these things last? I mean, once you  
9 start welding with a pad, or a blanket, or a curtain, how  
10 frequently does this need to be re--I mean, you know,  
11 obviously this doesn't last forever. How long do they  
12 typically continue to be useable?

13 Give me your best guess. You know  
14 better than me.

15 MR. VAN ATTA: This is Garrett VanAtta, AMI. You  
16 know, it obviously depends on the application. If you're in  
17 a welding application where they're doing a lot of heavy  
18 cutting, welding, if the blanket or the curtain is very near  
19 the application, or next to the welding head, it's going to  
20 get heavier application of sparks and molten metal and  
21 things that are going to eventually over time deteriorate  
22 the product, again depending on the application.

23 But if they're using the correct curtain,  
24 blanket, or pad in the right application, I mean you could  
25 get anywhere from, or maybe it's in a heavy foundry

1 operation where they're actually wrapping molten castings,  
2 or hot castings and putting them in the heat-treating ovens,  
3 they're going to get abused a little bit more because  
4 they're wrapping around corners and things and this type of  
5 fabric, while it's very heat resistant it's not very  
6 abrasion resistant, it may only last a few castings in an  
7 application like that. If it's used in a welding  
8 application, it could be several days, weeks, or months  
9 before it has to be replaced.

10 MS. LEONARD: Kathie Leonard. I'll just add, once  
11 again, that the FM approval labeling has text on it that's a  
12 uses and limitations paragraph that we print on the labels  
13 that does explain. I believe it says--and we can supply you  
14 with a copy of that label--but I believe there's a specific  
15 number. It talks about if holes develop in the fabric,  
16 don't use it again, obviously. I mean it sounds obvious,  
17 but we need to say it.

18 So basically that's the test. If you see holes  
19 in it, it's not going to protect from molten metal. And it  
20 depends what you're doing as to how severe the hot work is  
21 as to how quick you're going to burn a hole through a  
22 fabric.

23 MS. PREECE: Okay, thank you very much. I've been  
24 hogging the mike, and I love to ask questions, so I will  
25 pass it on to somebody else. But I think I'm going to come

1 back and have other questions at the end, if they don't do  
2 it for me.

3 MR. ANDERSON: Ms. Klir, your turn. Thank you.

4 MS. KLIR: This is Mary Klir with the Office of  
5 Investigations. I would also like to thank this panel.  
6 It's very possible that my questions you will want to answer  
7 post-conference. So as we go through them, just let me know  
8 that, because they're going to focus on some costs,  
9 financial issues, just to give you a heads up.

10 What has been in the trend in the cost of  
11 fiberglass yarn in the last three years?

12 MS. LEONARD: In the cost?

13 MS. KLIR: In the raw material.

14 MS. LEONARD: In the raw material cost of  
15 fiberglass yarn over the last three years, it has been -- we  
16 only buy from U.S. suppliers -- and the price has been  
17 rather stable. It actually went up at one point and, yeah,  
18 but fairly stable.

19 MS. KLIR: Okay, thank you. Who are AMI's main  
20 suppliers of fiberglass yarn? And how is it typically  
21 purchased? Is it a one-year contract? Multi-year?  
22 Possibly spot? I'm thinking not, but you probably want to  
23 answer that later.

24 MR. LEONARD: I think we should probably give  
25 you that post-conference.

1 MS. KLIR: Yes, that's completely fine.

2 MS. LEONARD: Thank you, but I would be glad to  
3 do that.

4 MS. KLIR: Okay, thank you. Other than  
5 fiberglass yarn, what are the main cost components or cost  
6 drivers in the production of industrial ASF?

7 MR. VAN ATTA: So, some of the other, just main  
8 costs, without getting into details, and we can give you  
9 percentages for some other more specific costs info  
10 post-conference brief.

11 But, you know, energy is a big factor in a lot  
12 of the applications. And really it's a fairly capital  
13 intensive product as well, so it requires specialized  
14 equipment that's mainly just for making amorphous silica  
15 fabric, so those are two of the bigger drivers.

16 Obviously, from a raw material standpoint, we  
17 talked about the yarn is the biggest, but HCL, hydrochloric  
18 acid in the leaching process and the lime, they need the  
19 lime to be able to neutralize the water when they're done.  
20 The water usage, along with the energy.

21 MS. KLIR: Okay. Thank you. And if you want to  
22 add anything post-conference, anything's helpful, thank you.  
23 You mentioned that sometimes there's that final step, the  
24 final coating. Are there certain final coatings that are  
25 more common than others?

1                   MR. VAN ATTA: In the book that we passed  
2 around, I think one of the pages had amorphous silica fabric  
3 with the corner flipped over. You saw a little red corner -  
4 - that's a silicone coating. That's probably one of the  
5 higher volume types of coatings that we do put on the  
6 fabrics, as well as some additional abrasion resistance  
7 coatings that we mentioned in the testimony earlier,  
8 probably the two largest ones.

9                   MS. KLIR: Okay. Thank you. In general, I'm  
10 thinking you will want to answer this post-conference. How  
11 much does final coating add to the production cost and  
12 selling price of a product? And then approximately what  
13 percent of your reported 2015 sales reflect product that  
14 includes a final coating?

15                   MR. VAN ATTA: Correct. We'll answer those  
16 post-conference.

17                   MS. KLIR: Yes. Thank you. Then I have one  
18 more question when you're ready.

19                   MS. LEONARD: Oh, sure. Kathy Leonard. Your  
20 question about what percentage of the fabrics have coating  
21 on them. They all do. It's just a matter of how much.

22                   MS. KLIR: Right. I meant that final coating  
23 process.

24                   MS. LEONARD: Oh, final coating that we were  
25 talking about here --

1 MS. KLIR: It's the step 5 that sometimes  
2 occurs, I guess.

3 MS. LEONARD: All right, thank you.

4 MS. KLIR: So my final question for  
5 post-conference. Absent the effects of alleged unfair  
6 imports, what does AMI believe its operating income margin  
7 for industrial ASF would have been for the last three years?  
8 And that's all I have. Thank you very much.

9 MR. ANDERSON: Thank you, Ms. Klir. Now we'll  
10 turn the microphone over to Ms. Lundquist.

11 MS. LUNDQUIST: Good morning. Sorry. Thank you  
12 all for being here. I have some manufacturing questions, I  
13 think. Just going along the coating questions that Ms. Klir  
14 had, can you discuss the one-sided versus two-sided  
15 coatings? Are most only one-sided? In the cast of this  
16 silicone coating, is this only one-sided?

17 MR. VAN ATTA: A large percentage of the  
18 products that we manufac -- for the amorphous silica fabrics  
19 are done single-sided coatings. We have actually developed  
20 some double-sided coatings as well, but majority of what we  
21 do today are single-sided.

22 MS. LUNDQUIST: And are they only coated on one  
23 side because that single-side is the one that's exposed to  
24 the welding process or other heat?

25 MR. VAN ATTA: Yes, typically it's because an

1 end-user wants to keep water or oil or grease or something  
2 from getting on that side of the fabric. So they typically  
3 only need it protected from one side. The coating also adds  
4 some strength to the material as well, so typically by doing  
5 it the one-sided, it helps that.

6 MS. LEONARD: I just want to add that the  
7 coating does just what Garrett said. It has capability to  
8 withstand moisture, oil and so forth. It doesn't take as  
9 high a temperature as the silica fabric. So the product has  
10 a little more flexibility of use having the silica on one  
11 side, you know where you've got the higher temperature, at  
12 least on one side.

13 MS. LUNDQUIST: Okay, so it's the silica side  
14 that will be taking the heat, but the other coated side that  
15 will be protecting against water or oil?

16 MR. VAN ATTA: Yes, so this is the terminology  
17 which are both very close, silica and silicone, right. So  
18 the silica fabric -- believe me, I went through this for a  
19 year or so -- silica fabric is the high temperature fabric,  
20 so that will protect up to about 1800 degrees continuous  
21 operating temperature, the bare fabric alone.

22 The silicone coating, like the red coating you  
23 saw in the book, is only good to about 500 degrees or so.  
24 So that's helping as a moisture, water, oil, grease barrier  
25 type of thing. But knowing that if the entire fabric sees

1 something over 500 degrees, the silicone coating probably  
2 won't survive, but the fabric will still protect whatever's  
3 behind it. That's sort of the --

4 UNIDENTIFIED PARTICIPANT: The synergism.

5 MR. VAN ATTA: Right, to the design of the  
6 coated fabric.

7 MS. LUNDQUIST: Okay, so if I understand  
8 correctly then, if this product were to be exposed to  
9 something over 500 degrees, then the user would need to use  
10 a new welding blanket for their next process?

11 MR. VAN ATTA: That's probably correct. They  
12 want to still have the moisture resistance or whatever  
13 they're using the silicone piece for.

14 MS. LUNDQUIST: Thank you. Sorry to beat that  
15 over the head, but just so that I understand exactly what  
16 this product is.

17 Separate question. From your petition, there  
18 was a comment in there that inline leaching is less  
19 efficient than batch leaching and I was just curious as to  
20 why that was the case, if you have any information on that.

21 MR. VAN ATTA: We do a batch process. We feel  
22 that there's some better economies just because of the way  
23 you use the water, we use the water, some of the wash cycles  
24 and things and the time it actually takes. There's a time  
25 and a chemical reaction that has to happen with the fabric

1 and the hydrochloric acid and we just feel it's more  
2 efficient to do it in the batch process, from an energy and  
3 water consumption usage mainly.

4 MS. LUNDQUIST: Okay. But, other manufacturers  
5 I believe -- well, from the past case, they were using  
6 inline leaching and in that case, that was just a continuous  
7 process and would they have to shut down their process to  
8 change out the hydrochloric acid in that case?

9 MR. VAN ATTA: Garrett VanAtta again. So we're  
10 not intimately familiar with that process because we don't  
11 do it. We do understand that, you know, there's a way that  
12 you move the fabric through the process that you're going to  
13 be diluting that hydrochloric acid so you have to replace it  
14 at some point as it goes through the process. But we also  
15 think it tends to be much more water-intensive, you know,  
16 from an environmental standpoint can be difficult.

17 MS. LUNDQUIST: And then I have a separate  
18 question. To your knowledge, are there any other producers  
19 of ASF in the world other than those located in China,  
20 Belarus and Latvia? Have I gotten all of the countries?

21 MS. LEONARD: There's a producer in the United  
22 Kingdom and there is another producer in the U.S.

23 MS. LUNDQUIST: And then can I ask some  
24 questions about the silica cloth -- in the petition there  
25 was a reference to eighty percent silica cloth and that not

1 being a subject product, and can you just explain what the  
2 uses of eighty percent silica cloth would be, as opposed to  
3 ninety or ninety-six?

4 MR. VAN ATTA: Yes, so it's Garrett VanAtta,  
5 Auburn Manufacturing again. So we honestly don't see an  
6 advantage to cloth that's made less than the ninety percent  
7 silica content. And I think it was Kathy's testimony  
8 earlier, we talked about the fiberglass cloth, which is the  
9 base fabric to making silica cloth, is fifty-five percent  
10 silica to begin with.

11 So you're talking about elevating the silica  
12 content percentage from fifty-five to some number eighty,  
13 something less than ninety. We know that fiberglass cloth  
14 itself has a heat-resistance of continuous operating  
15 temperature of a thousand degrees. We know that silica  
16 cloth that's at ninety-six percent is stable up to eighteen  
17 hundred degrees Fahrenheit.

18 And that anything less than that, you start to  
19 lose stability in the fabric, that it doesn't want to  
20 perform the same way. It will maintain that heat resistance  
21 over long periods of time at that operating temperature.  
22 We've never really been asked for fabrics that are below  
23 ninety percent ever. It's not even like a -- we don't see a  
24 market there for that. Whether there is or somebody's  
25 willing to do that.

1                   The other piece of it is that the leaching  
2 process itself to convert fiberglass cloth into amorphous  
3 silica fabric is a chemical reaction, as well as a process  
4 that -- it's going to be as costly in our perspective to  
5 make a fabric that is slightly less silica content -- it's  
6 going to be as costly to make it at that level as it is to  
7 make something roughly ninety-six percent.

8                   So again, we don't see the advantage, as well as  
9 the fact that we know, and it's been tested, and that's what  
10 the mill spec was built around that, you know, ninety-six  
11 percent silica cloth has been tested enough in the industry  
12 as a standard to say it's going to protect you in these hot  
13 works applications.

14                   MS. LUNDQUIST: Okay, thank you. And just for  
15 my own understanding, is ninety percent silica cloth  
16 technically amorphous silica or is all silica technically  
17 amorphous? Like glass is technically amorphous. I'm not  
18 entirely sure of the use of the term -- it may or may not be  
19 important, but --

20                   MR. VAN ATTA: You know, amorphous silica fabric  
21 is the definition and I don't have it in front of me, but  
22 it's different than crystalline silica, and that sort of  
23 points to some of the health and safety issues that are out  
24 there with crystalline silica products. When you hear  
25 things of -- in other, referred to as silica, like in

1 grinding wheel applications, disc brakes, things where you  
2 create like a fine silica dust, there are some respirable  
3 issues there, so amorphous silica fabric typically talks  
4 about the fiber length and the respirability of the  
5 amorphous silica products which don't have any of those  
6 safety concerns.

7           And I'm sorry, to finish answering your  
8 questions, I think at all levels of that it would all be  
9 considered amorphous silica fabric.

10           MS. LUNDQUIST: And then I have a couple of  
11 questions about substitutable products, mostly from the  
12 previous case. In the 1987 case, they mentioned asbestos  
13 fabric and when I was looking -- I mean I understand there  
14 are environmental reasons that it's not really produced any  
15 more or used. But it seemed as though heavy duty asbestos  
16 fabric might have the same qualifications as ASF. Could it  
17 be considered a substitute?

18           MS. LEONARD: Asbestos was on the scene first.  
19 Right? And then asbestos textiles were used for these  
20 applications. They were banned in 1973 by OSHA in the  
21 workplace. So since then, that is really why I'm in  
22 business today, because we started the business to make  
23 substitutes for asbestos. And we make, like I said in my  
24 testimony, we make a lot of different products. They're all  
25 aimed at doing the same sorts of jobs that asbestos did, but

1 without cancer-causing characteristics.

2 MS. LUNDQUIST: Okay, thank you. And also  
3 the other question that I had about substitutes was  
4 aluminosilicate fabric. Is any of that -- does that have  
5 the same qualities as ASF?

6 MR. VAN ATTA: The aluminosilica type products  
7 are in the similar range of fabrics, and there are a variety  
8 of fabrics, and we make a lot of different fabrics that you  
9 could consider in the hot works protection, you know, fabric  
10 range. The aluminosilica products are more of a  
11 ceramic-based material. We're familiar with a lot of those  
12 as well.

13 And one of the things you have to understand is  
14 that these products all have a bunch of different physical  
15 characteristics that help in the application and so -- and  
16 also price points, right. So an aluminous -- a ceramic-type  
17 product is actually very expensive compared to our products,  
18 typically.

19 And they're probably that way because they  
20 actually can withstand -- if you have a much higher melting  
21 point, so where amorphous silica melts at about three  
22 thousand degrees, most of those ceramic products are good to  
23 thirty-two hundred or thirty-six hundred degrees Fahrenheit.

24 And they also have some other strength  
25 characteristics that may be better than an amorphous silica

1 product, but again, their price point may be much higher, so  
2 there's sort of trade-offs between a bunch of the different  
3 physical characteristics that allow you to say, you know,  
4 the amorphous silica kind of is targeted towards these hot  
5 works type applications where a lot of the ceramics go into  
6 more high temperature aerospace or even outer space  
7 components go.

8 MR. FERRIN: Excuse me, Kathy, weren't you going  
9 to talk about -- you mentioned at some point about the  
10 respirability issue with ceramic-based fabrics.

11 MS. LEONARD: Yes. We don't offer any ceramic  
12 textile products, and again, like I said, we started our  
13 company to make safe alternatives to asbestos. And the  
14 respirability, the fiber diameters of some of the ceramic  
15 products is in the -- gets close to the respirable range in  
16 terms of the micron size. And so, you know, there are  
17 concerns in the marketplace from time to time about the  
18 health and safety aspects, so we don't work with it.

19 MS. LUNDQUIST: Thank you. And then, I have  
20 another question. I'm sorry. In the petition it is  
21 mentioned that the fiberglass yarn comes from pultrusion and  
22 I just wanted you to explain that more, because my  
23 understanding was that pultrusion occurred with resin  
24 impregnation of fiberglass and that is usually to create a  
25 fiberglass profile.

1                   MR. VAN ATTA: I don't recall which portion that  
2 was in, but just to describe how the yarn is manufactured is  
3 typically sand and all these other minerals that I described  
4 earlier, put into a large furnace and are Titanium bushings  
5 with very small holes where this liquid glass is fed  
6 through. So it's sort of an extrusion/pultrusion type  
7 application where you're drawing the yarns and the glass  
8 through those bushings where then it cures and solidifies  
9 and becomes individual yarn strands. Does that clarify?

10                   MS. LUNDQUIST: And then one final question.  
11 Just about the other weights that you mentioned. Are all of  
12 the other weights between eighteen and thirty-six ounces?  
13 So there was one weight of twenty-four ounces that was  
14 mentioned. Are there a broader range?

15                   MS. LEONARD: Yes. The latest weight ASF we  
16 produce is a twelve ounce per square yard.

17                   MS. LUNDQUIST: And then you could technically  
18 do any weight in between? It's just eighteen and thirty-six  
19 are the most common?

20                   MS. LEONARD: Yes, well, eighteen and thirty-six  
21 ounce fabrics are the ones that are specified in the  
22 military standard, and that's why they're the most popular.  
23 They were the first ones on the block, and so everybody  
24 wants to offer those two products just the way the military  
25 spec requires. But we've, you know, because we are weavers,

1 because we're fully vertical in our operations, we've been  
2 able to produce variations on a theme, so to speak. And so  
3 we made a twenty-four ounce fabric. We've made a -- we have  
4 a forty ounce fabric, so we go higher. And a seventeen  
5 ounce, and I think that's it. But several other products  
6 that are still, like I said before, they're still ninety-six  
7 percent silica fabric.

8 MS. LUNDQUIST: Okay, thank you very much. I  
9 appreciate your time in answering all my questions.

10 MR. ANDERSON: Thank you, Ms. Lundquist. Now  
11 Ms. Letostak.

12 MS. LETOSTAK: Hi, thank you all for being here.  
13 I have no additional questions.

14 MR. ANDERSON: I'm going to now turn to Mr.  
15 Corkran, see if he has any questions.

16 MR. CORKRAN: Good morning, and thank you very  
17 much for your testimony. It was very interesting. I'm  
18 going to be asking questions both on my behalf and behalf of  
19 the Investigator Fred Ruggles, who unfortunately could not  
20 be here today because of illness.

21 My technical expertise is much less than Ms.  
22 Lundquist's, so if some of the questions I ask overlap with  
23 some that she's already asked, please bear with me. The  
24 first question I'm going to ask deals with data. And I just  
25 wanted to make sure that I'm characterizing data in the same

1 way that you are.

2 I'm going to turn to Mr. Dugan and ask, I  
3 believe your, your suggestion of the data that we should use  
4 for imports was -- look first to the importer questionnaire  
5 data, be cognizant of the fact that that is understated,  
6 then look to the foreign producer questionnaire, which may  
7 have greater coverage, but may remain understated. Have I  
8 characterized that correctly?

9 MR. DOUGAN: I think that that is true as far as  
10 it goes, but I also would say that -- because for a couple  
11 reasons, one, you know, there's an acknowledgement that even  
12 the instance codes that we suggested are basket categories.  
13 And as Mr. Heffner said, we don't think that the codes  
14 suggested by respondents are the appropriate ones. But as  
15 he said, if that's where the stuff is coming in, if they're  
16 using it, then a representation of import volume would  
17 necessarily need to consider that.

18 I think though, we're not suggesting that the  
19 Commission disregard the HTS codes even that we've suggested  
20 in terms of trends perhaps because the importer  
21 questionnaire data seems to be so incomplete at this stage.  
22 And it may be -- it may be closer in magnitude or at least  
23 -- I'm sorry, the foreign producer data may provide a  
24 greater indication of overall magnitude than the importer  
25 questionnaires right now. And if that is, you know,

1 different than what's in the HTS codes, that may be a  
2 reflection of more accurately representing the subject  
3 merchandise. But it's difficult to assess -- it's difficult  
4 to draw conclusions and to -- about -- about trends given  
5 the incompleteness of the questionnaire data that we have.  
6 So it's a little bit of a -- a little bit of a tradeoff  
7 here, I think, at this point.

8 We intend to basically discuss both in our  
9 post-conference brief because, you know, in a perfect world  
10 with perfect importer and foreign producer coverage,  
11 absolutely that would be what you would use versus a basket  
12 category of HTS goods.

13 Given the circumstances, I think it's less clear  
14 that you can definitively choose one approach over the other  
15 and I think it's going to involve a consideration of both to  
16 develop an understanding of the volume effects here.

17 MR. HEFFNER: If I can just also -- this is Doug  
18 Heffner. I would like to just mention again about the HTS  
19 codes. If in fact the importers are bringing in under  
20 another code, we can, I think those codes should be  
21 included, as Jim said, but not to the exclusion of the other  
22 codes that we also presented. Because I believe that the  
23 code that they're using, and we can go more into this in our  
24 post-conference brief, is not an accurate code for purposes  
25 of this product.

1           And therefore we do believe that the other codes  
2           that we put in the petition are the correct ones too. So we  
3           believe that although maybe some, as they're saying, may be  
4           using these other codes, we think it's just as likely as  
5           other people -- other exporters or imports are using the  
6           codes that we put in the petition.

7           MR. CORKRAN: Thank you.

8           Thank you. That's very helpful. I'm going to  
9           stay on import data for a minute.

10           One of the challenges that you base with a basket  
11           category is not just trying to determine the volume of  
12           imports from the subject country, but trying to get a good  
13           handle on imports from countries other than the subject  
14           country.

15           In your day-to-day business, do you see  
16           competition from product originating in countries other than  
17           China?

18           MS. LEONARD: Kathie Leonard. We are aware that  
19           ASF is imported from Latvia into the U.S.

20           Belarus was an exporter to the U.S. They were  
21           sanctioned by the State Department a few years ago, was it  
22           three years ago? So they haven't been -- they haven't been  
23           exporting to the U.S., but that sanction was lifted for a  
24           period of six months beginning November 1st of 2015. So we  
25           don't know yet what the effect of that will be. I'm not

1 aware of Belarus and ASF coming into the U.S. as yet.

2 MR. CORKRAN: Thank you.

3 In your testimony you noted that your company  
4 produces a broad range of products. I was wondering, does  
5 that range include product that is below the 90 percent  
6 silica level?

7 MS. LEONARD: Kathie Leonard. No, we don't sell  
8 amorphous silica fabric at a level less than the military  
9 specification of 96 percent, which is, by the way, the  
10 industry standard. It's become the industry standard as  
11 well.

12 And let me just clarify that -- I may have  
13 mentioned this in my testimony that fiberglass itself could  
14 be -- you know, if you stretch it far enough, I guess you  
15 could call it silica, it's 55 percent silica. But I think  
16 that gets into the silica category, you know, it's -- silica  
17 is known as a product that is very high in silica content.  
18 Essentially pure silica is what we're talking about.

19 MR. CORKRAN: Now, this may seem obvious, but I  
20 do want to nail it down because silica is such an important  
21 component by weight in this product, what feature, what --  
22 what element of the finished product that you're selling  
23 does the silica contribute? Is it solely heat resistance,  
24 heat protection, or are there other aspects of your finished  
25 product that are generated by the use of such a high level

1 of silica?

2 MR. VAN ATTA: This is Garrett VanAtta from AMI.  
3 It's primarily, you know, 98 percent of it is the fact that  
4 the silica itself elevates the temperature resistance of the  
5 fabric. So, again, fiberglass at 55 percent is -- could do  
6 1,000 degrees and that's mainly because the other components  
7 that are in the fiberglass, the other 45 percent can't  
8 handle the higher temperatures. So once you remove all  
9 those from the fabric, then you're left with 96 percent or  
10 better silica. You can now elevate that temperature to 1800  
11 degrees continuous.

12 MR. CORKRAN: And then following with that line  
13 of questioning, so we've talked about the fact that ASF has  
14 a heat resistance of 1800 degrees, I believe. And I believe  
15 the testimony was that fiberglass product had heat  
16 resistance to 1,000 degrees. Is there a one-for-one  
17 relationship with -- between silica and heat resistance?  
18 And it wouldn't be one-for-one, but maybe, you know, 1  
19 percent -- 1 percent change in silica represents say a 20  
20 percent -- 20 degree difference in the amount of heat  
21 protection. Is there a constant relationship or are there  
22 other factors involved?

23 MR. VAN ATTA: So I wish it was an easy answer  
24 for that. So I certainly wouldn't say it's just one-for-one  
25 or even some type of a ratio or even, you know, from 55 to

1 80 or 96, whatever that's a step function of total heat  
2 resistance. Because it's really the stability of the fabric  
3 up to 1800 degrees and then beyond that. So what the  
4 industry standard has sort of proven that, you know, 96  
5 percent pure amorphous silica is good to 1800 degrees of  
6 continuous operating temperatures. So you can put it in an  
7 oven and it's going to remain stable. It's not going to  
8 burn, it's not going to deteriorate over a long period of  
9 time when it's at 96 percent. When you're below that, it's  
10 not so much like you hit it with a certain amount of  
11 temperature, so we say it's only good to 1600 or 1500 or  
12 1200 or whatever, but below that level you're actually --  
13 the fabric is not going to remain stable and you'll lose --  
14 it's going to deteriorate much quicker at those levels.

15 So, again, I think that's why the industry has  
16 taken and set a standard at 96 percent.

17 MS. LEONARD: Kathie Leonard. I'd like to tack  
18 onto that the fact that the eastern European amorphous  
19 silica fabrics that I spoke about earlier were tested. We  
20 looked at them back when they began importing them -- we  
21 began importing them from Eastern Europe and they claim to  
22 be 93 percent silica. We tested one of those fabrics in our  
23 own lab and found just what Garrett is saying, when we got  
24 up to temperature of 1800 the material -- as you got closer  
25 to 1800 the strength of the fabric deteriorated. And we

1 have that technical report that we could -- we could pass  
2 along to you. But I guess that's the -- I think that's sort  
3 of what gets to what you're asking, that is there a  
4 one-for-one -- it isn't one-for-one, but it does show that  
5 it has to do with the stability as you get up to the highest  
6 operating temperature.

7 MR. CORKRAN: Okay. We've talked a lot about the  
8 military specification. I'm curious about another type of  
9 certification that appears in the scope language. It talks  
10 about being factory mutual approved. Can you tell me a  
11 little bit more about that specification? About how  
12 important it is to have that when you go to market, whether  
13 or not customers even require or request that particular  
14 specification? And then finally, does it also reference the  
15 sort of minimum silica content that we've been talking about  
16 or is it purely a performance requirement which I believe  
17 was sort of the testimony before.

18 MS. LEONARD: Kathie Leonard. Factory mutual is  
19 -- you know, that was the old name of the insurer, which is  
20 now FM Global. And FM Approvals is their testing lab and  
21 certifying group. So the standard is FM -- it's ANSI/FM4950  
22 and it is a performance-based standard. They don't get into  
23 fibers or coatings or anything. You submit what you want to  
24 be tested and rated as either a curtain, blanket, or pad.  
25 And they have specific test criteria that they put the

1 product through. I won't get into all those details. I  
2 don't think you're asking me for that. But what we liked  
3 about that, we were the first company to get our products  
4 tested and approved, we had 12 products tested and approved  
5 right off the bat including silica. And what we found was  
6 that, you know, it's just as important as to the thickness  
7 of a product, you know, the weight of a product, the density  
8 is sometimes as important as the fiber content. Just  
9 because it's pure silica, just because it's 96 percent or  
10 above may not make it -- it may not be rated at the highest  
11 rating for welding protection because it's just not thick  
12 enough. There's not enough mass to put those in those  
13 lighter-weight fabrics. So I find it extremely important to  
14 at least let the customers know what they're getting. You  
15 know, because there is so much confusion, you know, in the  
16 marketplace around fibers. A lot of people don't  
17 understand. They think a fire blanket is a fire blanket,  
18 who cares, you know, and we care. We want them to know what  
19 they're getting, whether it's a curtain, a blanket, or a  
20 pad, let the customer decide using his own welding  
21 application as a guide. And I do think that it is -- it's  
22 been fairly well accepted in the marketplace. Not everybody  
23 requires FM approvals when they buy product, that's true.  
24 But at least it's there for everybody to use and it is part  
25 of the National Fire Protection Association's 51B which is

1 their standard for hot-work safety and it is called out,  
2 it's named in that standard. So it's becoming accepted in  
3 the marketplace, I guess is what I'm saying.

4 MR. VAN ATTA: Just one thing for clarification  
5 as well. But, you know, we do sell a variety of fabrics.  
6 We also have FM approved just fiberglass fabrics or coated  
7 fiberglass fabric. So while there obviously is a relation  
8 to the higher temperature that silica performs and those  
9 silica products will lean more towards the higher  
10 temperature for blankets and pads and the fiberglass or  
11 coated fiberglass products will be down on the lower end of  
12 curtains and blankets. You know, that's sort of the  
13 relation there. But, there's not a direct correlation that  
14 says that an FM product has to be silica because it is a  
15 performance standard.

16 MR. CORKRAN: Okay. Are the FM standards  
17 typically cited in the sort of RFQs that you were  
18 mentioning? I'm looking right now at the example that you  
19 provided and it does provide a lot of information in terms  
20 of things like the size, the form that it's supposed to come  
21 in rolls, delivery requirements like number of rolls per  
22 pallet. But I was trying to find any sort of reference to  
23 certifications of any sort.

24 So I'll circle back to my question. Is FM  
25 certification -- is FM references or FM approval typically

1 included in these RFQs?

2 MS. LEONARD: It's not been our -- Kathie  
3 Leonard. It's not been our experience that defense  
4 contractors include it in their RFQs. They tend to go to  
5 stick with the military specification, MIL-C-24576 that we  
6 talked about before. And in this case, I don't see it on  
7 this particular page, but it could very well be included in  
8 the specifications in the RFQ somewhere. But I will note  
9 that it does include a requirement of 96 percent silicon  
10 dioxide content. That means it's 96 percent silica fabric.

11 MR. CORKRAN: Thank you. And thank you for  
12 pointing that out. I had missed that earlier and appreciate  
13 that. Do you view FM approval or FM certification in a  
14 product as allowing it to command a premium in the  
15 marketplace?

16 MS. LEONARD: Kathie Leonard. No. It doesn't  
17 afford us premium. We were the first to get our fabrics  
18 approved. But many of our competitors including the Chinese  
19 amorphous silica fabrics have attained approval as well. So  
20 if they're pricing their product beneath ours, and they're  
21 FM approved, it doesn't do me any good.

22 MR. CORKRAN: You mentioned the perception, at  
23 least among some customers, that a fire blanket is a fire  
24 blanket. And I noticed the scope. The scope uses  
25 terminology that is essentially regardless of whether the

1 product is FM approved or meets any other specification. Do  
2 you -- do you frequently get inquiries that don't reference  
3 specifications or at least don't reference FM  
4 specifications? Or is that -- and if you do, is that more  
5 commonplace among certain customers? Like if you have  
6 distributor sales, is that more commonplace among  
7 distributors than say end users?

8 [PAUSE]

9 MR. CORKRAN: To put it another way, among the  
10 customers that you sort of characterized as maybe having  
11 this perception that a fire blanket is a fire blanket. And  
12 maybe -- and may have less of an interest in FM  
13 certification, are those types of customers mainly among the  
14 distributors that you may sell to, or do you see that even  
15 among end users?

16 MS. LEONARD: I think it's across the board. I  
17 just think, you know, industrial users of these types of  
18 materials are slow to change and if they weren't -- if they  
19 didn't, as you can see in this document, they're still  
20 including, you know, a supplier that is no longer supplying  
21 it. It just gets into their purchasing and so if they  
22 didn't have FM -- FM approvals came into being in 2004, a  
23 lot of these folks might continue using old documentation  
24 and not including it. And so I think distributors will buy  
25 FM approved if their end-user tells them to. I don't -- I

1 don't know if they will. Some distributors think it's  
2 important because it does -- there are uses and limitations,  
3 notifications on every product. So that plays into our  
4 ability to protect ourselves, you know, from someone using a  
5 product wrong and creating a fire perhaps. So, you know,  
6 distributors who are concerned about that will welcome  
7 buying FM-approved product.

8 If that answers your question. I'm not sure I --

9 MR. CORKRAN: Thank you, yes. That was the  
10 information that I was looking for.

11 I'm going to ask, I believe, one more question on  
12 -- this time on fabrication.

13 The sale of this product in roll form seems to be  
14 very commonplace and that in fact is what's referenced in  
15 this RFQ. Is there a part of the market or a part of the  
16 industry in which companies take the rolls of fabric that  
17 you've produced and then do additional fabrication work such  
18 as cutting them to specific lengths or widths or adding  
19 grommets to them? I believe one of the examples that you  
20 passed around had grommets. Is that type of work done  
21 independently or is that usually a process that you yourself  
22 handle as producer?

23 MS. LEONARD: Kathie Leonard. We do fabrication  
24 in house. So we cut and sew welding blankets, curtains, or  
25 pads and insert grommets and package our products. We have

1 a trade name on our products and so forth. And so, yes, we  
2 do fabricate. But we sell to others who may fabricate. We  
3 don't always know what they're doing. Some folks are in the  
4 business of fabricating blankets for their own customers and  
5 they may or may not tell us that's what they're doing. They  
6 would buy roll form and make their own. So it can go both  
7 ways.

8 MR. CORKRAN: Okay. Thank you very much. I  
9 appreciate all the testimony. It's been very helpful and  
10 with that, I have no further questions.

11 MR. ANDERSON: I'm going to visually poll my  
12 colleagues here to see if there are any follow-up questions  
13 starting with Mr. St. Charles.

14 MR. ST. CHARLES: Yeah, I have a simple question,  
15 your genesis, the reason for being is to produce silica  
16 fabric. Do you produce anything else?

17 MS. LEONARD: Kathie Leonard. Yes, we produce  
18 many other products with fiberglass yarns. We do make  
19 fabrics and ropes, tape, tubings, you know, fabricated  
20 items. We also work with aramid fiber, that being meta  
21 arimid, para arimid fibers. We make our own yarns with  
22 those fibers. So, yes, we do. We make a lot of other  
23 products besides silica.

24 MR. ST. CHARLES: Thank you.

25 MS. LEONARD: You're welcome.

1                   MR. HEFFNER: Doug Heffner. I think in our  
2 petition we had a brochure, but it's on our website all the  
3 different products that we -- that we produce if you want to  
4 reference that or if you want us to provide that to you.

5                   MR. ST. CHARLES: If you've already submitted  
6 it --

7                   [SIMULTANEOUS CONVERSATION]

8                   MR. HEFFNER: Okay.

9                   MR. ST. CHARLES: That's all right. Thank you.  
10 Thank you.

11                  MR. ANDERSON: And I believe Ms. Preece has some  
12 follow-up questions.

13                  MS. PREECE: I know this is a difficult question,  
14 but this is a question we have to ask. I as the economist,  
15 we're interested in the cost share of ASF in downstream  
16 uses. And so I'm trying to figure out if I thought  
17 downstream use was welding what would you say the cost of  
18 AFS is in the total cost of welding? And if I thought it  
19 was a ship, what would AFS be in a ship? I -- you know, I  
20 mean, these are the kind of -- it's hard to say what the  
21 downstream use is in this kind of thing, but this will be --  
22 these are kind of games we can play and since this is the  
23 game I have to play, and since I don't have any idea of what  
24 I'm talking about, maybe I can get something from you on  
25 that one.

1                   MR. HEFFNER: Doug Heffner. The downstream uses  
2 we see of welding are the fire pad -- the pad, blanket,  
3 curtain are -- are the final product. You  
4 know, we don't see -- it is the final product. So we don't  
5 see it being as -- it's not incorporated into something else  
6 unless you want to say that the splatter of weld gets  
7 incorporated into it. I don't really see it as being  
8 incorporated into anything else along those lines.

9                   You're right obviously if you consider part of a  
10 ship, obviously, ships are -- multi-million dollar affairs.  
11 So --

12                   MR. FERRIN: This is Richard Ferrin. With  
13 certain exceptions of things like when you add grommets and  
14 cut-to-length and that sort of thing, there are some times  
15 when you'll take a roll and you'll do something more with  
16 it. That's what they just discussed. So there is some  
17 additional further manufacturing, but when you talk about  
18 welding or a ship, those aren't -- those aren't downstream  
19 products, those are applications from the ASF itself.

20                   MS. PREECE: Okay. Then grommet away and tell me  
21 -- no, not here, but in your brief, tell me the cost share  
22 of a grommetted with borders sewn and all the beautiful  
23 pieces so it's already to go into welding application and  
24 the cost of this -- the silica fabric and the costs of  
25 anything else. That would be helpful.

1                   That's all for me.

2                   MR. HEFFNER: We'll do that. Thank you.

3                   MR. ANDERSON: Any other questions from -- from  
4 the table here?

5                   (No response.)

6                   MR. ANDERSON: My colleagues have ably delved  
7 into some very important issues and I just want to follow up  
8 with two quick, perhaps three really quick follow ups.

9                   You mentioned in your testimony there was a great  
10 cost differential and I assume you mean in production costs  
11 in producing the aerospace fabric versus ASF. And if you  
12 could just maybe in your post-hearing brief give us a little  
13 more detail on that. I think the Commission would find that  
14 very helpful for the like-product analysis.

15                   MR. HEFFNER: Thank you. We'll try to do that  
16 with the understanding that we don't really make the  
17 product. But we'll do the best we can to try to give you  
18 that information.

19                   MR. ANDERSON: Any knowledge you have about the  
20 extra steps in the preshrinking and so forth.

21                   MR. HEFFNER: Oh, we can definitely go through  
22 the steps as costs.

23                   MR. ANDERSON: Okay.

24                   MR. HEFFNER: Not necessarily known yet, but  
25 we'll do that.

1 MR. ANDERSON: Okay. Thank you.

2 Another question just quickly. You can do this  
3 now or in your post-hearing brief. I suspect we'll hear  
4 more about demand from the next panel. And if you can maybe  
5 provide more information perhaps in your post-hearing brief  
6 about demand during the POI for the products and  
7 particularly if you can break it out from the military  
8 versus the non-military applications.

9 And then my final question has to do with -- we  
10 heard a lot about the Buy American provisions and the Berry  
11 Amendment. And that's very helpful. I guess Mr. Dougan or  
12 anybody else on the panel, if you could just comment on with  
13 that provision requiring a Buy American transaction, how  
14 would that impact price versus a product that doesn't  
15 require a buy America provision? Would you expect in the  
16 marketplace to see a price differential for the same actual  
17 product that you make, but because the customer has the buy  
18 America requirement versus a customer that doesn't have a  
19 buy America requirement, how would that possibly impact  
20 price?

21 MR. DOUGAN: Jim Dougan, ACS. We'll definitely  
22 look at that in post-conference. I think the -- what we're  
23 discovering is that the erosion of those barriers for one  
24 reason or another certainly allowed price competition to  
25 seep into aspects of the market that may -- that may not

1 have had import competition before.

2 MR. ANDERSON: Thank you. I look forward to  
3 that.

4 And with that I would like to, on behalf of the  
5 staff here, thank you very much for coming here today and  
6 coming to Washington, D.C. and telling us about your  
7 industry and your company. It's always great to hear from  
8 the actual producers in the marketplace and for your expert  
9 testimony. And we will take a ten-minute break right now so  
10 the other panel can set up.

11 So thank you very much.

12 MR. HEFFNER: Thank you. And could I ask one  
13 last question. What's the time remaining that we have?

14 MR. BISHOP: You only get ten minutes for your  
15 closing and rebuttal. You don't get left over time.

16 MR. HEFFNER: Oh, okay. Thank you.

17 MR. ANDERSON: And I'm sorry, just one last  
18 clarification. Ms. Klir would like to clarify something.

19 MS. KLIR: This is not questions, this is jut to  
20 alert the respondent panel that I'm going to be leaving  
21 after this section, but I look forward to your  
22 post-conference submissions and I appreciate all your time  
23 on this case. Thank you.

24 (Brief recess taken.)

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

1                   MR. ANDERSON: Welcome, Mr. Grimson, to your panel  
2                   and please proceed.

3                   MR. GRIMSON: Thank you very much, and good  
4                   morning, again. We have a lot of folks representing many  
5                   decades of industry experience here this morning. And I  
6                   think the best thing to do is to jump right in with our  
7                   first speaker today, Mr. John Knapp, from Mid-Mountain  
8                   Materials.

9   STATEMENT OF JOHN KNAPP

10                   MR. KNAPP: It's still good morning. Good  
11                   morning, and thank you. My name is John Knapp and I'm the  
12                   President and CEO of Mid-Mountain Materials.

13                                       We are a leading U.S. manufacturer of  
14                   high-temperature, high-quality industrial textiles with an  
15                   annual revenue of approximately \$10 million.

16                                       We weave, knit, braid, coat industrial textiles  
17                   of fiberglass, silica, strivic fiber, aramids, carbon  
18                   kevlar, et cetera. Mid-Mountain has production facilities  
19                   in Washington State and Indiana employing 40 hard-working  
20                   Americans.

21                                       I have officially been employed in the silica  
22                   industry since 1977, but in fact my experience goes back  
23                   further than that. Right out of the Bruce Springsteen song,  
24                   I started working in my father's garage in 1967, assisting  
25                   in the manufacturing of seals utilizing refractory ceramic

1 fiber to replace asbestos, which was the birth of this  
2 industry we're talking about today.

3 So I come to you today as someone who has been  
4 involved in the industry for almost 50 years. I would like  
5 to use my time today to address several points. First, that  
6 the Petition is based entirely on the wrong tariff data and  
7 should be dismissed.

8 Second, I want to describe the industry overall  
9 and the historical role of imports in the market.

10 First, on the tariff data, the HTS  
11 classifications proposed by the Petitioners are wrong. They  
12 are based on basket categories. This is not unusual, but  
13 what is striking in this case is that Auburn omitted the HTS  
14 codes that specifically apply to the subject merchandise.

15 Because of this, all of Auburn's claims about  
16 import increases are baseless. At this point, I would like  
17 to--or I would ask that you look at the HTS classification  
18 of products under 7019. We passed around an exhibit here of  
19 the HTS code, and if you turn to the beginning of 7019.40  
20 you will see that this covers glass fibers including glass  
21 wool and articles thereof.

22 And when you look exactly at 7019.40 it says:  
23 Woven fabrics of rovings. Auburn clearly says in the  
24 Petition that silica fabric is made from individual  
25 filaments that are bundled in large numbers to provide a

1 roving, soft-strand fiber that has been twisted, attenuated,  
2 and freed of foreign matter prefatory to its conversion into  
3 yarn.

4           Additionally, within 7019.40 there are specific  
5 codes for fabric having varying degrees of silica content.  
6 7019.40.4030 is uncolored silica fabric of filaments with  
7 silica content greater than 93 percent. And 7019.40.9030,  
8 which is colored silica filament fabric, are filaments with  
9 a silica content greater than 93 percent.

10           Both these HTS codes align with the scope of the  
11 case as stated by Auburn. These two HTS codes capture  
12 imports competing in the standard industrial silica fabric  
13 market which does not drop below 93 percent.

14           The HDS codes listed by the Petitioner are under  
15 7019.59, which includes other woven fabrics. In other  
16 words, products under 7019.59 is for everyday common woven  
17 fiberglass fabrics used for everything from auto body  
18 repair, to surfboard manufacturing, to aircraft  
19 manufacturing, to insulation fabrics other than silica, and  
20 all common uses for fiberglass fabrics.

21           They miss the mark entirely. Their HTS codes  
22 include a whole host of products other than silica fabric,  
23 and there's no mention of silica content in any of the HTS  
24 codes proposed by the Petitioner.

25           In particular, they appear to include lots of

1 fiberglass which is why the large list of producers provided  
2 by Auburn are mostly fiberglass companies. It's really  
3 outrageous. Auburn's claimed Chinese import volumes are  
4 grossly overstated.

5 Because we're talking about fiberglass, the  
6 average import unit values are extremely low, in the \$2 to  
7 \$3 per kilo range, which everybody in the business knows is  
8 a fiberglass price, not a silica fabric price.

9 Including these wrong tariff codes lets Auburn  
10 complain about what looks like a tidal wave of competition  
11 from China, but it is simply false. Auburn's targeting  
12 silica fabric in this case, but the evidence of competing  
13 imports is based on an entirely different product.

14 The Commission should not stand for this. When  
15 you look at the correct HTS codes you will see a much lower  
16 import volume and a steady yearly decrease of imports since  
17 2013.

18 I would like to talk next about the development  
19 of this industry in the United States and the role that  
20 imports have played in the market for several decades.

21 The silica fabric industry has traditionally been  
22 the exclusive domain of aerospace applications. Other less  
23 critical applications were not envisioned for this product  
24 when it was first developed.

25 Starting in the late '60s and early '70s, people

1 began to look for alternatives to asbestos for heat-proof  
2 and fire-proof applications and the industrial grade silica  
3 fabric industry was born.

4           Early domestic producers of industrial silica--  
5 industrial-grade silica were HITCO and Ametek Haveg. Auburn  
6 started to produce Silica approximately 30 years after it  
7 was commercially produced for the aerospace industry for  
8 industrial applications.

9           Until the early 1990s, both aerospace--both the  
10 aerospace and industrial segments of the market were  
11 dominated by domestic production, with a small portion  
12 serviced by Western European producers; but, no question,  
13 the U.S. was the dominant player in the market.

14           What changed in the 1990s? Well, just as the  
15 domestic industrial silica market grew out of the aerospace  
16 industry, the global market grew out of the U.S.-Soviet  
17 space race. From the '50s through the '80s, both the U.S.  
18 and the Soviet space programs poured billions of dollars  
19 into their new materials development programs for their  
20 respective space programs.

21           With the collapse of the Soviet Union,  
22 manufacturers of silica fabric in Russia, Belarus, and  
23 Latvia were left with no--little to no direction or market.  
24 These former suppliers to the Soviets were abandoned. They  
25 looked to sell commercially but were limited in how they

1       could get to market, given decades of a state-run economy,  
2       especially when asbestos was the lower cost mainstay in the  
3       marketplace, and is still present today in many Eastern  
4       European ferrous and nonferrous factories. I do happen to  
5       travel there and sell silica in those countries and am  
6       surprised to see asbestos.

7                 Silica was more expensive, thus not utilized in  
8       their depressed economy. One American innovator, Gary Teague,  
9       a former HITCO employee, traveled to these places and  
10      developed relationships with the manufacturers there at  
11      prices levels that completely obliterated the competition.  
12      Whereas, up to that point he had been sourcing a lower  
13      quality silica fabric from England for \$10 a yard, he was  
14      now able to source a much higher quality product from the  
15      Eastern European manufacturers for 50 cents a yard.

16                The introduction of the Eastern European silica  
17      fabric did two things to the U.S. market.

18                First, because of the incredible quality and  
19      applications, it expanded the customer base beyond the  
20      traditional markets that could afford a nonspecialty  
21      asbestos textile at market prices to include many more  
22      customers in the welding and insulation markets where  
23      pricing of their raw materials was more sensitive than U.S.  
24      market pricing of silica was prohibitive.

25                Second, it brought price competition to a

1 previously stagnant market. The time period of the early to  
2 mid-1990s can be seen as a spike of imports into the U.S.  
3 market. This was due to constraints on supply and not  
4 price.

5 At that time, both PPG and Owens Corning took  
6 approximately 75 percent of their glass drawing furnaces and  
7 shut them down. And these were what was producing all the  
8 fiberglass yarns to make this fabric. This shut down of a  
9 high percentage of their combined production created a  
10 fiberglass shortage in the United States.

11 Larger customers received--larger customers  
12 servicing the printed circuit board and automotive markets  
13 received priority to meet the needs of the growing markets.  
14 In the meantime, the smaller producers needed supply and so  
15 turned to imports.

16 China was the latest entrant into the import  
17 segment of the market and was chasing and competing with the  
18 Eastern Europeans. Based on my experience, I would say that  
19 from the mid-1990s to 2000, the additional supply of imports  
20 from Eastern Europe and then China reset the market to a  
21 lower level, a lower price level.

22 Since that time, the import portion of the market  
23 has remained steady, and pricing has remained mature. There  
24 may have been some shifts among imports from Eastern Europe,  
25 Japan, and China, but generally the imports have been about

1 half of the market.

2 Now I would like to discuss how and where in the  
3 U.S market silica fabric is used. In terms of use, we  
4 observe several main overall sectors. Most importantly,  
5 ship building and maintenance, as well as oil and gas.

6 The ship building market is divided into military  
7 and military contracts and civilian maintenance. I believe  
8 the military part of this market is about 70 percent, and  
9 the remaining 30 percent is for the maintenance of civilian  
10 ships.

11 Non-military ship building has been on the  
12 decline in the United States since the 1990s. In the  
13 Seattle area, we lost Tacoma Boat, Lockheed Martin, and  
14 other smaller shipyards that formerly used large quantities  
15 of silica for welding and cutting operations.

16 Other U.S. geographic coastal regions experienced  
17 similar shipyard losses, or moved to the Southern USA in an  
18 attempt to remain competitive as labor was less expensive in  
19 the South.

20 There were also some shipyard consolidations as  
21 the market shrunk. An example of that is Northrop Grumman  
22 who consolidated the industry. The oil and gas market  
23 requires silica fabric for welding. In my experience, this  
24 market sector may even be larger than ship building.

25 In the oil sector there have also been

1       fluctuations as the price of oil has risen and fallen over  
2       the years. There's little new construction of greenfield  
3       smelters in the U.S.A. nor are there refinery expansions as  
4       there once was.

5               The oil and gas market has shrunk considerably,  
6       as have the markets in ferrous and nonferrous metals in the  
7       U.S.A. There are other markets, such as thermal textiles,  
8       that have not experienced decline due to the falling demand  
9       or competition from lower silica products.

10              One example of a growing market is in diesel  
11       emission thermal blankets, and a kind of new textile  
12       required by new--well, it's an insulation for a new  
13       internationally regulatory law on diesel emissions. To  
14       reduce diesel emissions, you have to insulate.

15              Another is a growth market of bulk silica fiber  
16       used in automotive exhausts, as cars have all grown in  
17       horsepower and performance. All silica manufacturers have  
18       the opportunity to innovate and shift as the market shifts  
19       and capture this growth market as the opportunity presented  
20       itself over the last 10 years.

21              One important point about the oil and gas sector  
22       and some other sectors is that even though many buyers  
23       specify 96 percent silica fabric, the reality is that almost  
24       all of the end users could get by perfectly with something a  
25       little lower silica content.

1                   Fiberglass fabrics with the lower silica content  
2                   are actually stronger than silica and can be better in many  
3                   applications and provide adequate thermal protection in most  
4                   real-world uses.

5                   `Oil and gas buyers, for example, are learning  
6                   this and are starting to buy more and more fabric with  
7                   silica levels below 90 percent, sometimes far below.

8                   We cannot compete against that product with our  
9                   96 percent silica that we're selling. The historical silica  
10                  producers, including Auburn, ACIT, and perhaps others, could  
11                  make a lower silica fabric, but they've designed their  
12                  production processes to reduce the output of lower silica  
13                  product, or just choose not to make it.

14                 They remain dedicated to the production of silica  
15                 fabrics meeting the traditional industry standard silica  
16                 content of 96 percent, but the market is changing. There  
17                 are more customers in the U.S. who will accept the lower  
18                 silica product because it meets their needs and has a much  
19                 lower production cost.

20                 If Auburn succeeds in this case, it will not  
21                 result in more business to Auburn. Instead, it will  
22                 increase and accelerate the change in the market to lower  
23                 silica product. It is Auburn's choice not to compete in  
24                 this second and growing tier of the market. We believe that  
25                 Auburn's declines in the open industrial market are likely

1 due to this product that Auburn will not make and sell.

2 So why did Auburn file the case? I realize that  
3 the Commission does not look beyond the last three years,  
4 and that it looks only to the changes in the market and  
5 imports over those three years, but I've provided this  
6 history because I believe it is imperative to know how the  
7 market has evolved in order to understand what the state of  
8 the market was in 2013.

9 Based on my experience, at that time imports were  
10 about half of the market, and Auburn and HITCO held the  
11 remaining half. The silica market was stable. Auburn did  
12 sell to the accessible industrial market, but it was  
13 primarily focused on markets that were not even available to  
14 competition from imports.

15 Prior to 2013, Auburn dedicated a large portion  
16 of its sales to defense and government contracts. This  
17 market was closed to imports, and Auburn's only competition  
18 was HITCO. I understand this and is a very important part  
19 of Auburn's silica fabric business. I believe it's the  
20 reason that Auburn sticks with the integrated production  
21 method, even though it robs them of the ability to source  
22 the main input, fiberglass fabric, from highly efficient  
23 global manufacturers.

24 They are committed to this depending on continued  
25 and growing business in the military and government contract

1 sector. What happened in 2013 and beyond that threatened  
2 Auburn's business had nothing to do with imports and  
3 everything to do with the United States Congress and its  
4 military budget cuts under sequestration.

5 Military ship building and other federal defense  
6 contracting was particularly hard hit by the sequester cuts,  
7 and Auburn's business suffered as a result.

8 Auburn expected its military-related government  
9 procurement customers to continue to pay above-market prices  
10 and felt no need to innovate, develop new customers, or  
11 control and cut operating costs. As the relative monopoly  
12 on the Buy America Act began to decline, rather than look at  
13 the business realities of what caused this loss, it instead  
14 turned to these protectionist measures to get bailed out by,  
15 guess who, the Federal Government.

16 So as you examine the record in this case, I urge  
17 you to take into account this history and this explanation  
18 of how Auburn has found itself in this position today. If  
19 it is suffering any injury, that injury was in no way caused  
20 by the Subject Imports.

21 Thank you for your time, and I look forward to  
22 any questions you may have.

23 MR. GRIMSON: Thank you very much, John. Our next  
24 witness is Mr. Jie Ao, President and CEO of ACIT.

25 STATEMENT OF JIE AO

1           MR. AO: Good afternoon. My name is Jie Ao. I am  
2 the President of ACIT-USA, the affiliated importer of ACIT.

3           I would like to thank you for the opportunity to  
4 come here today and to explain what I think are some  
5 fundamental misstatements of fact that have been presented  
6 to you in this Petition.

7           I'm a resident of Seattle since 1992, and a U.S.  
8 citizen, and own two companies, one in Seattle, one in  
9 Shanghai. I supplied Chinese fiberglass to HITCO and Ametek,  
10 the two major silica manufacturers from 1995 to 2011 so they  
11 could leach it and compete with silica fabrics from Eastern  
12 European.

13           I also supplied fiberglass fabrics to Ametek. I  
14 supplied these two companies with their fiberglass raw  
15 materials from 1996 to 2010 or so. So I owned a factory in  
16 Shanghai that was in the business of weaving fiberglass into  
17 fiberglass fabrics.

18           When I built that first factory, it was  
19 surrounded by watermelon fields. In 2011, we took the next  
20 step and began production of silica fabric through the batch  
21 leaching process. By that time, the farm fields around our  
22 factory were replaced by apartments.

23           After complaints from the neighbors, we shut down  
24 that factory in September of 2014. We built up a new  
25 factory in an area 40 minutes outside of Shanghai in an

1 industrial area and began production in 2015. Our new  
2 factory is more efficient and more environmentally friendly  
3 than the old one. The Petitioner only mentions our new  
4 factory, without also saying that we shut down our old one  
5 in Shanghai.

6 I have been involved in the fiberglass and silica  
7 glass business for 25 years. I was there at the beginning  
8 when there was only one single producer in China that  
9 supplied the military. Today, there are a total of six  
10 producers of silica fabrics in China.

11 Many more companies say they produce silica  
12 fabrics, but they are only resellers. Over the past three  
13 years, I believe that ACIT is still the largest producer and  
14 exporter to the USA, even when we were in transition from  
15 our old one to our new factory.

16 When I read this Petition, I was very disturbed  
17 by the level of imports that Auburn claims are coming from  
18 China. They have to know these tariff codes are wrong. I  
19 agree with what John Knapp said about the incorrect tariff  
20 codes. You should make Auburn withdraw this case since it  
21 is based on misleading claims. But I will not repeat what  
22 Mr. Knapp said.

23 Instead, I would like to focus on the product and  
24 the market for this product both globally and in China.

25 The first thing I will say is that the physical

1 description of the subject merchandise in the Petition bears  
2 no relationship to reality.

3 Second, the Petition wrongly identifies over 80  
4 Chinese producers and exporters of ASF. In fact, there are  
5 only six producers of ASF in China.

6 Because of these errors, almost everything in the  
7 Petition is not an accurate picture of our industry.

8 On the issue of the physical description of the  
9 subject merchandise, I am confused as to why the cutoff for  
10 the subject merchandise is 90 percent silica content. There  
11 is no true ASF industrial strength product sold at 90  
12 percent. The absolute standard specification for silica fab  
13 ric is 96 percent to 98 percent silica content.

14 All of the product that I sell is at 96 percent  
15 silica or higher. You can look at Auburn's website and at  
16 my website and all the other major manufacturers' websites.  
17 You will see that the industry specification is 96 percent.

18 In general, I would say that if there is a  
19 cut--off in terms of silica content, it would be 93 or 94  
20 percent, and even that is only because the HTS  
21 classification of our product is defined as above 93 percent  
22 silica content.

23 You heard about the HTS code from John Knapp  
24 today already. The reason the HTS is covered at 93 percent  
25 is because of the importers from Eastern Europe were at 94

1 percent, so the HTS classification changed to capture the  
2 imports of Eastern European. Latvia makes 94 percent.  
3 Belarus makes 98 percent. Industrial grade is 96 percent,  
4 but can go as low as 93 to 94 percent. This HTS breakout  
5 was created in 1997 to better track imports.

6 I would classify anything at less than 93 percent  
7 silica as a kind of "specialized fiberglass." Fabric with a  
8 silica content less than 93 percent does compete with  
9 standard silica fabric. In fact, the number one challenge  
10 in our industry is the growth of lower silica fabric.

11 Up until a few years ago, I would estimate that  
12 silica fabric of 96 percent or higher accounted for 100  
13 percent of the silica fabric from China into the United  
14 States. To the extent there has been any shift in the  
15 market, it has been Chinese competitors eating into my  
16 market share by producing and selling lower-silica fabrics.  
17 My imports have decreased while imports of lower-silica  
18 fabrics have increased.

19 The lower-silica product is a new factor, a new  
20 player in the market that everyone is having to compete  
21 with. The lower the silica percentage, the lower the price.  
22 Yeah, maybe for batch leaching it's the same, but for  
23 continuous line it makes a huge difference. I know both  
24 ways.

25 So we know that there is some fabric called

1 "silica fabric" that has a silica content as low as 80  
2 percent or below. This is much cheaper than true silica  
3 fabric because it has not gone through the whole production  
4 process as standard silica fabric. The influence of lower  
5 silica on our industry cannot be overlooked.

6 Auburn's Petition has this case backwards because  
7 the Petition has created this artificial 90 percent content  
8 line. Any product that is coming in below 90 percent is  
9 considered "fairly traded." But this is the product that is  
10 actually causing damage to Auburn's business and to mine.

11 Even if Auburn succeeds in this case, that  
12 lower-silica product will be allowed in without antidumping  
13 or countervailing duties. This case really should be  
14 targeting products under 93 percent silica content. The way  
15 it is written now, it is leaving open the most vulnerable  
16 and growing part of the market.

17 Finally, I would like to address the actual  
18 manufacturers of silica fabric in China. The Petition  
19 wrongly identifies over 80 Chinese producers and exporters  
20 of ASF. In fact, there are just 6 producers of ASF in  
21 China. They are also listed in our exhibits if you want to  
22 see the names.

23 My company name is ACIT. And Huateck New  
24 Materials. Nanjing Tianyuan Fiberglass Material. Jiangsu  
25 Jiuding. Jiangsu Huaxing. And Ciuxi Sunrise Sealing.

1           In my estimation, the annual import value of ASF  
2           from China is about \$6- to \$7 million. While the split  
3           among these six companies has evolved over the last few  
4           years, the overall level of imports has remained steady or  
5           even declined.

6           In my estimation, my company accounts for about  
7           like \$2 million a year in annual imports. Huatek, another  
8           \$2 million, and Nanjing Tianyuan is another \$1- to \$1-1/2  
9           million. The rest of the market is split between Jiangsu  
10          Jiuding, Jiangsu Huaxing, and Cixi Sunrise.

11          I have seen from the public docket that a foreign  
12          producer questionnaire response has been filed by two  
13          companies that are not in our industry: Taian Fibtex Trade  
14          Corporation and Qingdao Junfeng Industry Company.

15          While I do not know what those companies said in  
16          their responses, I can tell you without a doubt that those  
17          companies do not produce ASF, do not sell ASF. They are  
18          fiberglass producers or, at best, "glass fabric" producers.  
19          But they in no way produce or export ASF, what we call  
20          silica fabric.

21          Finally, I would like to talk about the global  
22          market for silica fabrics. There are four main geographic  
23          markets for silica fabrics: Korea for shipyard ship  
24          building; the Middle East for oil and gas production; Europe  
25          for the automobile exhaust industry; and the United States.

1                   We sell to all of these markets. The Korean  
2 shipbuilding market is increasing. The Middle East is  
3 growing. Europe is growing. The United States overall is  
4 probably flat or slightly declining for silica fabrics, but  
5 we think more and more markets are being taken by lower  
6 silica fabric.

7                   Inside China, the primary market for silica  
8 fabrics has been the military. This is a big customer and a  
9 focus for Huatek. As a foreign-owned company, I cannot sell  
10 to military buyers in China. The industrial market in China  
11 is fiberglass, sometimes asbestos, or other ceramic fabrics,  
12 but so far not much silica fabric.

13                   Thank you for your time and I look forward to any  
14 questions you may have. Thank you.

15                   MR. LEBOW: Thank you. Our next witness will be  
16 Doug Sydow from AVS Industries, LLC. I should introduce  
17 myself. I'm Ed Lebow from Hanes and Boone representing AVS.  
18 And also here with Doug is his father, and in ways the  
19 father of the silica business in the United States, David  
20 Sydow, who was with Ametek many, many years ago and knows  
21 about as much about the history of the industry as anyone.

22                   STATEMENT OF DOUG SYDOW

23                   MR. DOUG SYDOW: Good afternoon. My name is Doug  
24 Sydow and I am the Vice-President of Sales and Marketing for  
25 AVS Industries. I am very happy to be here today as one of

1 the largest U.S. purchasers of amorphous silica fabric, to  
2 present our rebuttal to the anti-dumping and countervailing  
3 petition regarding Chinese produced amorphous silica fabric.

4 Since I don't have it up on the screen, I'll  
5 direct you by slide. I'd like to go to Slide 2 first, which  
6 I think it's very important for you to understand: Who is  
7 AVS Industries?

8 AVS was formed in 2004 by a group of people  
9 from Ametek after closure of the plant due to flooding.  
10 We specifically engineered the manufacture of amorphous  
11 silica fabric with a joint partner in China to the same  
12 specifications as siltemp, produced at the Ametek plant.

13 Now when Ametek was making their fabric, they  
14 produced under that trade name. They manufactured under  
15 84CH and 188CH. What we've done over the last couple of  
16 years, because Ametek is no longer making it, because of the  
17 importance of 84CH and 188CH, AVS has trademarked those  
18 numbers.

19 So we currently have the trademarks, and I've  
20 had them for several years. So that is one thing I wanted  
21 to make sure that the Commission understands. Also, AVS is  
22 the largest U.S. producers of imported Chinese produced ASF  
23 for industrial and specialty applications.

24 And I want to emphasize, the way we look at  
25 things for the ASF market is, there's an industrial

1 low-strength ASF, which Auburn does manufacture. Then  
2 there's a specialty, high-strength ASF, which Auburn does  
3 not manufacture. And there is an industry here in the U.S.  
4 that depends on that fabric.

5 AVS is comprised of a very experienced  
6 engineering and sales team that has brought extreme value to  
7 textile fabrication customers and industrial welding  
8 protection customers.

9 Going on to Page 3. The next thing I would like  
10 to discuss is really the overall history of amorphous silica  
11 fabric. Essentially this all started with Owens-Corning  
12 patent technology developed back in the 1930s, and initially  
13 licensed the technology to Hitco in the early 1960s.

14 The Hercules HVAC division licensed the  
15 technology from Hitco and paid a royalty to Hitco in the  
16 late 1960s. Hercules then sells the HVAC division to Ametek  
17 in 1980. I want to point out as, as Ms. Leonard stated,  
18 Auburn Manufacturing was incorporated in 1979, and then  
19 manufactured silica many years after that date.

20 The three primary people in the 1980s and '90s  
21 were Hitco, Ametek and Auburn, that provided a very  
22 competitive sales environment for ASF. Now Ametek endured  
23 two destructive floods, once in 1999, the second in 2003,  
24 before closing the facility and exiting the ASF industry.

25 And you can see on Page 4 the devastation of the

1 Ametek plant by the flood. It just was awful. After the  
2 second time this happened, Ametek just said, 'Listen, you  
3 know, there's millions and millions of dollars of damage.'  
4 They rebuilt and it happened again. So they decided to exit  
5 that market.

6 Now each time it was about twenty-five million  
7 dollars' worth of damage. Each time that occurred. They  
8 rebuilt the first time and the second time was like, 'Okay,  
9 we can't do it again,' so they just decided to exit.

10 Now, due to the fact that -- well, AVS  
11 Industries was formed in 2004 by select Ametek employees to  
12 meet the need for high-performance ASF at the request of  
13 current Ametek customers. The trade name siltemp stood at  
14 the back of everybody's mind along with numbers 84CH and  
15 188CH.

16 They came to my dad and said, 'Hey, we really  
17 want you to continue to manufacture to these standards.' It  
18 was that important to these people. Now I want to  
19 emphasize, when we say we manufacture to these standards, we  
20 ship actually U.S. surface treatments into China to  
21 surface-treat our fabrics. So we're using technology that  
22 was developed by Ametek and we have re-engineered some of  
23 that technology to meet the needs of the marketplace. Okay?

24 So, basically AVS currently employs a total of  
25 nine employees and has a corporate office located in New

1 Castle, Delaware. I'd like to shift over to Page 5 since  
2 you've seen that wonderful picture already.

3 Specifically, now I'd like to address what  
4 industries use AVS engineered amorphous silica fabrics.  
5 Ship building is one of the largest. We're all competing  
6 for that business. Cutting and welding. Standard people to  
7 go to a distributor to get the fabric because they've got  
8 internal welding applications that they need to provide  
9 welding and cutting protection. Founder use. Textile  
10 fabrication. Steel. Power generation. Expansion joints.  
11 Oil refineries and mining. All of which AVS has  
12 participated in with the fabrics that we have imported from  
13 China. That we've purchased from China, excuse me.

14 Now one thing I want to go into now is, why do  
15 customers choose AVS? Specifically, one is loyalty and  
16 long-term relationships that date back to the Ametek days.  
17 They had a lot of technical credibility. Second thing is  
18 product quality. Product quality was excellent. Third is  
19 the technical competence. When they call us, they ask  
20 specifically if they have a high-temperature application  
21 need, we can address that need, find them a need.

22 The other item is customer service on a  
23 time-table and on-time delivery. We pride ourselves that  
24 when we get orders, we process them as quick as we can,  
25 typically have a very good inventory of products that we can

1 ship out and meet customers' critical delivery timeframes.

2 Product availability, that ties into on-time  
3 delivery. The other one is a diverse portfolio of textile  
4 products. Again, we have very high quality ASF fabrics that  
5 are engineered to U.S. standards that Ametek set,  
6 specifically in the low-strength area which is more targeted  
7 for the cutting and welding protection area, and then we  
8 have the high-strength, specialty ASF for textile  
9 fabrication. And again, I previously mentioned, this is  
10 very critical to many customer applications which Auburn  
11 Manufacturing cannot manufacture. The other items in  
12 diverse portfolio products we do provide is uncoated and  
13 coated high performance fiberglass fabrics. Also, silica  
14 tapes, ropes and sleeveings for industrial applications.

15 Going on to Page 7. Right now, we're convinced  
16 Auburn enjoys good company growth regardless of AVS selling  
17 ASF into the U.S. market. AVS presence in the U.S.  
18 high-temperature ASF market has not stopped AMI's company  
19 growth. Auburn invested \$1.4 million into a plant expansion  
20 which became operational in 2014, due to growing customer  
21 demand.

22 Auburn expects to grow more than thirty percent  
23 in the 2014 to 2016 timeframe. That statement was made by  
24 Auburn upper management in an article posted on the Auburn  
25 website on February 6th of 2014. Since that timeframe,

1       there has been no appreciable increase in AVS sales and  
2       certainly no decrease in AVS pricing.

3                 Now one thing I want to compliment. Auburn has  
4       done a good job at diversifying its product offerings and  
5       services to provide additional revenue, which includes the  
6       addition of a fabrication group that does work. That's  
7       something that AVS does not really participate in is doing a  
8       lot of fabrication work or sales in-house.

9                 Now as the only U.S. volume producer of  
10       industrial ASF, Auburn has enjoyed no competition in bidding  
11       and landing all U.S. government contracts, where they charge  
12       at least twenty-five percent more than fair market value.

13                Moving on to Page Number 8. AVS is aware, and  
14       this correlates back to--we feel--are exaggerations in  
15       Auburn's petition. AVS is aware of only six manufacturers  
16       of ninety-six percent ASF in China. Most of the producers  
17       identified by Auburn are fiberglass producers or trading  
18       companies.

19                Item Number 2. The volume of Chinese ASF  
20       imports is a small fraction of that suggested by Auburn.  
21       AVS estimates that it purchased about half of the U.S.  
22       imports of Chinese silica fabric. Now AVS purchases are  
23       down significantly as compared to two years ago. AVS lost  
24       significant business to imports of products with less than  
25       ninety percent silica content. And that happened just

1 recently.

2                   So that substantiates what Mr. Ao was stating  
3 about the penetration of these lower silica content fabrics  
4 coming into the U.S. market. The other important thing to  
5 notice is the economic conditions have also cost AVS silica  
6 business. I sell, just like Auburn, into oil and gas.  
7 We're being hit with the oil and gas issues. Our sales are  
8 down all across the board because of that. And also some  
9 decline in defense spending, which obviously, you know, we  
10 sell it some shipyards that are private shipyards.

11                   Now, what other likely impacts of imposition of  
12 significant duties of imports of ASF from China? One is,  
13 Auburn attempts to impose its high monopoly prices from its  
14 U.S. government sales on the commercial sector. Higher  
15 prices.

16                   Second, is due to Auburn's lack of high-strength  
17 ASF, customers will turn to other options outside of Auburn  
18 silica fabric. They're not going to get that business.  
19 This fabric is very special, provides very unique properties  
20 for sewing, handling and everything else. And, like I say,  
21 it's something that they cannot manufacture.

22                   The other one is, AVS is by far the largest U.S.  
23 purchaser of ASF and has never been approached by Auburn to  
24 buy its silica fabric. We've known about them; we've never  
25 been approached. That being said, I'd like to thank the

1 Commission for being able to present today and feel free,  
2 I'll answer any questions at a later date.

3 MR. LEBOW: Thank you. I think the final direct  
4 witness on our panel is a surprise witness, surprise to us  
5 as well. Mr. Lewis Dill, who has just come in, I guess this  
6 morning or last night, who is in the industry and the way  
7 we're going to handle this, since he doesn't have prepared  
8 remarks, I'm just going to ask him a couple of softball  
9 questions to kind of focus his testimony to what we think  
10 are relevant areas. So Mr. Dill, would you start by  
11 identifying yourself, your company and your history in the  
12 business?

13 STATEMENT OF LEWIS DILL

14 MR. DILL: Yeah, my name is Lewis  
15 Dill. I started my business in 1985 in my house in Baton  
16 Rouge, Louisiana, to start providing insulation,  
17 high-temperature insulation textiles to the Gulf Coast.

18 Since 1985, we have grown. Our sales are right  
19 at thirty million this year. We have weaving capabilities,  
20 where we weave about a half a million to a million yards a  
21 month of glass, e glass fabrics, in South Carolina. We have  
22 sixty employees there. I have an operation in Baton Rouge,  
23 Louisiana, where we have about seventy employees, where we  
24 take fiberglass, e glass fabrics, coat it with silicones and  
25 Teflons and various coatings that we supply to our

1 industrial high-temperature textile users, be it through  
2 distributors or be it through fabricators who use it.

3 MR. LEBOW: Do you compete with Auburn in the  
4 market? Who do you compete with?

5 MR. DILL: Auburn Manufacturing is a wonderful  
6 company. I've known Kathy since I started LEWCO. She has  
7 provided wonderful products to the industry. We are friends  
8 and competitors. We do both together. She buys fiberglass  
9 form me, I buy things from her. She is a good, solid  
10 competitor.

11 MR. LEBOW: What are the reasons your customers  
12 choose your products over domestically produced products or  
13 other imports?

14 MR. DILL: Well, we do different things. I mean  
15 many things that we do -- we make fiberglass fabrics for  
16 coaters. Kathy buys our fabrics for doing coatings. We  
17 provide ourselves, because we have a coating house inside  
18 Lewco Specialty Products in Baton Rouge.

19 The differences between our products are very  
20 little. I have -- I'm representing here my company as an  
21 importer, but also I purchased Chinese manufacturer at the  
22 beginning of this year. That now I'm representing TYCN as  
23 an exporter to here. So I'm an eighty percent producer. I  
24 did that more because I could get quality products at  
25 pricing that was competitive to the industry.

1                   MR. LEBOW: Would you say something about your  
2                   experience with Eastern European products and the  
3                   competitiveness of those Latvian and Belarusian products in  
4                   the U.S. market?

5                   MR. DILL: Yeah, I got into the ASF business  
6                   back in 1997. John Knapp brought up Gary Teague. He  
7                   brought me over to Belarus back in 1997 because of the  
8                   pricing, that Ametek havoc at that time, and Hitco, the only  
9                   two aerospace producers of the silica products.

10                  I mean they were -- the price was well above  
11                  what I thought it could be done for, and Gary Teague showed  
12                  me that after Perestroika and Glasnost took place in  
13                  Belarus, that we could purchase these fabrics, actually as  
14                  good, if not better, fabrics over there than were produced  
15                  at two or three times the price that we could buy them at  
16                  that time in Belarus.

17                  Since that time, they've learned all about  
18                  capitalism and their prices have stayed competitive. They  
19                  are what really the Chinese have to compete with in the  
20                  United States, or the Eastern Europeans. It's not AMI, it's  
21                  not Auburn Manufacturing that we're really competing with.  
22                  She has her Berry amendment and Buy America business that we  
23                  don't even go after. We don't try to because we're -- our  
24                  products are either or have been either brought in from  
25                  Belarus and/or now China. But that happened four years ago

1 when Belarus was sanctioned. I was given ten days' notice  
2 to stop a four million dollar a year business.

3 MR. LEBOW: Is it your view that if there were  
4 significant import duties on imports from China that there  
5 would be a switch in the import market back to Eastern  
6 Europe?

7 MR. DILL: It would -- Belarus, PSV and the  
8 people in Latvia, the Valier people would have a bonanza  
9 over it. They'd love it. I don't know why that would -- I  
10 mean the Chinese have had to compete with the Belarusians  
11 and the Latvians, not the Americans.

12 Hitco, H.I. Thompson, which is the one  
13 manufacturer -- they're all aerospace. Their products are  
14 three or four or five times the cost of what we would have  
15 in the industrial sector. Kathy Leonard does a wonderful  
16 job in the industrial sector but, you know, we've got to be  
17 competitive -- I say 'we', me, my companies have got to be  
18 competitive with our customers against really the Eastern  
19 Europeans more than the Chinese.

20 MR. LEBOW: Thank you. I'm sure Mr. Dill will  
21 be available to answer your questions along with the rest of  
22 the panel. Jeff, does that conclude the direct testimony?

23 MR. ANDERSON: Thank you, Mr. Grimson, and thank  
24 you to the members of the panel for your direct testimony.  
25 We would now like to turn to staff and start with questions.

1 And we'll start with Mr. St. Charles.

2 MR. ST. CHARLES: Thank you, and thank you  
3 for your testimony. I'm trying to understand where the  
4 competition lies in the lower percentage silica content and  
5 the ninety-six percent that the petitioners produces. It's  
6 been said a couple of times that what we're really looking  
7 at here is injury to the industry caused by what our, by the  
8 scope definition nonsubject imports. And I'm trying to  
9 understand how that competition occurs. Anyone on the  
10 panel.

11 MR. DILL: Well, there is a direct relationship  
12 between the melt-point of a silica yarn fabric and its  
13 silica content. So as you go down, there was a question  
14 asked earlier. If you go down to eighty percent silica  
15 content, will you get less temperature performance? You  
16 absolutely will. But you will also get the strength that  
17 you need to fabricate things.

18 Many -- most industrial users are also  
19 fabricators to the refineries, petrochemical plants, you  
20 know, the various industrial infrastructure we have --  
21 anybody that has a boiler has high temperature piping would  
22 be a potential customer of this, but at eighty percent pure,  
23 we find our testing that it works for ninety-eight percent  
24 of the applications in industry. And we get the strength,  
25 the customers get the strength that they need in the

1 fabrication, the durability of the textiles downstream.

2 If you take the ninety-six percent pure silica  
3 fabrics or above, and we all can produce them, but do we  
4 want to produce them? That's the -- you know, for  
5 insulation applications, some without tensile strength, tear  
6 strength, puncture strength requirements, you don't need the  
7 ninety-six percent. That's what we see.

8 There's a shrinkage that goes on when you bring  
9 up a silica cloth for a period of time, and you go through a  
10 shrinking process. Each level of silica, if you have an  
11 eighty percent pure silica fabric, you will get more  
12 shrinkage at whatever designated temperature you have versus  
13 one with a higher silica content, but you lose strength and  
14 durability out of it.

15 MR. DOUG SYDOW: Again, this is Doug Sydow from  
16 AVS. I'd like to elaborate on that a little it. From a  
17 standpoint, you're going to be doing some form of leaching  
18 to get to a lower percent silica content. At leach time is  
19 going to be less. No question to get to that point. Hence,  
20 it's going to be more cost effective.

21 When you get into -- with the way things are  
22 globally, with the global economy -- you know, you got one  
23 customer that is buying X fabric at X dollars, every company  
24 in nowadays is looking to survive. They're looking to find  
25 alternate ways to cut costs.

1           If somebody comes in and offers them a fabric  
2           and, what typically will be done, is they'll say, 'Hey, I  
3           can get you this price for this fabric, why don't you try  
4           it?' They'll try it, they'll say, 'Hey, it's wonderful. I  
5           love your price.' Then they start buying it. As long as it  
6           meets their end application and it's proven by giving them a  
7           product to trial on site, that's the product they will  
8           typically try to use depending on the functionality and the  
9           pricing.

10           So I wanted just to emphasize that issue in  
11           regard to silica content and the fact that it will be  
12           cheaper to manufacture a lower silica content product.

13           MR. DILL: And they're all, if they're leached  
14           morphed into that. Whatever they're morphed into. If you  
15           want to morph them into a ninety-six percent pure, you can  
16           do that. If you want to have it meet a particular mill  
17           spec, which is weight, strength, tensile, tear, all those  
18           things, you can do that. If you want something less or  
19           something more, you can do that. The customer's kind of the  
20           one that decides on this though.

21           MR. DAVID SYDOW: I have a comment related to  
22           this discussion, because I've seen, you know, I understand  
23           the principles of Factory Mutual, the pads, the blankets,  
24           the curtains. And you have to mark, print the fabric and  
25           identify the boxes that way.

1                   But that has nothing to do with how the user is  
2 going to use that fabric. They're always generally going to  
3 pick the lowest cost one. Even if they say it's only for  
4 curtains, I know applications -- many, they take the lowest  
5 one and use it for horizontal molten metal protection.

6                   It has limited use that way, but they're going  
7 to look at costs and not necessarily worry about, you know,  
8 what the listing is from the Factory Mutual, so certain  
9 cases it's not worth your time to get Factory Mutual  
10 involved, because it's not necessarily going to be used, you  
11 know, how it's listed.

12                   But yes, price is the name of the game and if  
13 you get certain performance properties that the customer  
14 accepts, or if he's willing to take certain risks, there is  
15 a certain amount of risk involved, and we try to point out,  
16 you know, risk factors, too. But sometimes that just flies  
17 over their head, you know, that risk factor.

18                   But sooner or later, some of the decisions made  
19 are going to come back to be counter to what they want. So  
20 price and when they do a certain amount of performance  
21 testing, that's the name of the game.

22                   MR. GRIMSON: Mr. St. Charles, if I could just  
23 wrap up just on one thought here. It was striking to us in  
24 talking with the folks over the last couple of days, and  
25 maybe you're hearing there's some frustration among the

1 historical players in this market about the growth of the  
2 lower silica product. Because these folks make ninety-six  
3 percent product.

4           When Mr. Sydow was talking about risks, he's  
5 talking about my product that is ninety-six percent silica  
6 content verified, testable, versus someone who else who buys  
7 it, tries it out, yeah, I can use it in a welding  
8 application, maybe I have to change it out twice as fast,  
9 but if it's one-fifth of the cost, I'm still perfectly happy  
10 as a customer.

11           So I think we heard some talk about where they  
12 are actually losing business to this lower silica product,  
13 and that was how I kind of heard your first question, but  
14 what you got here was further explanation of that price and  
15 silica to relate and when Mr. Sydow said 'price matters,' I  
16 think he's referring to the fact that if someone comes in  
17 with Product B and it performs perfectly fine but it's half  
18 the price, that matters to them because they don't care  
19 about the silica percentage, they care about the  
20 performance.

21           MR. ST. CHARLES: Thank you to all of you. That  
22 was very participatory and helpful. I have no further  
23 questions.

24           MR. ANDERSON: Okay, we'll turn the microphone  
25 over to Ms. Preece now.

1                   MS. PREECE: Okay, I'm not going to be asking  
2                   you all the questions I asked the U.S. producer, but if you  
3                   have any comments on that, we would like to hear them in  
4                   your brief, that would be really very helpful. In some  
5                   point you've talked about higher specialty high-strength  
6                   ASF, is that the aerospace grade that they're talking about?  
7                   Or is there something else there?

8                   MR. DOUG SYDOW: I'll address that. What there  
9                   is, when you make silica fabric, it all starts with a base  
10                  fabric that's made out of a certain composition. You can  
11                  change that composition and get different types of  
12                  properties, so what basically the low end typical welding  
13                  grade fabric is all made off of what's known as electrical  
14                  grade fiberglass, more commonly referred to as e glass.

15                 What people can do is they can modify the ratio  
16                 of the minerals that go into the melt. When you do that,  
17                 you can affect the performance of the fabric such that when  
18                 you subject this fabric to a three hours at eighteen hundred  
19                 degrees Fahrenheit, it will remain a lot softer than a  
20                 standard e glass base.

21                 Which means that for a textile fabricator, for  
22                 example, that has a high temperature part and it's in a  
23                 static and a dynamic environment, meaning it's a moving  
24                 part, you don't want it to get brittle. You want it to  
25                 remain in a particular state.

1                   So this particular type of high-grade silica  
2 fabric has improved thermal properties, as well as strength.  
3 It's almost double than the standard type of e glass base  
4 silica fabric. So there's a lot of value you can get from  
5 that particular fabric for specific customers that make  
6 very, very high-performance, high-temperature parts.

7                   MR. LEBOW: If I may add something, Ms. Preece,  
8 from an economic point of view, or at least I'll try to make  
9 it economic, it's really an attenuation of the competition  
10 argument we're making here. Because in the first place  
11 we're saying that the AVS purchases haven't gone up, and the  
12 prices haven't gone down in the last couple of years. But  
13 another thing we're saying is that a good share of what it  
14 purchases is as high strength silica fabric, which is made  
15 on a different base so that you can form it into say items  
16 of clothing--boots, for example, or something for firemen--  
17 that maintain their flexibility and are more useful.

18                   And Auburn, from what we understand, does not  
19 make these high-strength products. And because they don't,  
20 there is a certain portion of the imports that don't even  
21 compete with them.

22                   It's not so much a like-product issue as it is an  
23 attenuation of competition issue. And we just want that to  
24 be very clear to you when you look at the questionnaire  
25 responses and the data on the imports; that it isn't even a

1 one-to-one correlation that those imports are taking away  
2 potential business from Auburn, because Auburn doesn't make  
3 this particular kind of amorphous silica fabric.

4 MS. PREECE: And do you have any idea of what  
5 share the high-strength is, or whatever we're calling it?

6 MR. DOUG SYDOW: We'd like to postpone that for  
7 post-hearing.

8 MS. PREECE: That's perfectly fine.

9 What is S-2 fabric and quartz fabric? These two  
10 products were reported as substitutes. Do you -- can you  
11 tell me what they're talking about, if you have any idea?

12 MR. DAVID SYDOW: (Off microphone) quartz. What  
13 product forms are you referring to, do you know?

14 MS. PREECE: No. They say things like, I asked  
15 the importers what are substitute products for ASF, and they  
16 say S2 fabric and quartz fabric.

17 MR. DAVID SYDOW: Well S2 fabric can be. It's an  
18 intermediate temperature from the standpoint that you're in  
19 the area of 1450 to 1500 degrees Fahrenheit for S2 fabrics.  
20 But they're fairly expensive.

21 Quartz, you know, those costs are prohibitive.  
22 You don't think of them, you know, in this industry unless  
23 you have a very special, you know, electronic industry.

24 I want to just add, this hasn't come up yet, but  
25 when we're talking about price versus performance in our

1 main product line, we have four different weights. We have  
2 18, we have 24, and we have 32, and then we have a 36. And  
3 that's in--and it's of the same characteristic satin weave  
4 fabric. And then some of the fabrics we have reasons, we  
5 have 60-inch wide fabrics, particularly when we get into the  
6 fabrication fabrics.

7 So I just wanted to mention the family of silica  
8 fabrics that we offer in our portfolio.

9 MS. PREECE: Okay, that's helpful. Thank you.

10 The Petitioners made some remarks about the  
11 traceability of inputs for aerospace applications. Is that--  
12 --do you know anything about that? Is that still required?  
13 I read somewhere that it wasn't.

14 MR. SYDOW: Dave Sydow again. I understand, if  
15 you go way back to a specification related to that product,  
16 it goes back like 40 years. Reference was made earlier to  
17 lot glass. And, you know, today the modern technology is  
18 direct drawing of the filament. So they didn't have that  
19 type of technology back, you know, at that time. So that  
20 type of product has never really adjusted to modern  
21 technology as far as how you make the filament and then  
22 weave it and that type of thing.

23 And they would make, you know, with a certain  
24 batch, maybe it might be 5- or 10,000 pounds, and you'd make  
25 a lot that way. And the big cup days, you know, that were

1 in that era of PPG or AGY, that type of thing. But they  
2 still do it today because there's some of the specifications  
3 that some of the bigger prief riggers have to go by that the  
4 Government imposes on them that specification.

5 I mean one of them is Cytek Fiber Right is pretty  
6 big, and I know they, you know, went to lot--I think they  
7 still today, just because they have to beat that spec on lot  
8 glass. But if they were in the modern technology and they  
9 could go, you know, with continuous filament, it would be a  
10 lot lower-cost product. So that type of thing. New  
11 technology comes along and sometimes specifications take a  
12 long time to get caught up to what the new technology is.

13 MS. PREECE: Okay, in the economics consulting  
14 service were the pages that they gave us, they had AVS  
15 Industry as being in competition with them for a sale.  
16 People in AVS do--is there any confusion as to where AVS  
17 product is made? Is it considered by some to be U.S.-made?

18 I'm just curious.

19 MR. DAVID SYDOW: Dave Sydow again. Yes, I would  
20 say there's some, but they never ask. I mean, they go back,  
21 and we don't just publish, or volunteer, unless we're asked,  
22 what the country of origin is. We always say, you know, if  
23 they ask us, we can -- it's China. Sure. We never--you  
24 know, you be honest with 'em. But some people will just  
25 know the name and, you know, because we've got lots of

1 customers, and we don't ask or publicize--we don't have a  
2 technical data sheet or anything like that that says what  
3 the country of origin is. But if we're asked, we're honest  
4 and we tell 'em, you know, what the country is. It's China.  
5 In this case, it would be always China. But we're not  
6 asked, you know,

7 MS. PREECE: Yeah, well, one doesn't volunteer  
8 what is not asked. Even I don't do that too often.

9 (Pause.)

10 Let me go and let the next person ask some  
11 questions. That's probably best for me. Thank you.

12 MR. ANDERSON: Thank you, Ms. Preece. Ms.  
13 Lundquist, your turn.

14 MS. LUNDQUIST: Thank you to all of you for being  
15 here. I just have a couple of follow-up questions. The  
16 first being, I think it was mentioned that some of these  
17 lower silica content fabrics will use the continuous  
18 leaching process in their production? Did I understand this  
19 correctly?

20 MR. KNAPP: You're asking if the lower silica  
21 fabrics do use leaching?

22 MS. LUNDQUIST: Or use the continuous, as opposed  
23 to batch leaching.

24 MR. KNAPP: Oh, I think this should be Jie.

25 MR. AO: There are two ways to make silica

1 fabrics. One is continuous line, open the roll, keep going  
2 through that. Another is the batch leaching way, the whole  
3 roll is dipped into a tank and the acids go through it.

4 So for the batch leaching way, you go half silica  
5 to 80 percent to 96 percent. Cost basically the same. What  
6 really affect the batch leaching the cost is the  
7 qualification ratio. Because 80 percent anyway is strong.  
8 If you go 96 percent, 98 percent, you lose strength. And  
9 maybe your qualification ratio goes down to 80 percent. Of  
10 course your cost is higher.

11 So it's the know-how, how to do it. And for the  
12 continuous line, it's much easier because the fabric's cost  
13 depends on the speed of the leaching speed. If you only go  
14 80 percent, which the temperature goes to 120 or 140 F, so  
15 go 80 percent you can go 4 meters, 4 yards per minute. But  
16 if you want to go 96 percent, you probably only go less than  
17 1 yard per minute. Big difference there.

18 So in China I know they have--there are two  
19 companies that are using continuous line to make the silica.  
20 So they just figure out they cannot afford to use the  
21 continuous line to make the 96 percent to compete against  
22 the fast-leaching way because it's too slow. It's the old  
23 way. Technology is over. So they find out they can use  
24 this to make the, we call it mid silica. So it's like  
25 between 70 to 93 percent. You don't guaranty what it is.

1 It's 80 percent, or 90 percent, whatever, in that range. So  
2 the temperature can use for at least higher than S-2 class,  
3 which was mentioned. S-2 is like 1300 Fahrenheit. They can  
4 give us up to like 1500, even like 1600 Fahrenheit, no  
5 problem, and pretty strong. People likes it.

6 So the cost difference is continuous line batch  
7 leaching is because of the speed.

8 MS. LUNDQUIST: Thank you. And then I just have  
9 one other question to sort of follow up on Mr. St. Charles's  
10 question with the lower silica fabrics being used by these  
11 industries. When a customer purchases a lower silica  
12 fabric, they themselves, it's on them to test it. And if  
13 they find that it works for their purposes, then they may  
14 decide to use this lower silica content fabric and benefit  
15 from the lower costs? Have I understood this correctly?

16 MR. DOUG SYDOW: Yes, this is Doug Sydow again. I  
17 will address that. Yes, that's true. Like I say, I lost a  
18 fairly large account. And when I asked to get a sample of  
19 the fabric that I lost the business to, and I tested it for  
20 silica oxide content, it was in that 70, right around the 70  
21 percent range. Okay?

22 So I went back again and I said: You realize that  
23 I was providing you 96 percent silica oxide content? And  
24 they said, yeah. And I said, is there a chance that I  
25 could, you know, I'd like to regain part of the business if

1 I could. And they says, listen, we're very happy with what  
2 we've got. We're going to keep it that way. So in essence  
3 I'm out for all of 2016.

4 So what it comes down to is product price versus  
5 the performance. As long as they've evaluated it, qualified  
6 it at their site, and they're happy for their application,  
7 that's what matters. Okay?

8 MR. DAVID SYDOW: Let me add one thing there  
9 that's a little bit related to what you're talking about,  
10 because I was confused a little bit in the presentation  
11 earlier when we were talking about coatings.

12 To me, in my terminology, there's two types of  
13 coatings, but I don't call one of them a coating. I call it  
14 a finish, like the fabrics have to have a finish in order to  
15 be saleable. For a customer to accept a fabric,  
16 particularly silica, you've got to have a finish on there or  
17 else it's a nightmare to try to handle it and use it.

18 You have all kinds of, it could be--like we  
19 tailor all of our finishes. In other words, we research  
20 finishes and every one of our fabrics has our own  
21 proprietary finish on it. And then even when we get into  
22 topical coatings--I call it topical coatings when you're  
23 talking about silicones, when you're talking about PTFEs or  
24 something or other.

25 We tailor those, too, from the standpoint of the

1 polymer that's used to get certain properties, not just all  
2 silicones or PTFEs. You know, you have certain properties  
3 that we're after. And so we work and get specifications and  
4 products that we want them to use in our coatings.  
5 Naturally whether they're iron oxide red or silver grey or  
6 that type of thing. So we're very much inputting into these  
7 people which polymers we want to use, which manufacture to  
8 use in their coatings.

9           So we go that far, you know, as well in all of  
10 the fabrics. And this is another aspect of engineering that  
11 we do all of our fabrics.

12           MR. KNAPP: This is John Knapp. Ms. Lundquist,  
13 I'll try to answer your question. The answer is: Yes, the  
14 customers are supposed to, if they're presented with a data  
15 sheet with a fabric of lower silica content, first of all to  
16 understand that. And then to test it for their application  
17 and see if it is suitable for them.

18           I am not sure that most people are advertising  
19 lower silica contents, which presents a problem. We have  
20 some competitors even here in the U.S. who will call a  
21 fiberglass fabric a silica fabric because it is 54 percent  
22 silicon dioxide.

23           So I hope that gives a little more clarity to the  
24 market. I think most of the people selling the lower silica  
25 are not advertising it as lower silica. They're competing

1       against the 96. And people may not know that it's lower.

2                   MS. LUNDQUIST: Thank you all. That's enough of  
3 my questions. I will pass it on.

4                   MR. ANDERSON: Thank you, Ms. Lundquist. Ms.  
5 Letostak, any questions?

6                   MS. LETOSTAK: I just want to say thank you for  
7 being here, but I have no additional questions.

8                   MR. ANDERSON: Mr. Corkran, the microphone is  
9 yours.

10                  MR. CORKRAN: Thank you very much, and thank you  
11 for your testimony. It has been most helpful.

12                  My first questions will sort of reveal me as a  
13 bit of a data wonk, but so when I look at the HTS schedule  
14 that you have provided for us, the first question that comes  
15 to my mind is--and this would be on page 2 of the exhibit--  
16 do I take from this that I could have a pretty good data set  
17 of U.S. imports if I looked at the two HTS numbers 7019.40,  
18 4030, and 9030? That those are the two HTS numbers in your  
19 view that would capture a large part of the imports, at  
20 least those greater than 93 percent?

21                  MR. GRIMSON: Yeah. We think that those two HTS  
22 codes with the red arrows on the list are the only two that  
23 specifically cover what is subject merchandise. But is  
24 there other subject merchandise that could be in the other  
25 numbered categories right below those red ones? Yes,

1 because those go down to 90 percent.

2 Now we happen to think that there's not very much  
3 in that uncanny valley between 93 percent and 90 because you  
4 get down in that range and our folks say that they wouldn't  
5 expect to see much. Everybody's shooting for 96, except the  
6 Latvians that come in at 94. So there may be some imports  
7 in that area.

8 Then, I mean the reality is we don't know how all  
9 importers are classifying everything. What we do know is  
10 that the categories in the Petition have to include a large,  
11 if not nearly all, nonsubject merchandise. So you're really  
12 left with your data question to the petitioners before, what  
13 are you going to do for this prelim.

14 The record is still open. More questionnaires  
15 should be coming in. We're hopeful we will get some more  
16 from you that you've received since our release on Monday, I  
17 guess it was. And you do what you were saying before. You  
18 look and so a sanity check between three different things  
19 that you have in this case.

20 You've got import data from the importers'  
21 questionnaire. You've got foreign producer data. And at  
22 least from our panel you have testimony from people who have  
23 been in this industry for 50 years saying they know who the  
24 players are making this product. And we're talking about  
25 something in the \$6- to \$7 million range of imports.

1           So, yes, there may be subject merchandise outside  
2 of the two codes, but the alternative can't be to go to the  
3 whole basket category. That's just throwing bad, worse data  
4 after difficult data here.

5           MR. CORKRAN: Okay. And if I--oh?

6           MS. MOWRY: Thank you. Just to follow up. This  
7 is Kristin Mowry. One thing that we do know is that there's  
8 nothing in these two proposed HTS categories that is not  
9 subject merchandise.

10           So not only were you not dealing with the basket,  
11 but we're dealing with completely falling within the scope  
12 here. And the other thing that is important, and I think  
13 Mr. Dougan responded similarly when asked about his HTS  
14 data, what you can definitely take away from--when looking  
15 at the data from these two categories is the trends.

16           And you will see year-on-year dramatic decreases  
17 of that product. And I think one of the things to mention  
18 at this point, Doug, I think you had mentioned that when you  
19 all export your product you use these HTSs. Is that  
20 correct?

21           MR. DOUG SYDOW: Yes, we do.

22           MS. MOWRY: Just to clarify, because I know that  
23 there was different testimony with respect to how  
24 Petitioners classify their product when they export it. So  
25 from our perspective, we see it that this is the appropriate

1 one, these two are the appropriate ones.

2 MR. CORKRAN: And again bear with me for these  
3 data-related questions, but this is something that I focus  
4 on. The two HTS numbers ending in 60 that are right below  
5 your highlighted numbers, if I were trying to get a sense of  
6 the lower silica content fabric that has been part of the  
7 testimony as well, would those be the numbers that I'm  
8 looking at to get a sense of those volumes?

9 MS. MOWRY: I'm not sure. You know, we're not  
10 exactly sure how the lower silica content product is being  
11 brought in. But those two dash sixty categories are  
12 definitely much larger basket categories, and definitely  
13 include a lot of product that is not subject merchandise.

14 MR. CORKRAN: Thank you very much. I sincerely  
15 appreciate those responses. I want to focus a little bit on  
16 the product that is of a lower silica fabric--silica  
17 content.

18 First off, do we--is there any U.S. production  
19 below 90 percent? Or is that having to be sourced from  
20 outside the United States?

21 MR. KNAPP: I'm not aware of any lower mid-silica  
22 production in the United States. HITCO produces to the  
23 96-plus and 98 percent plus for the aerospace grade.  
24 Auburn, as you know, produces 96 percent for the industrial  
25 silica market.

1           I would venture a guess that some of the new  
2     player in the Asian market have produced, not intentionally,  
3     but because of their lack of know-how and skill in the art  
4     of producing silica fabric, and it is part of their learning  
5     curve, and in the meantime, rather than landfill it, they  
6     are selling it as silica fabric.

7           And again I do not know how they label it on  
8     silica content.

9           MR. DILL: Let me say that company that I  
10    purchased and I have been buying from in China for the last  
11    two, two-and-a-half years, we do it intentionally. I ask  
12    'em for 80 percent pure. I ask 'em for 90 percent pure. I  
13    ask 'em for 96 percent pure. It's for customer  
14    applications. We do much testing of these fabrics before we  
15    put coatings on 'em, or before we apply 'em. We work  
16    continuously with our customers to make sure they get what  
17    they want.

18           So when I do something, I'm bringing it in very  
19    application-specific. And we have three different grades  
20    that we keep in stock in various weights that gives the  
21    strengths, and we test these fabrics as they come in.

22           MR. CORKRAN: Thank you. I'd like to follow up on  
23    that last testimony that the silica content is intentional  
24    and it is application specific.

25           Mr. Dill, do you agree with one of the exhibits

1 that identified the manufacturers in China? There were six  
2 main manufacturers in China. In terms of your suppliers,  
3 are you seeing suppliers other than the six that were  
4 identified in the ACIT--

5 MR. DILL: I have visited the first one, two, I  
6 own three, 80 percent of three, and four. I have visited  
7 those plants. I don't know who five and six are. I mean, I  
8 didn't know Cixi Sunrise did leaching in China. I didn't  
9 know that.

10 MR. CORKRAN: And are these the companies that are  
11 providing the lower silica content product, as well?

12 MR. DILL: I think anybody who leaches can do  
13 that, okay? You just take a 55 percent, 53, '4, '5 percent  
14 e-glass fabric and you, depending on the acid concentration  
15 and the temperature and the time, the dwell time that you  
16 keep it in there, you can bring it up until you can totally  
17 destroy all integrity. So it's a controlled process. If  
18 you want to bring it up to 96 percent pure, you have your  
19 process and you know, given an acid amount, time,  
20 temperature, process what it'll do.

21 And normally a lot of times people, we don't do  
22 it for a cost reason as much as we do it for a performance  
23 reason. If I want something 80 percent pure, I'm not  
24 necessarily buying it from, you know, my own company less  
25 expensive. I want strength and I want certain properties

1 about that that make it--that conform to the applications.

2 Most applications are not 1800 degrees. 98  
3 percent of the applications are below 1500 degrees, and most  
4 of them go into very fabricating, vibrating applications  
5 that this high purity silica just will not take.

6 So we do it for very different reasons. We're  
7 not going after necessarily the welding blanket business  
8 that's going to have sparks, splatters, and slag on it. We  
9 go after the automotive, and the high-temperature in and  
10 around furnaces, and things that go up to those high  
11 temperatures, but they need to be able to be fabricated.  
12 They need to have robustness to 'em. And they need to be  
13 able to, you know, to withstand the application price is not  
14 the key, because of the silica content. Does it cost a  
15 little bit less? Maybe a little bit. But it's not a big  
16 factor for us when we buy an 80 percent versus a 96 percent  
17 silica.

18 If it's a 96 percent silica specification and the  
19 customer requires it, then that's what we give 'em. And if  
20 they want an FM approval, then we'll give 'em, you know, we  
21 will have the product tested and then put into the series of  
22 audits that FM does for us. FM comes in once a year and  
23 does an audit for us on the products that we have for them,  
24 and they charge to do that.

25 So if somebody wants an FM approved product, it's

1 not a lot more to do it with FM but it's a little bit more  
2 cost. Maybe not price, or sale price, because there is  
3 competition out there.

4 MR. CORKRAN: Thank you. Let me ask the panel  
5 more broadly -- this morning I asked about the Petitioner's  
6 experience with competition from product imported from  
7 countries other than China and at least to paraphrase that  
8 response it appeared to be the big thing they were not aware  
9 of substantial competition.

10 In your participation in the market either  
11 whether we are talking as an importer or as a purchaser, do  
12 you see a lot of volume? Do you purchase -- do you compete  
13 with substantial volume of this product coming from eastern  
14 European suppliers?

15 MR. DILL: I have -- this is Lewis Dill, Mr.  
16 Corkran I work with PSV Belarus since 1997 okay and the only  
17 reason I still don't work with them is because of the  
18 sanctions that went on four years ago that stopped my  
19 business dead and sent me to China looking for -- scrambling  
20 for sources.

21 And so the Europeans have got an interesting  
22 different leaching process than do the Americans and/or the  
23 Chinese. They start with a different yarn and they leach  
24 it. We start in America and mostly in China, not all but  
25 most in China with E-glass which is an abundant yarn source,

1 raw material source. They started with doing dedicated --  
2 using one yarn to make it into the higher purity silica.

3 It does add some strength, it does add some  
4 properties that are good but starting with 70% silica, not  
5 53 and then leaching it up to 96% pure. So there are some  
6 advantages you don't leach out all of the impurities, you  
7 know all of the guts to the E-glass fabric that is 53 to 58  
8 but the Europeans have done a great job. They are the most  
9 competitive pricewise.

10 I mean I buy and sell my company, buy and sell  
11 and now we make okay so they give us prices because they  
12 want to sell to us and they give me prices that are the same  
13 as what I can buy for myself in China. I mean and there's  
14 -- I mean you have to watch them because they claim to be  
15 94, 95, 98 and unless you do check them on a regular basis  
16 they tend to slip and oh well that's only 5 blanket -- well  
17 yeah but, that's not what you are telling me so you have  
18 just got to keep tracking what they are doing but they have  
19 got the most aggressive prices in the world right now  
20 without question.

21 That's the Belarusians and the Latvians.

22 MR. CORKRAN: Any other experience competing  
23 directly with Chinese competition versus non-Chinese  
24 imported product?

25 MR. KNAPP: I was going to add to what Mr. Dill

1 said. Mid-Mountain Materials competes with the Latvians and  
2 the Belarusians with a number of our competitors within the  
3 United States that are selling to the oil refineries or the  
4 automotive industry in the diesel emission exhaust  
5 insulation blankets or just in general welding fabric.

6 So they are present, they have been present since  
7 the mid '90s. It is my contention that they are the ones  
8 who set the current mature pricing of silica fabric in the  
9 United States back then.

10 MR. CORKRAN: Okay, I am going to circle back to  
11 a question that I asked the morning's panel and that is on  
12 FM approval and the importance of having that in the product  
13 that you sell or the product that you use. Can you please  
14 tell me whether as a producer, importer or purchaser how  
15 important is FM approval and is it something that you look  
16 for for your own product?

17 MR. KNAPP: Mid-Mountain Materials has FM  
18 approval for a number of our fiberglass fabrics, silicone  
19 coated fiberglass fabrics and the silica fabric that we sell  
20 under our trade name SILTEX that we buy from China, that we  
21 buy from ACITEN in the U.S.A.

22 Unfortunately I think we have had the FM approval  
23 for about a year and a half or two years. We still have not  
24 had one customer request it, we must not be in the right  
25 industries. I am not saying that customers don't but where

1 we sell it, it is not important. They also do not ask for  
2 the mill spec unless we are quoting to the military which we  
3 don't do any longer because we are selling Chinese produced  
4 silica fabric.

5 When we were a HITCO distributor we sold or tried  
6 to sell to the military but it was very tough to compete  
7 with Auburn Manufacturing selling product made by an  
8 aerospace company. So to answer your question we are seeing  
9 no value in our expenditure to get the FM approved label.

10 MR. SYDOW: This is Doug Sydow from AVS I would  
11 like to expand on what John was saying. There's a few  
12 industry segments that seem to put a request FM approval,  
13 oil refineries is one. It's such a big issue in oil  
14 refineries that you know they have been told that FM is a  
15 very desirable item to have and they sometimes will request  
16 that.

17 It's really company dependent on whether they  
18 really wanted FM or need FM. You know there has been a lot  
19 of talk about FM, they test it to a very stringent standard.  
20 The ENC49 standard but when it comes right down to it we  
21 have had -- AVS itself has had very, very few companies come  
22 to say that they have to have FM approved fabrics.

23 MR. DILL: This is Lewis Dill, I'll ditto that.  
24 We have ten of our products that are FM approved. We get an  
25 audit every year by FM to make sure those products have a

1 certain standard. It's mostly that the oil refineries  
2 petrol chemical plants, somebody who likes to if there is a  
3 fire, if there is a problem out there, they want to have  
4 some legal or you know some entity there that they can base  
5 their decisions on that they did this in their hot works  
6 area of a turnaround in a plant.

7           They have made their decisions based on a certain  
8 standard. There are standards that need to be set up for  
9 these industries but there are also times where the  
10 application dictates that it doesn't have anything to do  
11 with a particular standard but you have something as a  
12 starting point and that's what these standards are all  
13 about.

14           MR. CORKRAN: Thank you I have one last question  
15 and also a request which I will put in now so that I can  
16 make sure I don't forget it. But if you represent a foreign  
17 producer or an importer in this proceeding please make sure  
18 that you have completed and submitted the relevant  
19 questionnaires and with that I will turn to my very last  
20 question which is -- we talked a little bit earlier this  
21 afternoon about high strength ASF and it was identified as  
22 being used I believe, principally in textile fabrication.

23           Can you please tell me what are the  
24 characteristics that would make certain ASF high strength?  
25 Is that an even greater silicon content than 96% or is it

1 some other characteristic that makes it a high strength or  
2 specialty product?

3 MR. SYDOW: Again this is Doug Sydow with AVS, on  
4 that issue for example a textile fabricator buys a  
5 particular type of fabric. They endure a lot of stresses  
6 that are going to the sewing machine and typically when you  
7 have certain types of fabric you need the additional  
8 strength so that the textile fabricator can make the desired  
9 part.

10 Some parts are a lot more stressful than others  
11 to make and so what you do is that when you leach sheeting  
12 glass base silica fabric the strength comes in you can only  
13 get a certain amount of strength and be still at that 96%  
14 silica oxide content. With this particular formulation on  
15 how they make their filament you get enormous amounts of  
16 more strength and you have an improved thermal performance  
17 at an elevated temperature.

18 So when a customer goes in and they are making  
19 these parts, if they are making high temperature tube sales  
20 for example they look at the product and they look at the  
21 weave construction, they look at how strong it is and then  
22 kind of make it through all of the aspects of the  
23 fabrication.

24 Now what we do also is we put our own special  
25 proprietary surface finishes on it which also improve on 1

1 -- maybe a little bit more strength, 2 -- it helps to reduce  
2 edge fraying and that's one of the biggest things when you  
3 get into textile fabrication is satin weaves are notorious  
4 for fraying on the edges when you are trying to cut it. So  
5 we try to do some things with the engineering that we have  
6 to tailorize what we call fabrication grade fabrics to meet  
7 very specific textile fabrication customer needs.

8 So internally these particular people that we do  
9 sell to -- and this particular high strength silica fabric  
10 depend on that fabric for you know the business that they  
11 may have been bringing to their company.

12 MR. LEBOW: Let me just try to clarify as I  
13 understood it and as Doug has explained it to me, I'm not  
14 sure he said the same thing to you just now but when I asked  
15 about it he said that "It's the starting kind of fiberglass  
16 that makes the difference between ultimately this product  
17 and the standard product and it doesn't use what's called  
18 e-grade fiberglass but uses a different type of fiberglass  
19 as a starting product to make the weave of the fabric," is  
20 that correct?

21 MR. SYDOW: That's exactly right. I sort of  
22 alluded to it when I said it's a different filament okay  
23 because they use a different type of blend of ratio of  
24 ingredients when they are making their filament. That blend  
25 is special and it helps to provide very unique properties.

1           MR. SYDOW: This is Dave Sydow. When we say high  
2 strength just to give you a rough magnitude of what we are  
3 talking about -- high strength and you compare this to what  
4 you get in E-glass. You can get like double the strength in  
5 both the warp and the fill with this fabric to get into what  
6 we call a high strength category. That's kind of the  
7 differentiation.

8           The other thing you know what we are talking  
9 about too is you always have to ask these people you know if  
10 you have a welding and cutting utensil application versus a  
11 lot of people are looking at continuous temperature, so you  
12 always have to ask the question how high of a temperature  
13 and how long are you talking about wanting to use this  
14 fabric.

15           So it becomes important maybe you know if you are  
16 looking up to 1800 degrees Fahrenheit how much flexibility  
17 retention you want and strength as well so that is kind of  
18 tied in and the high strength fabric is better in that area  
19 as well for continuous high temperature use in a dynamic  
20 application where it flexes.

21           MR. KNAPP: I'm John Knapp, to go back to silicon  
22 101 it would have been helpful probably to cover some of  
23 this at the very beginning to try and describe what happens  
24 to the filament of fiberglass in the leaching process. It  
25 will help you to understand the strength issue.

1           E-glass starts with 54% silicon dioxide, a lot of  
2 calcium and a number of other trace elements of other  
3 minerals. This high strength chemical composition is a  
4 higher silica content to begin with. So in the leaching  
5 process the acid eats away from the body of that filament,  
6 that fiber. The other main ingredients like the calcium and  
7 the other main ingredient in the high strength chemical  
8 composition -- what you are left with if you look under a  
9 high-powered microscope is a fiber that looks like a log  
10 that has been eaten by termites.

11           It has got a lot of voids in it, a lot of surface  
12 area and when you push down on it with your fingernail you  
13 will actually crush through it much more easily than a solid  
14 fiber of fiberglass. So the high-strength not only comes  
15 from the chemical composition but the differences in the  
16 leaching process, but it is one of the primary reasons why  
17 you have got just more of the original fiber remaining at  
18 the end of the leaching process when you get it up to 96%.

19           MR. SYDOW: Dave Sydow, let me add just a little  
20 bit to that. When you leach E-glass and you get -- your  
21 objective is to achieve 96% silica you are losing about a  
22 third by weight, 30 to 33% by weight in doing that and as a  
23 result you are creating holes, you know, microscopic.

24           I have looked on electro-microscope at the  
25 filament and yes it is full of holes, you know that type of

1 thing but when you get to some of these other base silica  
2 fibers that you use, some of those are different as far as  
3 much -- we can remove. Some of them you may only remove 20%  
4 by weight as a result, that's another reason you have less  
5 holes there to give you more strength and just the innate  
6 chemistry gives you more strength as well.

7 And we are talking -- standard in the industry is  
8 to use 9 micron filament that's kind of the standard  
9 filament diameter size that is leached. That's the size  
10 that you use in the E-glass generally. It can get smaller  
11 but costs go up and there are certain reasons maybe why you  
12 want to do that but there is more when you -- because this  
13 product today I remember back up until the days of the  
14 Soviet Union, I mean in the early '90s silicas were a  
15 specialty fabric.

16 Once that happened it became a commodity so you  
17 have got to look at silica fabrics today it is a commodity  
18 and you have got to face that so you have to do everything  
19 you can to economize on all of the components you know that  
20 go into it because it is a commodity.

21 MR. CORKRAN: Thank you very much, I had some far  
22 ranging questions and you answered them all wonderfully. I  
23 sincerely appreciate it. I sincerely appreciate your  
24 testimony, thank you very much.

25 MR. ANDERSON: Thank you Mr. Corkran. I will

1 look to my left to see if there are any questions, Miss  
2 Preece?

3 MS. PREECE: I'm interested in this non-high  
4 silica fabric you were talking about and its competition and  
5 I would like to have an idea of how you would say -- where  
6 the end uses have been shifting to this lower silica fabric.  
7 Which applications particularly have been shifting and how  
8 much would you say they have been shifting?

9 And you know maybe we can just look at the period  
10 of the investigation so that we can have a better idea of  
11 where that movement is occurring, thank you.

12 MR. DILL: Ms. Preece, Lewis Dill. The  
13 application temperatures kind of do that for us. I mean if  
14 you take an E-glass yarn its temperature -- it loses about  
15 half its tinsel strength when you get up to temperatures in  
16 the 750 degree Fahrenheit range. You get up above you know  
17 850 to 900 degree range and you have lost essentially all of  
18 the strength out of the fabrics.

19 When you bring the purity of the silica to the  
20 80% range you are getting pretty good strength for 50%  
21 strength rate curve starts to move up and you are in the 800  
22 to 900 degree range for that sector, for the 80% pure where  
23 you have got half of the tinsel strengths gone.

24 When you get up higher than that you are just  
25 moving the curve up to that. Most applications in industry

1 I mean whether it is aerospace, automotive, petrol chemical,  
2 steel, or boilers in general for power generation it doesn't  
3 matter. The applications are below 12 and 1300 degrees,  
4 most of them. Yes you have high temperature turbo chargers  
5 on engines for your cars that glow under the hood that are  
6 getting up to 13-1400 degrees.

7 You can see a drive train of the exhaust system  
8 on TV. You know that's glowing, those temperatures are  
9 running 13-1400 degrees Fahrenheit. You get up around  
10 15-1600 degrees things move around too much and it is not  
11 stable so they just try to keep those temperatures to at or  
12 below 1400 degrees.

13 When you get up to 1800 degrees Fahrenheit what  
14 that means is that there is a shrink rate in that fabric of  
15 6 to 7 to 8%. Manufacturers should think that if you are  
16 going to bring something to 1800 degrees, a good 1800  
17 degrees then it is going to shrink that much in these AFS  
18 products.

19 The strength has got to come from how durable,  
20 how heavy it is and you know what is the application but the  
21 temperature is where the lower purity silica materials for  
22 lower temperature applications give us some more strength or  
23 durability for those applications.

24 MS. PREECE: Specifically what are the  
25 applications where you would say the lower temperatures were

1 viable?

2 MR. DILL: Okay up to 750 but if you want to get  
3 into the specifics about that --

4 MS. PREECE: Yes specific because I don't  
5 understand -- I mean --

6 MR. DILL: In a refinery they have all kinds of  
7 applications where they are taking and cracking atoms,  
8 cracking the molecules and they are splitting them into  
9 making things and their applications run between 500 and  
10 1200 degrees is most refineries.

11 If you are looking at petrol chemical plants when  
12 you are cracking the ethylenes to make the plastics and do  
13 those sort of things you are doing that in the 700, 800, 900  
14 degree range. When you take the power generation turbines  
15 that are turning the power plants there they create super  
16 critical, super-heated saturated, super-heated steam, they  
17 run up to 1,000 degrees. Okay and then they cascade their  
18 pressures and their temperatures down.

19 When you get into the pulp and paper industry I  
20 think most of those are at lower, below 700 degree range.  
21 When you look at the aerospace industry around the hot  
22 sections and insulation of the turbine engine you know for  
23 aircraft you are looking at getting into the 13, 14, 1500  
24 degree range with aircraft.

25 I mean when you get up to -- when you get your

1 jet engines any hotter than about 1500 degrees you are  
2 rebuilding those things so you don't want to get them any  
3 hotter. When you look at the exhaust systems in the cars  
4 that you have, the performance oriented Indie cars or you  
5 are looking at the Nascars they are running about as hot as  
6 it gets and they are 13, 14, 1500 degrees. Rarely do you  
7 get up to the 1800 degrees except inside furnace  
8 applications, that's called refractories and ASF's usually  
9 don't work inside because it shrinks too much to be able to  
10 be usable as an insulation inside furnaces that usually  
11 start in the 16-1700 degree range when they are burning  
12 natural gases and then they will go up higher with the more  
13 oxygen contents they have inside for instance.

14 That's where the ceramic fiber, the aluminous  
15 silica comes in -- aluminous silica fabrics I can buy in  
16 many place, you know they melt at you know 2300 degrees  
17 Fahrenheit, there's no problem with that but they don't have  
18 any strength. You are using yarn to kind of hold the short  
19 fibers and the ceramic fibers yarn made into a fabric  
20 together and it is -- E-glass is the strongest fiber.

21 If you were going to put wire in it than  
22 depending on the wire diameter and the type of wire you use  
23 for corrosiveness you know of that wire that is going to be  
24 you know the downfall of that particular textile, did that  
25 help?

1                   MS. PREECE: Yes it helped very much. And can  
2 you say how much of the market has shifted in the last three  
3 years to this kind of less than 90% silica fabrics that you  
4 have seen?

5                   MR. DILL: Lewis Dill here again. It is shifting  
6 okay. But if you are going to have -- it's hard to use a  
7 real high priced anything a whole lot. The only way that  
8 you are going to get volume out of these kinds of products  
9 is to bring some cost down for the users who are looking at  
10 an overall cost perspective on this whole thing so we are  
11 getting more specific as they are getting you know, I want  
12 my price better, they are getting very specific about what  
13 they have to, what their application is and then you you  
14 know and us will take it and let's apply it to make sure it  
15 applies to you.

16                   In the last five years, 5, 6, 7 years I would say  
17 that that is starting to really particularly take place  
18 because it is available. It wasn't available, everybody  
19 make it to the mills spec and nobody liked it because nobody  
20 had any strength with the textiles and you had to put other  
21 stainless steel fabrics and knitted products together with  
22 it to hold its strength.

23                   So by bring down the silica content at least you  
24 know in E-glass fabrics particularly because it starts out  
25 as 53 and then you leach it to 80, you are not only taking

1 20% of the guts out of it, you start at 70 which is what the  
2 Soviets have done in some tech and China have done, they  
3 start with their own yarn but that's I mean when you try to  
4 make yarn that you are not good at, E-glass they make  
5 billions of pounds of E-glass yarn for electronics and that  
6 sort of thing so we have something you know, a good cost  
7 structure to start with.

8           If you try to make your own yarn for this man you  
9 start with marbles and you -- what a cost, and the quality  
10 is so -- we have had problems with doing that because  
11 Russians are pretty good at it because they have been doing  
12 it for 40 or 50 years. The new Chinese, Huatec has been  
13 doing it for a while and they are pretty good but they are  
14 not as good as if you start out with a wonderful woven good  
15 yarn fabric to start with and you just be careful with how  
16 you leach it and you be specific with it, you can get your  
17 costs down.

18           MS. PREECE: Thank you I don't think I have any  
19 more questions at the time.

20           MR. ANDERSON: I'll just look to my left and  
21 right if there are any other questions. Okay I just want to  
22 close the loop real quickly and give you an opportunity as I  
23 did this morning to the first panel to comment on the mander  
24 and the POI particularly if you could in your post-hearing  
25 brief talk a little bit about the different between the

1 military and non-military.

2           You have heard some testimony in particular from  
3 Mr. Knapp this afternoon about declining demand in your  
4 region of the country where you are located in the Pacific  
5 Northwest but if there is anything else you would like to  
6 add about that information that would be very helpful.

7           Also Mr. Ao I appreciate the information on the  
8 producers and clarifying the balance of this understanding  
9 of whether they are -- how many are out there in China and  
10 so forth but just to be clear is it your message to us that  
11 the six producers in China are the sum total of all of the  
12 producers of silica whether it be 96%, 90 to 96% or below  
13 90%?

14           In other words are there other potential Chinese  
15 producers out there that are making below 90% that aren't in  
16 your submission here?

17           MR. AO: What I know is I make 96% it's the  
18 Ametek standard and the Hautec with the 96% and any newcomer  
19 until now they make oh through the learning curve  
20 accidentally make some 80% whatever, I don't know that so  
21 but I am quite sure some of them make it.

22           MR. GRIMSON: I think, can I help clarify -- I  
23 think he is asking is there anybody not on this list who is  
24 making 80% or is this --

25           MR. AO: Nobody else, that's all.

1           MR. ANDERSON: Okay thank you, thanks for that  
2 clarification and then about your also helping us understand  
3 the situation with your factory in China that is very  
4 helpful for me to clarify that. I would just ask either now  
5 or in the post-hearing if you could indicate whether the  
6 former factory that you closed and the new factory that you  
7 opened if there was a change in your capacity?

8           In other words did your net capacity produce this  
9 product? Did it increase, decrease or was it about the same  
10 and you could do that post-hearing if that is confidential.

11          MR. AO: We will do later.

12          MR. ANDERSON: Okay thank you. With that I would  
13 just like to thank the panel on behalf of all of us here for  
14 your testimony, for coming here and presenting your  
15 information. It has been very helpful to hear the different  
16 viewpoints and different market segments that you are in and  
17 the different products that you represent so thank you very  
18 much.

19          And at this time we will turn to closing  
20 statements and ten minutes each for each panel, thank you.

21          MR. ANDERSON: Mr. Heffner, whenever you're  
22 ready.

23          MR. HEFFNER: Thank you. Doug Heffner, Drinker  
24 Biddle. We're going to start out with Mr. Dougan starting  
25 out first. Then we'll go into what I need to say.

1 CLOSING REMARKS OF JAMES DOUGAN

2 MR. DOUGAN: Good afternoon, everyone. Thanks  
3 again for the opportunity to talk to you. I just wanted to  
4 speak briefly in response to some of the things that came  
5 out in response to panel one.

6 We heard multiple times, and particularly I  
7 believe from Mr. Dill, that really it's the Eastern  
8 Europeans that drive the market. And the Chinese have to  
9 compete with them and not with the American producers, and  
10 it's really the Eastern Europeans who are the big movers.

11 Well, a couple of things on that. First, by his  
12 own admission and as everyone knows, Belarus was excluded  
13 from the U.S. market due to sanctions for all of the POI up  
14 through November 2015. And we don't have any evidence on  
15 them putting in significant quantities in the last month or  
16 two of 2015. So Belarus was not, not a factor during the  
17 POI.

18 With regard to Latvia, it's less obvious in this  
19 case but looking at the HTS data at the import stats, even  
20 if you sort of include a bundle of different codes,  
21 including ours and theirs, the volumes that are coming in  
22 are way, way less than you're seeing in the import stats  
23 with regard to China. But also significantly less than even  
24 the volumes being reported in importers' questionnaires.

25 So the idea that Latvia is driving the price, and

1 driving the market is simply not a credible assertion.

2 Now with regard to the segment of the market for  
3 the mid-sil, we've heard a tremendous amount of discussion,  
4 and I know you all are trying to develop your understanding  
5 of the market, and it's an important thing to consider, but  
6 let's address the market within the scope of the Petition,  
7 the product that's actually subject to the scope of this  
8 investigation.

9 We know that the questionnaire data show that  
10 these imports are being sold at a much lower price. And the  
11 data on the volume trends may be uncertain based on whether  
12 we're getting it from questionnaire data or import stats,  
13 but whether the imports are--Chinese imports are increasing  
14 share by increasing their volume absolutely, or by declining  
15 less than the market overall, they are gaining sales at the  
16 expense of domestic producers.

17 And Auburn may not know, you know, what trend the  
18 overall numbers are going, but they know they are losing  
19 sales of this product within this scope, and it is on the  
20 basis of price, and it is to imports from China.

21 So all of this discussion about the market shift  
22 that no one seems to be able to quantify or understand or  
23 talk to, but want to talk a lot about, let's remember:  
24 Within the scope, domestic producers are losing sales on the  
25 basis of price to imports from China.

1                   And that constitutes material injury. Thank you.

2                   (Extended pause for microphone malfunction.)

3                   MR. HEFFNER: Shall I start all over?

4                   (Laughter.)

5                   CLOSING REMARKS OF DOUGLAS J. HEFFNER

6                   MR. HEFFNER: I pressed it. I swear the light  
7 went on (laughing). Okay, Doug Heffner, DBR.

8                   So Mr. Sydow said today price is the name of the  
9 game. And we agree completely that price is the name of the  
10 game. And where we are seeing price competition is where  
11 Mr. Sydow said, just one part of it, is on the shipbuilding  
12 where he said it's one of the biggest market segments. He  
13 said that in his testimony.

14                   And then he tells the staff that, despite the  
15 fact there may be a Berry clause, or a Buy American clause in  
16 the RFQ, he doesn't tell them whether it's subject or not.  
17 Okay, that's his own business. That's his own business.  
18 But the point is, that is where we are losing business and  
19 we're losing business to them.

20                   We've lost a lot of business. As Ms. Preece  
21 said, she asked for the sales to that market segment, and we  
22 will be providing that.

23                   I would also like to talk about what Mr. Dill  
24 said. And Mr. Dill again said price competition is where it  
25 is. Price competition is where it is. And again, we agree.

1 And what really worries us here, he just purchased an 80  
2 percent interest in a plant in China. Well if that isn't a  
3 threat factor, you know, going ahead to, you know, be a very  
4 big U.S. importer and now he's going to be able to direct  
5 the production? That's a big, big threat factor for us.

6 And then continuing with Mr. Dill, when asked  
7 specifically what percentage of the market has shifted to  
8 these lower silica fabric products, he said it is shifting.  
9 Well, that's kind of shifty. To me, I say that they haven't  
10 provided any evidence showing exactly what is going on. We  
11 have no doubt that he has some examples of that. But we at  
12 Auburn do not see that happening. It hasn't impacted our  
13 business.

14 But where we have seen the problem is exactly  
15 where Mr. Dougan said, with regard to subject merchandise.  
16 The merchandise that is subject to the scope of this  
17 Petition.

18 So thank you. That's all I have, for the second  
19 time.

20 MR. ANDERSON: Thank you, Mr. Heffner and Mr.  
21 Dougan. Thank you.

22 CLOSING REMARKS OF JEFFREY GRIMSON

23 MR. GRIMSON: Jeffrey Grimson from Mowry &  
24 Grimson. Just a few follow-up points. You all listen to  
25 the evidence here, gathering the evidence, and you're going

1 to make a report, and the Commission is going to vote based  
2 on that evidence, and not claims, or not arguments, or types  
3 of allegations, which I think we just heard a little bit  
4 about.

5 So in a bit of a data mess of a case, I guess,  
6 like this one, we already discussed what options the  
7 Commission is going to have. And you're going to have to  
8 come up with an estimate of the market, of what imports are  
9 coming in from China, and what the domestic consumption is.

10 And I think that we heard agreement today from  
11 the Petitioners that their HTS codes are without question a  
12 basket category. We will be discussing in our  
13 post-conference brief our own estimate of market shares.

14 And we gave a preview today. You heard from the  
15 witnesses that we think that Chinese imports account for  
16 about six or seven million dollars total, that's it, from  
17 six producers only.

18 Whether Mr. Dill bought into a Chinese factory  
19 doesn't make that a threat factor without presuming that  
20 that factory didn't exist, or that factor has changed its  
21 capacity, or whatever. But it's a nice argument. I get it.  
22 But we have a six-member Chinese industry, and we're hopeful  
23 that you will get data from a good portion of it.

24 So when you gather the questionnaire data, you  
25 will take a look and see is there a reasonable correlation

1 between what's happening in the actual subject imports and  
2 what's happening with the domestic producers. It's not  
3 enough to accept the argument that Mr. Dougan is proposing  
4 that the presence of Chinese imports is injurious without  
5 any causal link that's been established.

6 Auburn has spoken at great length about lost  
7 sales, actual lost sales that they appear to be specifying  
8 even today in open session. You know, I get back to where I  
9 started, which is you will gather the evidence based on what  
10 you investigate, not based on what a former employee told  
11 Mrs. Leonard, or what HITCO might have told Auburn's lawyer  
12 about who was playing in what market.

13 So let's let the data settle, and we can know  
14 what happened at that time.

15 Today you heard testimony about various aspects  
16 of the market. I'm just going to tick off some things here.

17 First of all, again, six producers in China. I  
18 don't know that the Petitioners will come up with other ones  
19 that we're missing. If they do, it will be a surprise to  
20 people who have been in the industry for 50 years.

21 Number two, six to seven million dollar market  
22 out of China.

23 Number three, you heard testimony about  
24 competition with other import sources, in particular I think  
25 Latvia was when you asked that question to Mrs. Leonard, she

1 said, well, I'm aware of Latvia. But Belarus has been  
2 locked out of the market, which is correct, that's right.  
3 But Latvia has been around.

4 So why is Auburn complaining? They mistakenly  
5 believe that Chinese imports have increased. I don't know  
6 that the trend information that they're seeing is what we're  
7 seeing. Again, the data is still coming in. But I believe  
8 that they started this case by looking at these tremendous  
9 basket categories of fiberglass and saying, ah ha, that's  
10 why we are seeing a decline in our financial performance.  
11 When in fact it's our belief that their decline relates to a  
12 decline in the government purchases in a sector of the  
13 market that really is quite protected.

14 There are parts of the government procurement  
15 market that are not covered by Buy America or the Berry  
16 Amendment, and I think Mrs. Leonard today said there are  
17 some grey areas there. I don't think that when AVS was  
18 talking about telling or not telling the country of origin  
19 of their goods that they ever actually said that they were  
20 selling into a Buy America segment of the market.

21 At least if they said it, I'll be reading it in  
22 the transcript because I didn't quite hear that today.

23 So I think that the story that we bring, and the  
24 story that the Petitioners reject, is that there is an  
25 evolution happening in the marketplace. And it is being

1 driven by the buyers. Auburn is making what they've always  
2 made. They're making the Cadillac. They're saying you've  
3 got to buy the Cadillac because that's what we sell.

4 Not every customer needs the Cadillac. Some are  
5 perfectly happy with the Chevy is it gets them from point A  
6 to point B. And this is something that we've seen in other  
7 cases, and it's kind of typical, and sometimes--but  
8 sometimes surprising that petitioners come in here with a  
9 definite idea of what's happening in the marketplace. And  
10 obviously you hear this every week. Respondents have a  
11 different idea.

12 But we heard testimony that the buyers are  
13 driving the change in the marketplace, not Auburn. Auburn  
14 is selling--they were the first to get the FM certification.  
15 It didn't do them very much good, either, it sounds, as  
16 anybody else, but they're looking to set and spread  
17 standards that keep their production process at a certain  
18 acceptance level, but the market is changing and evolving  
19 away from that.

20 So below 90 percent, that number I think they  
21 picked arbitrarily, but our witnesses generally agree that  
22 when you get down below 93 percent you're talking about kind  
23 of a different product. And certainly if you get down to 80  
24 percent or in the 70s, that's a very different product with  
25 a different application.

1           Mr. Dill, if I heard him correctly, was talking  
2           about a very high percentage of the end-use segments that  
3           could perfectly function with the lower silica content  
4           fabric.

5           And Mr. Knapp I think went one step further, at  
6           least in respect to the oil and gas segment, and said he  
7           thought that the lower silica fabric could meet the needs of  
8           99 percent of the end uses.

9           So we're going to work hard to put some numbers  
10          on where we think this market is heading, and what  
11          percentage of the market has and is moving towards the lower  
12          silica product, and we look forward to doing that in the  
13          post-conference brief.

14          So thank you for your time today. We all learned  
15          a lot about a brand-new product. I know I am going to look  
16          at the product that we use in my kitchen all the time, the  
17          Sil Pad for baking cookies, we're going to look at that very  
18          differently now after this case. But we thank you very  
19          much, and we hope that we can help you further in our post  
20          conference brief.

21          Thank you.

22          MR. ANDERSON: Thank you, Mr. Grimson.

23          On behalf of the Commission and the staff here, I  
24          deeply want to thank all the witnesses and the counsel for  
25          your testimony and being here today, and your patience with

1       our questions. And we look forward to your follow-up  
2       responses in the post-conference briefs.

3               This was very helpful for us to gain an  
4       understanding of your product and your market and the level  
5       of competition in this interesting industry.

6               Before concluding, I want to just mention a few  
7       key dates related to the investigation. The deadline for  
8       submission of corrections to the transcript or for  
9       submission of post-conference briefs is Tuesday, February  
10      16th.

11              And again if your briefs contain business  
12      proprietary information, a public version is due on  
13      Wednesday the 17th. The Commission has tentatively  
14      scheduled its vote on this investigation on Friday, March  
15      4th. And it will report its determinations to the Secretary  
16      of the Department of Commerce on March 7th.

17              Commissioners' opinions will be submitted to the  
18      Department of Commerce on Monday, March 14th.

19              And with that, again I thank you and this  
20      conference is adjourned.

21              (Whereupon, at 2:15 p.m., the conference was  
22      adjourned.)

23  
24  
25

## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Amorphous Silica Fabric from China

INVESTIGATION NOS.: 701-TA-555 and 731-TA-1310

HEARING DATE: 2-10-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

DATE: 2-10-16

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

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