

UNITED STATES

INTERNATIONAL TRADE COMMISSION

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

Pages: 1 - 116

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1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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4 CERTAIN AMORPHOUS) 701-TA-555 and 731-TA-1310
5 SILICA FABRIC) (Final)
6 FROM CHINA)

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9 Wednesday, January 18, 2016

10 Main Hearing Room

11 U.S. International

12 Trade Commission

13 500 E Street, S.W.

14 Washington,

15 D.C.

16 The meeting commenced, pursuant to notice, at
17 9:30 a.m., before the Commissioners of the United States
18 International Trade Commission, the Honorable Meredith M.
19 Broadbent, presiding.

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1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 CHAIRMAN RHONDA K. SCHMIDTLEIN (presiding)

4 VICE CHAIRMAN DAVID S. JOHANSON

5 COMMISSIONER IRVING A. WILLIAMSON

6 COMMISSIONER MEREDITH M. BROADBENT

7 COMMISSIONER DEAN A. PINKERT

8 COMMISSIONER F. SCOTT KIEFF

9

10 STAFF:

11 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

12 FRED RUGGLES, INVESTIGATOR

13 LAWRENCE LA ROCCA, INTERNATIONAL TRADE

14 ANALYST

15 ANDREW KNIPE, INTERNATIONAL ECONOMIST

16 BRIAN SOISET, ATTORNEY/ADVISOR

17

18

19 WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND

20 INFORMATION OFFICER

21 SHARON BELLAMY, RECORDS MANAGEMENT

22 SPECIALIST

23

24

25

1 CONGRESSIONAL APPEARANCES:

2 The Honorable Angus S. King, Jr., United States Senator,

3 Maine

4 The Honorable Bruce Poliquin, U.S. Representative, 2nd

5 District, Maine

6

7 OPENING REMARKS:

8 Petitioner (Douglas J. Heffner, Drinker Biddle & Reath LLP)

9 In Support of the Imposition of Antidumping and

10 Countervailing Duty Orders:

11

12

13 Drinker Biddle & Reath, LLP

14 Washington, DC

15 On behalf of:

16 Auburn Manufacturing, Inc. (AMI)

17 Kathie Leonard, President and Chief Executive Officer, AMI

18 Garrett VanAtta, Vice President, Innovation Engineering, AMI

19

20 James Dougan, Vice President, Economic Consulting Services,

21 LLC

22 RoseAnna Harrison, Economist, Economic Consulting Services,

23 LLC

24 Drinker Biddle & Reath LLP, Washington, D.C. Of Counsel:

25 Douglas J. Heffner, Richard P. Ferrin

1 ADDITIONAL WITNESS IN SUPPORT:

2 Law Office of William Silverman

3 Washington, DC

4 On behalf of:

5 HITCO Carbon Composites, Inc.

6 Jeff Schade, Senior Vice-President, HITCO Carbon Composites,

7 Inc.

8

9 CLOSING REMARKS:

10 Petitioner Richard P. Ferrin, Drinker Biddle & Reath LLP

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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?

CHAIRMAN SCHMIDTLEIN: Alright, good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation No. 701-TA-555 and 731-TA-1310 final, involving Certain Amorphous Silica Fabric from China.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of imports of certain amorphous silica fabric from China.

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

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or

1 answers to questions to business proprietary information.
2 Please speak clearly into the microphone and state your name
3 for the record for the benefit of the court reporter. If
4 you will be submitting documents that contain information
5 you wish classified as Business Confidential, your request
6 should comply with Commission Rule 201.6. Mr. Secretary,
7 are there any preliminary matters?

8 MR. BISHOP: No, Madam Chairman.

9 CHAIRMAN SCHMIDTLEIN: Very well. Will you
10 please announce our first Congressional witness.

11 MR. BISHOP: The Honorable Bruce Poliquin, United
12 States Representative, 2nd District, Maine.

13 CHAIRMAN SCHMIDTLEIN: Welcome Congressman
14 Poliquin.

15 STATEMENT OF THE HONORABLE BRUCE POLIQUIN

16 CONGRESSMAN POLIQUIN: Thank you very much, Chair
17 Schmidtlein. Am I pronouncing that correct? Schmidtlein, I
18 beg your pardon. But thank you in advance -- in any event,
19 thank you very much, and Vice Chairman Johanson and members
20 of the International Trade Commission. I really appreciate
21 this opportunity for me to speak up on behalf of my
22 constituents at Auburn Manufacturing in Central Maine.

23 Now Auburn Manufacturing employ 40 of the hardest
24 working Mainers you could ever find, and they are also the
25 most skilled industrial textile manufacturers in the world.

1 They weave tiny glass strands into high performing
2 industrial clothes and tops. Now these protective
3 coverings, and I'm sure Kathie Leonard has in a sample that
4 she'll show you at some time today, but these very large
5 pieces of cloth, these tarps act as protective coverings to
6 prevent fires and also to protect our workers from flying
7 molten metal while welding, for example, huge hulls on some
8 of the finest destroyers made here in America at Bath Iron
9 Works, which by the way is also in Maine.

10 This is a very important industry, not only
11 because it's a U.S. manufacturing industry, but also it's an
12 issue of national security for us. Now Auburn Manufacturing
13 and its highly skilled industrial weavers, they are a very
14 proud part of the manufacturing economy in our state of
15 Maine. When I was a kid growing up and I think the last
16 time I was here last year, I told a similar story.

17 When I was a boy growing up in Maine, in central
18 Maine the general location of Auburn Manufacturing, we had a
19 bustling manufacturing economy. We have three major rivers
20 in Maine, the Penobscott, Kennebec and the Androscroggin
21 River. These rivers were dotted throughout central Maine,
22 where dozens of paper mills and textile mills, leather and
23 shoe factories.

24 It seemed like everybody in town, at least their
25 parents, worked at the mills, and with these jobs came good

1 career pay and also benefits, health care and retirement
2 benefits. Our families were very independent, very proud,
3 we could help each other, and our neighborhoods and our
4 schools were packed with kids. My grandmother, no longer
5 with us, stitched the best shirts made in the world at
6 Hathaway Shirt Company in Waterloo in central Maine. My
7 late brother spun the finest yarn you could get anywhere in
8 the world at the Cascade Woolen Mill in Oakland.

9 I worked the night shift at the Wyandotte
10 Spinning Mill in Sidney, also in central Maine, to put
11 myself through school. Making things with our hands, making
12 things in central Maine was a huge part of our economy and
13 our tradition and the backbone of our communities. Now
14 today unfortunately, most of our mills and factories in
15 central Maine are boarded up.

16 The monuments still stand there, these boarded up
17 brick buildings lining these rivers, but the jobs are gone.
18 Now the reason for that, smothering taxes, punitive
19 regulations, very high energy costs in Maine and also unfair
20 and illegal trade. Now when that happens, you've got to
21 live through this. It is devastating. Some of our towns
22 have one major employer. When one employer shuts down,
23 there are neighbors that are forced to pack up and go out of
24 state. They may have grown up in that town, and their
25 parents and their grandkids did, their grandparents did

1 rather. But they're forced to leave.

2 Schools shrink, hospitals close, the grocery
3 store and the diner might not have enough business to stay
4 open. I lived through this. It's very painful and it's not
5 fair, and many times it doesn't have to happen. Now we're
6 here today not because Auburn Manufacturing has done
7 anything wrong. Quite the opposite. Companies like Auburn
8 Manufacturing give us hope. They are an American
9 manufacturing firm. They're a bright spot in Maine.

10 They produce a world class proprietary product
11 and Auburn Manufacturing plays by the rules. In doing so,
12 they employ 40 hard-working Mainers with good career jobs
13 that come with benefits. The reason we're here today,
14 frankly, is because the Chinese government in this case has
15 chosen to unfairly and illegally subsidize dozens of Chinese
16 manufacturing firms that produce amorphous silica fiber, and
17 they do it in violation of international law.

18 This illegal activity has been going on for
19 years. You know, one of the things Commissioner, if I may,
20 I don't understand why the other side isn't here today. You
21 know frankly, as a representative of these hard-working
22 Mainers, I would love to hear the Chinese government or
23 these folks that are illegally receiving these illegal
24 subsidies, explain to me and you why it's okay to violate
25 the law, make sure the playing field is uneven, so they can

1 compete against us illegally and take our jobs.

2 But they're not here today. That should tell
3 everybody something. Now in the past three years, Auburn
4 Manufacturing has lost about 30 percent of its silica
5 business. They've been forced to lay off employees and the
6 management of the company, the owners of the company have
7 spent an enormous amount of time and a big sum of money to
8 bring this case to you good folks.

9 Today, with all due respect, I believe it's the
10 mission of your distinguished Commission to stand up for
11 American workers, to stand up against illegal and unfair
12 trade activity. We Mainers can compete against anybody in
13 the world. Just make sure the playing field is level.
14 Americans can do the same thing, but we need a government
15 that's going to stand up and do what's right and work for
16 us.

17 Now today, with respect, the Commission has a
18 chance to stand up for the little guy, the little guy that
19 plays by the rules. There are many little guys in the U.S.
20 economy. We ask you please to enforce our trade laws, and
21 in doing that, you will be sending a very strong message to
22 the world and to world players who want to compete against
23 Americans. We ask you please to do that.

24 To that end, with the strongest request humanly
25 possible, I ask you please to accept the very thorough

1 analysis in the tariffs levied by the International Trade
2 Administration, and in doing so, I ask you to accept these
3 levies, which are upwards of 162 percent.

4 Manufacturers in China and elsewhere and the
5 governments that support them are familiar with our laws.
6 When folks like that intentionally break the laws to take
7 advantage of our workers and our communities and our
8 country, it is wrong. I thank you in advance very much in
9 doing what's right and doing what's fair, and bringing
10 relief to Auburn Manufacturing and its 40 deserving
11 employees.

12 I also want to thank and congratulate Assistant
13 Secretary Paul Piquado and his staff at the ITA for their
14 terrific work in unraveling this complex violation of
15 international law. Thank you very much Chair. Thank you
16 Commissioners. I greatly appreciate the opportunity to be
17 here and to speak up on behalf of the little guy in this
18 case in the 2nd District of Maine. Thank you.

19 CHAIRMAN SCHMIDTLEIN: All right, thank you very
20 much Congressman. Are there any questions for the
21 Congressman?

22 (No response.)

23 CHAIRMAN SCHMIDTLEIN: All right. Thank you very
24 much for coming.

25 CONGRESSMAN POLIQUIN: Thank you very much.

1 CHAIRMAN SCHMIDTLEIN: We appreciate it.

2 MR. BISHOP: Madam Chairman, that concludes our
3 Congressional testimony at this time. Senator King is on
4 his way.

5 CHAIRMAN SCHMIDTLEIN: All right. Well then we
6 will go ahead and begin with opening statements, and when he
7 arrives we'll pause to hear his testimony.

8 MR. BISHOP: Opening remarks on behalf of
9 Petitioner will be given by Douglas J. Heffner, Drinker,
10 Biddle and Reath.

11 CHAIRMAN SCHMIDTLEIN: Mr. Heffner, welcome.

12 MR. HEFFNER: Thank you, good morning.

13 CHAIRMAN SCHMIDTLEIN: Good morning.

14 OPENING STATEMENT BY DOUGLAS J. HEFFNER

15 MR. HEFFNER: Good morning Madam Chairman,
16 Commissioners and Commission staff. I'm Douglas Heffner of
17 Drinker, Biddle and Reath, and I'm here today representing
18 Auburn Manufacturing, Inc. or AMI, the Petitioner in this
19 case.

20 CHAIRMAN SCHMIDTLEIN: Mr. Heffner, I'm so sorry.
21 Why don't we -- Senator King is here and then we can
22 continue.

23 MR. BISHOP: Our next Congressional witness is
24 the Honorable Angus S. King, Jr., United States Senator from
25 Maine.

1 CHAIRMAN SCHMIDTLEIN: Welcome Senator King.

2 STATEMENT OF THE HONORABLE ANGUS S. KING, JR.

3 SENATOR KING: Thank you. Sorry to be a bit
4 late. I can't even blame the traffic. I would try, but it
5 wasn't all that bad this morning. To the members of the
6 Commission, I appreciate the opportunity to appear before
7 you today. Thanks for the opportunity to be here on behalf
8 of Auburn Manufacturing, a company which I know extremely
9 well. Its position, as you know, is for the imposition of
10 anti-dumping and countervailing duties on imports of
11 amorphous silica fabric from the People's Republic of China.

12 I'm testifying today as a strong supporter of
13 Auburn Manufacturing, its employees, which I have visited a
14 number of times, and the importance of a robust trade
15 enforcement system that works for U.S. companies both large
16 and small. I will emphasize at the end of my remarks, but I
17 particularly want to emphasize the importance of speed in
18 terms of your consideration of this matter.

19 This is a very small company, 40 employees, and
20 when I used to practice law in Maine, I was once told by
21 justice delayed is often justice denied. So the timeliness
22 of your response is very important, because every day that
23 goes by this little company is being harmed by this I
24 believe illegal and improper trade practice.

25 Auburn Manufacturing is a small woman-owned

1 manufacturing producer that employs 40 people, two
2 facilities located in Auburn and Mechanic Falls, Maine. AMI
3 is not only a leading producer of high-performance
4 heat-resistant fabric and textiles, but an innovator as
5 well. Kathie Leonard, who I've known for over 20 years, its
6 owner, has worked to develop niche products like removable
7 energy-saving insulation covers for unusual piping and high
8 access equipment. It is a very innovative company.

9 When Kathie and I spoke in November of 2013 over
10 lunch in Auburn with other small business leaders, she was
11 excited about growth potential of her new product. But two
12 years later, Kathie was in my office here in Washington
13 explaining that her company was losing sales volume and
14 prices were depressed due to unfairly traded Chinese imports
15 of amorphous silica fabric.

16 Despite the declining sales volumes and
17 increasing operating losses, AMI had resisted laying off
18 employees. Instead, the company reluctantly cut back on
19 worker hours in 2015, which had a negative effect on
20 employee wages. In the middle of 2016, AMI was forced to
21 cut an entire production shift, due to the loss of silica
22 business to illegally subsidized and dumped Chinese imports.

23 This is very real day to day impact on workers
24 and the people of Maine. Losing the production shift
25 resulted in the layoff of six production workers. These are

1 good-paying jobs and with benefits in an area of Maine where
2 it's not always easy to find those jobs. If the Commission
3 makes an affirmative final determination of material injury
4 to AMI due to illegally subsidized and dumped Chinese
5 imports, then I believe that China essentially stole those
6 jobs from Maine.

7 To date, the investigation is strongly suggesting
8 that Chinese producers of amorphous silica fabric are both
9 subsidized and selling their products at less than fair
10 value. That's why I'm here today testifying in strong
11 support of the best trade enforcement system we can possibly
12 build for American companies of all sizes. Small businesses
13 that play by the rules, and I emphasize small businesses,
14 and one of the issues here is that this is a very small
15 business, but the impacts are very large on its workers and
16 on our communities.

17 Small businesses that play by the rules and that
18 work hard to keep good paying manufacturing jobs in this
19 country ought to be better supported by our trade
20 enforcement agencies. When our trading partners choose to
21 violate agreed-upon rules, placing U.S. businesses at an
22 unfair competitive disadvantage, we need to be able to
23 respond swiftly and decisively. As I mentioned earlier,
24 time is truly of the essence.

25 A company with 40 employees simply can't let the

1 losses build up and face the impacts of this kind of illegal
2 trade activity. I'd ask the Commission to give serious and
3 careful consideration in this investigation, to ensure that
4 Auburn Manufacturing and its workers are provided with a
5 level playing field, which is all they're asking, a level
6 playing field on which the compete.

7 I thank the Commission for this opportunity. I
8 deeply appreciate the important work that you're doing, and
9 I appreciate the opportunity to provide this testimony to
10 you. Thank you again for the work that you're doing, and I
11 cannot emphasize enough how important this is to the state
12 of Maine and to the workers of Auburn Manufacturing. Thank
13 you very much.

14 CHAIRMAN SCHMIDTLEIN: Thank you. Thank you,
15 Senator King. Are there any questions for the Senator? No.

16 SENATOR KING: I always get them up there so --

17 CHAIRMAN SCHMIDTLEIN: Thank you for coming. All
18 right. So now we will return to the opening statement, and
19 I would suggest that we just start from the beginning.

20 MR. BISHOP: Opening remarks on behalf of
21 Petitioner will be given by Douglas J. Heffner, Drinker,
22 Biddle and Reath.

23 OPENING STATEMENT BY DOUGLAS J. HEFFNER

24 MR. HEFFNER: Good morning again Madam Chair,
25 Commissioners and Commission staff. I'm Douglas Heffner of

1 Drinker, Biddle and Reath, and I'm here today representing
2 Auburn Manufacturing, Inc. or AMI, the Petitioner in this
3 case. AMI is the largest U.S. producer of industrial grade
4 ASF. It is located in Maine and is one of the last
5 remaining textile facilities in the northeastern United
6 States.

7 Today, you will hear from the president and CEO
8 of AMI, Ms. Kathie Leonard, about how subject imports have
9 decimated her company. You will hear from Jeff Schade of
10 HITCO Carbon Composites, the only other domestic producer of
11 ASF, about how low-priced subject imports have negatively
12 impacted HITCO.

13 Today, you will hear from our domestic industry
14 witnesses about how the Chinese producers have attacked the
15 U.S. market for ASF. This has occurred in the defense
16 contractor segment of the market, the end user segment of
17 the market and the distributor segment of the market. In
18 the defense segment of the market, you will hear that AMI
19 lost a significant amount of bids to subject imports by what
20 Ms. Leonard believes were underpricing by subject imports,
21 significant underpricing.

22 When AMI lost a bid, it would decrease its price
23 for the subsequent bid. When doing this, sometimes AMI was
24 successful in getting the contract. Other times and
25 unfortunately not all the time, they had to lower their

1 price and AMI was still not awarded the contract. In fact,
2 in this extremely important market segment, AMI did not
3 receive a contract in 2016 from its largest defense
4 contractor customer.

5 Ms. Leonard believes that AMI lost the contracts
6 to AVS Industries, a distributor of Chinese ASF, that passes
7 itself off as a domestic producer and its products as being
8 of domestic origin. The record evidence demonstrates that
9 subject imports are significant, relative to both U.S.
10 production and apparent consumption.

11 Domestic industry production declined
12 dramatically over the Period of Investigation. To get a
13 sense of this, of the volume impact of subject imports, all
14 the Commission needs to do is look at the confirmed lost
15 sales in the defense contractor segment of the market. The
16 amount of confirmed lost sales is absolutely staggering,
17 accounting for a significant percentage of domestic
18 shipments and domestic production.

19 In addition, domestic industry capacity
20 utilization declined significantly during the POI, and
21 remained depressed in the interim period. You will also
22 hear today about the price effects of subject imports. The
23 prehearing staff reports shows that subject imports
24 undersold domestic prices in all 35 comparisons, with an
25 astounding average underselling margin of more than 36

1 percent.

2 The staff report found that there were
3 significant lost sales due to price. They found price
4 depression. In addition, the record shows that price
5 suppression has occurred resulting in classic cost-price
6 squeeze. The industry witnesses will also testify about the
7 very significant adverse inferences or impact that subject
8 imports have had on the domestic industry.

9 All relevant factors for the 2013-2015 review
10 period showed significant declines, thereby resulting in
11 significant material injury to the domestic industry. To
12 put it bluntly, subject imports have decimated this
13 industry. Finally in the preliminary phase of this
14 investigation, only four Chinese producers participated. In
15 the final phase, however, only one Chinese producer has
16 provided the Commission with any information.

17 Chinese producers' refusal to participate in this
18 proceeding has deprived the Commission of relevant
19 information and has resulted in distorted data. In
20 addition, in Mr. Dougan's testimony later he will discuss
21 other data discrepancies that significantly undermine the
22 reliability of the import data collected in the final phase
23 of the investigation.

24 On behalf of AMI, we respectfully request that
25 the Commission find that the domestic industry has been

1 materially injured and threatened with material injury by
2 reason of subject imports of ASF. Without relief from the
3 low-priced, dumped and subsidized imports, it will become
4 increasingly difficult for AMI and the U.S. industry
5 producing ASF to continue making this product. Thank you
6 very much.

7 CHAIRMAN SCHMIDTLEIN: Alright, thank you Mr.
8 Heffner. Mr. Secretary, will you please call the first
9 panel?

10 SECRETARY BISHOP: Would the panel in support of
11 the Imposition of the Antidumping and Countervailing Duty
12 Orders please come forward and be seated? Madam Chairman,
13 all witnesses on this panel have been sworn in.

14 CHAIRMAN SCHMIDTLEIN: Alright, Mr. Heffner you
15 may begin when you're ready.

16 MR. HEFFNER: Thank you. I would like to briefly
17 introduce our panel. To the left of me is Jim Dougan from
18 ECS, I'm Doug Heffner. I have Kathie to the right of me.
19 She is the President and CEO of AMI. I have Garrett
20 VanAtta, he is the Vice President of Innovation Engineering
21 at AMI; to the right of him is Richard Farrin from Drinker
22 Biddle and over here I have Jeff Schade, he is Senior Vice
23 President of HITCO Carbon Composites and I have Bill
24 Silverman here, we have Rosanna Harrison over there from ECS
25 too. So thank you. We would like to start off by

1 having Miss Leonard give her introductory remarks.

2 STATEMENT OF KATHIE LEONARD

3 MS. LEONARD: -- Doesn't say much for my
4 mechanical ability, does it? Good Morning, I am Kathie
5 Leonard, the President and CEO of Auburn Manufacturing
6 Incorporated. Auburn is the largest US producer of ASF and
7 it is the Petitioner in this case.

8 I started Auburn in 1979, that's 38 years ago and
9 I am proud to say that Auburn is a small, woman-owned
10 business. I am also on the executive committee of the Board
11 of the National Council of Textile organizations, which is
12 NICTO and its government textiles committee.

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

22 Auburn was the first manufacturer to obtain 3rd
23 party certification by FM Approvals up for our Hot Work
24 Safety Fabrics providing dependable protection from heat,
25 sparks and molten metal in the workplace. FM Approvals is

1 recognized as a testing lab and certification agency by the
2 world's leading regulatory authorities including the
3 National Fire protection Association.

4 Our products are used by major institutions and
5 corporations along with small and medium-sized businesses
6 worldwide. Unlike many of the companies that petition the
7 Commission for relief, Auburn is a small company operating
8 with approximately 40 employees at present.

9 Auburn began producing ASF in 1987. Auburn
10 produces ASF in its Auburn, Maine location. Garrett VanAtta
11 our Vice President of Innovation Engineering will discuss
12 the processes involved in making ASF, however I would like
13 to emphasize that Auburn makes all of its ASF from U.S.
14 Produced materials. First, we purchase fiberglass yarn that
15 is produced in the United States. Second, we weave the yarn
16 in our Mechanic Falls and Auburn, Maine facilities to make
17 fiberglass cloth.

18 In the gray or unfinished state the fiberglass
19 cloth typically has a silica content of about 50 to 55
20 percent. We then leach the fiberglass fabric by immersing
21 it in hydrochloric acid. Once leached, the fiberglass
22 fabric has a typical silica content of 96 percent or more.
23 The leaching is what converts fiberglass to ASF. The high
24 silica content is what provides the excellent thermal
25 protection and heat resistance that allows the fabric to

1 withstand continuous temperatures up to 1800 degrees
2 Fahrenheit with a melting point in excess of three thousand
3 degrees Fahrenheit.

4 Auburn is the leading producer of ASF in the
5 United States. Auburn makes a full range of ASF products.
6 Two major ASF products made by Auburn meet stringent U.S.
7 Navy specifications for welding operations during
8 ship-building, maintenance and repair. We sell directly to
9 the U.S. Government for use by the Navy, a market segment
10 that is shrinking and to defense contractors, a market
11 segment that I believe is replacing direct sales to the
12 Navy.

13 Auburn has provided well over a million yards of
14 its ASF products either directly to the Navy or to defense
15 contractors that are awarded Navy contracts for
16 shipbuilding, maintenance or repair principally for welding
17 applications. We also sell to original equipment
18 manufacturers such as fabricators and we sell to
19 distributors that are part of the supply chain to many
20 industries including petroleum, power generation, mining and
21 primary metals.

22 We've experienced a long history of unfair trade
23 with ASF. Prior to Chinese Imports flooding the U.S.
24 Market, Belarus was a real problem. However, after Belarus
25 was put on sanctions we started to receive more business.

1 At that time we made some additional investments in our
2 manufacturing facility but almost immediately thereafter
3 very low-priced imports from China began eroding our sales.
4 We lost sales to low-priced Chinese Imports in every market
5 segment except the direct sales to the Navy.

6 One of the largest market segments in which we
7 lost business to Chinese Imports was to defense contractors
8 doing maintenance work for the Navy. When Auburn sells ASF
9 directly to the Navy, Buy American and the Berry Amendment
10 requirements are invoked. Buy American applies to contracts
11 below 150,000 dollars and the Berry Amendment applies to
12 contractors of 150,000 dollars and over.

13 Pursuant to the Berry Amendment requirements, any
14 synthetic fabric or coated synthetic fabric including all
15 components must be 100 percent produced in the United States
16 if that synthetic fabric is purchased by funds made
17 available by the Department of Defense. In the Preliminary
18 Phase, I stated that AMI interprets the Berry Amendment to
19 apply to Defense contractors' purchases of ASF.

20 One of our largest Defense contractor customers
21 however informed us that the Berry Amendment is only invoked
22 when the fabric is incorporated into an end product that is
23 supplied to the U.S. Government; such as a ship being built
24 by the Defense contractor for the Navy and that if the
25 fabric is simply being used for welding, it is not subject

1 to Barry.

2 This interpretation has opened the door to the
3 purchase of large quantities of dumped Chinese ASF Imports.
4 One of the main U.S. Suppliers of Chinese Origin ASF to such
5 Defense contractors is AVS Industries. We learned at the
6 Staff Conference last year that AVS has a "don't ask/don't
7 tell" policy concerning the country of origin of the ASF it
8 sells to its customers.

9 In other words, unless the customer asked, AVS
10 Industries never divulged whether the ASF it was selling to
11 the customer was produced in China. Moreover, the Chinese
12 origin ASF that AVS sold to Defense contractors meets the
13 applicable military standards and is FM approved. So this
14 shows that Chinese Imports are interchangeable with the
15 products we make.

16 Again, I would like to stress that sales to the
17 Defense contractor market segment are an extremely sizeable
18 market segment in the U.S. and is increasingly important to
19 us as the U.S. Navy outsources its maintenance work.
20 Because of the large quantities used by this market segment,
21 we can make long production runs of fabric there by reducing
22 changeover time and increasing our productivity.

23 Since 2014, Auburn has lost numerous contracts to
24 lower-priced Chinese ASF to our largest defense contract
25 customer. In the last three years, Auburn has lost three

1 million dollars from one Defense contractor alone. Auburn
2 believes that it lost contracts to Chinese Imports because
3 of price or won the contract at extremely low prices in
4 order to compete with Chinese Imports to get the contract.

5 For example in the 3rd quarter of 2015 Auburn
6 lowered its price and still did not get the business. In
7 the 4th quarter of 2015 Auburn lowered its price once more
8 but was again informed that it lost on the basis of price.
9 Again, in February of 2016, Auburn received an identical RFQ
10 from the same contractor and was once again informed that we
11 lost the contract on price.

12 As detailed in Auburn's questionnaire response,
13 these lost sales have had a devastating impact on AMI,
14 resulting in decreased production, very low utilization,
15 decreased market share and finally layoffs and substantial
16 financial losses. The losses on sales we were able to
17 obtain combined with the lost sales to Chinese Imports led
18 to financial decline to the point of being out of compliance
19 on borrowing covenance with our bank.

20 This resulted in our being unable to finance
21 scheduled equipment purchases, develop new products and
22 market existing products. In 2016 we were forced to cut an
23 entire production shift 40 hours per week due to the loss of
24 silica fabric business to low-priced Chinese Imports. This
25 resulted in the layoff of 6 production workers. This was

1 our first layoff of any size in 37 years of operation.

2 In addition, we were unable to replace another 4
3 administrative and technical jobs lost through attrition.
4 Altogether we have lost 10 people from our workforce of 50.
5 That is a 20 percent amount of our workforce directly
6 attributable to Chinese Imports. As the owner of Auburn, I
7 had to make the final decision on whether to stand up and
8 fight the low-priced Chinese Imports that were decimating my
9 business or get out of the business of producing ASF
10 altogether.

11 Because of the sizeable investment made in plant
12 equipment, technology and expertise, my management team and
13 I saw no other way to save the business than to fight back
14 by filing the Antidumping and Countervailing Duty Petition.
15 For a small company like Auburn, preparing, filing and
16 participating in this case at the Commission and the
17 Department of Commerce has been a Herculean task.

18 At the same time, we have also seen a decline in
19 demand for ASF. Budget constraints have meant fewer
20 contracts from the Navy. Low oil prices have dampened
21 demand from every part of the petroleum industry, whether
22 it's drilling, transporting or refining. Low commodity
23 prices have meant that demand from the mining sector has
24 declined as well and even exports are down because of the
25 strong U.S. Dollar.

1 Although overall demand was down in most market
2 segments through all of 2016, we were still occasionally
3 asked to bid on large quantities of ASF from various
4 industries like ship-building and repair and power
5 generation with no success. Even at steeply discounted
6 prices. We believe that AVS Industries which masqueraded as
7 a U.S. Producer of silica fabric was able to supply Chinese
8 Imports to the U.S. Market with extremely low and aggressive
9 pricing coupled with the stockpiling of inventory in the
10 months immediately following the filing of this Petition
11 last January.

12 Public data from the Department of Commerce
13 investigation show a tremendous increase over previous
14 timeframes. Only after the preliminary duties became
15 effective last August did we begin to see a decrease in
16 Chinese silica imports. The Department of Commerce has
17 found significant dumping margins for Chinese exporters of
18 over 160 percent.

19 In the final determination we expect that dumping
20 margin will increase significantly. In addition, Commerce
21 found significant subsidies being granted by the Chinese
22 Government to ASF producers and exporters including
23 subsidies on the fiberglass fabric that Chinese Producers
24 use to make ASF bound for the U.S. Market.

25 This has provided Chinese ASF producers and

1 exporters with an unfair advantage, an advantage that
2 distributors of Chinese ASF such as AVS Industries and LUCO
3 have used to their advantage to under-price Auburn at every
4 chance they could get. As we all know, most
5 consumer-related textile manufacturing has moved overseas.
6 You've heard some of that testimony from Representative
7 Poliquin.

8 Auburn, along with other advanced textile
9 manufacturers like us is one of the few remaining industrial
10 textile producers in the United States. I believe it is one
11 of only a handful of small specialty textile producers of
12 any kind in the Northeastern United States. We have
13 maintained viability because we have invested in innovative
14 processes and materials and developed new products and
15 markets.

16 However, without relief from Dumped and
17 Subsidized low-priced Chinese Imports it will become
18 increasingly difficult for Auburn and the U.S. Industry
19 producing ASF to continue making this product. Auburn does
20 not want its ASF business to suffer the same fate as much of
21 the textile industry being replaced by Chinese Imports.
22 Moreover, if Auburn and the Domestic Industry producing ASF
23 are no longer able to produce this product, the Navy will be
24 required to purchase all of their requirements of ASF from
25 China or other imported sources.

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

13 As a member of the National Council of Textile
14 Organizations as well as the Industrial Fabrics Association
15 International and a Member of the Department of Commerce
16 Industry Trade Advisory Committee on Textiles, that's
17 ITAC-13, I am making a stand for U.S. Produced Industrial
18 Textiles because I believe that it is essential not only to
19 my business or only to my industry, but also to our National
20 security.

21 On behalf of Auburn, I thank you for the
22 opportunity to testify before the Commission. I sincerely
23 hope that the Commission provides the requested relief from
24 the Dumped and Subsidized Chinese Imports of ASF which have
25 adversely impacted the Domestic Industry and threatened to

1 harm it further. Thank you.

2 MR. HEFFNER: Thank you Ms. Leonard. Garrett?

3 STATEMENT OF GARRETT VAN ATTA

4 MR. VAN ATTA: Good morning. My name is Garrett
5 VanAtta. I am Vice President of Innovation Engineering at
6 AMI. I have worked at AMI for 4 years and have an
7 additional 10 years of experience in the textile industry as
8 an Industrial Engineering Manager and Knitting Plant
9 Manager.

10 I would like to provide a little background
11 information on amorphous silica fabric. Amorphous silica
12 fabric, or ASF is a textile made from fiberglass cloth and
13 used as a replacement for asbestos as a welding barrier to
14 prevent combustible materials in hot work environments. It
15 is used in welding and cutting operations at construction
16 sites, industrial applications such as oil rigs and
17 refineries, pipelines, automotive assembly and ship building
18 both naval and commercial.

19 From a performance point, fiberglass cloth has a
20 temperature resistance of approximately 1000 degrees
21 Fahrenheit while ASF has a temperature resistance of 1800
22 degrees Fahrenheit and a melting point above 3000 degrees.
23 AMI starts with the purchase of fiberglass yarn produced by
24 U.S. Yarn Suppliers. The fiberglass yarn is drawn into
25 automated looms for weaving into cloth rolls.

1 The next production step is heat-cleaning which
2 runs the fabric through an oven to remove the yarn starches
3 and oils from the cloth. In leaching, the cloth rolls are
4 placed into vats filled with a solution of hydrochloric acid
5 or HCL. The leaching process removes essentially all of the
6 material from the fiberglass clothe except the silica
7 itself. This is what raises the temperature resistance of
8 the fabric.

9 Leaching is a special process that requires the
10 use of high-cost capital equipment to handle and process the
11 HCL. The silica fabric is then dried and coated with an
12 acrylic latex compound solution for added strength. I would
13 like to comment on a couple of issues raised during the
14 preliminary conference concerning the so-called
15 high-strength fabrication grade ASF and mid-silica products.

16 Concerning fabrication grade ASF, it was alleged
17 at the conference that the Chinese produce a fabrication
18 grade product that is supposed to be better than the product
19 AMI produces. I heard AVS Industries state during the
20 conference that the domestic industry does not offer
21 high-strength fabrication grade ASF. I want to dispel that
22 notion.

23 In fact, AMI offers a high-strength grade product
24 that is used for fabrication which has a higher abrasion
25 resistance. At its background ASF is somewhat a fragile

1 product. Due to the leaching and heat treating of the ASF,
2 industrial ASF tears easily. In order to reduce tearing
3 during sewing we apply a special coating on the ASF. This
4 coating improves abrasion resistance and reduces tearing
5 during fabrication.

6 Therefore, you can see AMI produces a
7 high-strength fabrication grade product. There is no doubt
8 that Chinese Imports make a fabrication grade product.
9 Nevertheless, none of our customers have told us about a
10 special fabrication grade product being sold by the Chinese
11 that is somehow better than AMI's abrasion resistant
12 products. We attend a lot of trade shows. No one in the
13 industry has told us anything about a special high-strength
14 fabrication grade product produced by the Chinese.

15 Another issue that was raised during the
16 preliminary Staff Conference concerned imports of so-called
17 "mid-silica". The short answer is we do not believe there
18 are any significant imports of mid-silica products until the
19 preliminary conference, we had never even heard of the
20 so-called product. In addition, given the low silica
21 content and resultant lower temperature rating, if it does
22 exist mid-silica products are likely to be a competitor to
23 fiberglass and not ASF.

24 In addition, it would definitely be a fire risk
25 if used in place of ASF due to the lower and unreliable

1 percentage of silica content. I am happy to answer any
2 questions that the Commissioners or Staff might have about
3 our products and our processes. Thank you for your time.

4 MR. HEFFNER: Thank you, Garrett.

5 MR. VAN ATTA: There are samples as well if you
6 need them.

7 MR. HEFFNER: Yes, we do have samples. Jeff,
8 would you like to proceed?

9 STATEMENT OF JEFF SCHADE

10 MR. SCHADE: My name is Jeff Schade. I am the
11 Senior Vice President at HITCO Carbon Composites, another
12 domestic provider of this material. I have worked at HITCO
13 for six years and HITCO Carbon Composites has been in
14 business for 92 years this year in 2017 so we are very
15 knowledgeable in this market and these products.

16 We have fully cooperated with the questionnaires,
17 the Preliminary Questionnaires as well as the Final Hearing
18 Questionnaires and all Staff questions that were directed to
19 our company. We agree with Auburn's premise and
20 presentation. As far as HITCO is concerned, I would like to
21 stress a couple of adverse impacts to our company and use a
22 couple of examples. The two adverse impacts that we have
23 felt are lost sales and price suppression in this market.

24 The specific examples that I will site are very
25 detailed in the questionnaires that we answered. One being

1 a direct customer, a very long-standing customer of HITCO's
2 that we lost to Chinese Imports. In 2015 we received a
3 request for quote from this longstanding customer and our
4 decades-long field sales representative personally called me
5 to implore me as the person responsible for our business to
6 make sure that I look at the pricing and determine how low
7 can we go to try to win this business back.

8 I gathered my team, we looked at the standard
9 material that this customer had previously bought, we looked
10 at the pricing, we looked at what we could do to lower that
11 cost. We also looked at an alternate ASF product that we
12 produced that this customer had not used that we felt they
13 could use in their application and we priced it fairly. The
14 standard material we priced at, I'll say X-price. The
15 alternate ASF material that we offered, it was X minus the
16 standard material price.

17 As best as we can tell, the pricing that the
18 Chinese offered against our standard material was 56 percent
19 lower than the price we could offer. Against the alternate
20 material that we proposed, the Chinese pricing we believed
21 was 46 percent lower. This customer made a pricing
22 decision. Our quality is extremely high. Our product
23 availability is always ready. We master distribute our own
24 product. We have product on the shelf ready to deliver.

25 A second example is a distributor. HITCO has

1 distributors all over the U.S. We also have global
2 distributors. This Midwest distributor, a longstanding
3 distributor of HITCO's called our field sales representative
4 and said "hey, I've been presented Chinese pricing for a
5 product that I had been buying from you. If you don't match
6 this pricing we will switch the business."

7 As best as we could tell we could not get
8 anywhere near the Chinese pricing that was offered and could
9 not profitably match the price. We lost sales through this
10 distributor and have not won that business back. Further
11 the lost sales this type of pricing is suppressing the
12 pricing in the marketplace which affects our profitability.

13 So if you look at HITCO's profitability in the
14 questionnaires, one of the Staff members asked a question
15 about our percentage profitability which has remained fairly
16 flat through the period of investigation, but if you look at
17 the dollars that we can reinvest, the dollars we can pay our
18 employees, the dollars that we can actually take to the
19 bank; they've been significantly decreased all due to
20 artificially low prices in the marketplace.

21 HITCO made a conscious decision to not chase the
22 Chinese pricing down in the marketplace. For us, it would
23 be a long-term disaster. We could not afford to stay in
24 business if we chase the pricing down. We are able to
25 maintain sales through longstanding customers. There are

1 some applications where we are specified into certain
2 products of our end customers and we have been able to
3 maintain business that way.

4 We even idled a complete manufacturing line at
5 HITCO. We have two lines that produce this material. We
6 idled one of those lines. There is over a 30 percent
7 decline in our production mainly due to these Chinese
8 Imports. Trying to keep out workforce where it was, very
9 committed to our workforce. I have personally worked with
10 our union to have them provide some flexibility in what we
11 can do with these employees that were trained only on this
12 line. We retrained these employees. We have maintained our
13 employment levels all due to being able to work with our
14 unions in California.

15 In conclusion, our volume is way down because of
16 lost sales. We have idled capacity. The dumping is
17 preventing fair competition. I don't mind competing with
18 Kathie and her team in fair competition but the Chinese,
19 this is unfair. Every day before I leave the office, I ask
20 myself one question -- have I done everything I can to make
21 our company better today than it was yesterday?

22 I have traveled across the country to support
23 this on two different occasions. All because I know there
24 is going to be the day when the Commission decides on an
25 affirmative decision in this case, that we will be able to

1 be better tomorrow than we are today. HITCO has been
2 injured by these Chinese Imports. I'd appreciate all of
3 your support in making an affirmative determination.

4 In a final thought is Kathie talked about
5 National security and the product being used in
6 shipbuilding. That's very personal for me. I left our
7 meeting yesterday to head to the United States Naval Academy
8 to visit my daughter who is a plebe at the United States
9 Naval Academy and Kathie's input on being able to build
10 naval ships safely, protect our sailors, protect our
11 officers.

12 I think of my daughter and hope that you help to
13 keep this product made here in the United States. Thank you
14 very much.

15 STATEMENT OF DOUGLAS J. HEFFNER

16 MR. HEFFNER: Thank you, Mr. Schade. I would now
17 like to touch on a few legal issues in the case. On the
18 like-product, I'll just say that AMI has the like-product to
19 be industrial grade ASF. There have been no issues raised
20 whatsoever that challenge the definition of the domestic
21 like-product.

22 Concerning the domestic industry, there are only
23 two U.S. producers, both here, AMI and HITCO. Again, no
24 issues have been raised concerning the definition of the
25 domestic industry.

1 I would now like to turn to the issue of Chinese
2 participation in this case. Concerning the participation by
3 the Chinese producers and exporters in the final phase, it
4 has almost been nonexistent.

5 You can see the full rendition of it on pages 3
6 to 5 of AMI's prehearing brief, but in a nutshell only one
7 Chinese producer has participated in the final phase. The
8 lack of participation by the Chinese producers and exporters
9 has led to significant under-reporting of data.

10 Most importantly, the lack of participation by
11 the Chinese producers and exporters has deprived the
12 Commission of meaningful data in the final phase concerning
13 U.S. exports and market share.

14 As you will hear soon from Mr. Dougan, there are
15 other significant data issues concerning imports, including
16 significant inconsistencies in what the importers reported
17 in the preliminary investigation versus the final phase of
18 this investigation.

19 Because of all these data issues, the Commission
20 should rely on the data from the preliminary phase
21 investigation, which is also incomplete but it is more
22 complete than the data collected in the final phase because
23 of lack of participation.

24 Certainly the Chinese producers and exporters
25 should not benefit from their lack of participation here.

1 Concerning interchangeability, the Staff Report
2 found that subject imports are fully interchangeable and
3 substitutable with the domestic like-product. In fact, the
4 Commission found that several importers and purchasers
5 didn't even know that they were purchasing Chinese ASF.

6 This we learned during the preliminary phase was
7 a direct result of policies like the "don't ask/don't tell"
8 policy of AVS industries, one of AMI's principal
9 competitors. Essentially, the president of AVS industries,
10 who is not here today, testified during the preliminary
11 conference that it does not tell its customers the
12 country-of-origin of AVS it sells unless the customer asks.

13 Because AVS industries is a U.S. company,
14 purchasers believe that the ASF they were purchasing was of
15 U.S. origin. And I think Ms. Leonard can talk about that a
16 little bit more later as far as the impact on her company
17 concerning that.

18 Not only has this caused purchaser confusion over
19 the country-of-origin, but it's also likely a violation of
20 the U.S. Customs laws. But regardless, the record is
21 replete with evidence showing customer confusion for both
22 large and small customers concerning the country-of-origin
23 of ASF that they purchase.

24 This confusion demonstrates that subject imports
25 are interchangeable and substitutable with domestic ASF. As

1 additional evidence of interchangeability, most major
2 foreign producers, importers, and distributors of Chinese
3 ASF meet the relevant FM approvals and military
4 specifications.

5 Concerning fabrication grade. Now during the
6 preliminary phase of the investigation, AC Ikee and AVS
7 industries made a big deal about the fact that so-called
8 high-strength fabrication grade AFS, the domestic product
9 did not compete with the fabrication grade being sold by the
10 Chinese.

11 Mr. VanAtta testified that he has not seen or
12 heard of a superior strength product being imported by the
13 Chinese. But in the final phase, I just want to point this
14 out, the Commissioners--or the Commission asked importers to
15 list the specific grades of the product that meets the
16 definition of a specific grade.

17 However, none of the importers provided any of
18 the requested information about what those grades were,
19 despite the fact that they did report purchases of
20 fabrication grade product.

21 We also understand that the staff contacted the
22 Respondents several times and asked for such information.
23 And they also asked us for that information. Still,
24 however, the Respondents failed to provide the information
25 at all.

1 By contrast, the domestic industry provided that
2 information in our questionnaire responses. We specifically
3 listed what grades constitute fabrication grade that we
4 produce and sell. And I believe HITCO did the same thing.

5 So as a result, the Commission should not give
6 any weight to this argument, this allegation that the
7 Chinese import a high-strength product that does not compete
8 with the domestic like-product because they did not bother
9 to provide any details on it in the final phase of this
10 investigation.

11 In other words, I believe that they waived it.

12 Now on the other issue concerning Mid-Silica that
13 was raised during the conference by some of the Respondents,
14 the information collected in the Staff Report shows this to
15 really be a non-issue because there's really very few
16 imports coming in of Mid-Silica.

17 In addition, to confirm what Mr. VanAtta
18 testified to earlier, most purchasers reported that there
19 was really no substitution between Mid-Silica and ASF. And
20 that makes sense due to the lower silica content.
21 Mid-Silica would compete more so with fiberglass fabric
22 because of the lower temperature rating, and it would be a
23 fire hazard if used in many ASF applications.

24 Therefore, the record does not support the
25 allegations made by the Respondent during the preliminary

1 phase that Mid-Silica competes and takes away sales from
2 ASF.

3 Now Ms. Leonard testified earlier today, direct
4 purchases by the U.S. Government, which are protected by the
5 Berry Amendment of the Buy America Act, are shrinking.
6 Instead, it appears that those purchases are increasingly
7 being made by defense contractors. And that's because of
8 the out-sourcing by the Navy to--for maintenance by the--to
9 defense contractors.

10 In the preliminary phase, AMI believed that
11 purchases by defense contractors are supposed to be covered
12 by the Berry Amendment of the Buy America Act. But again,
13 as Ms. Leonard testified, we were told directly by their
14 largest defense contractor that's not the case. That if it
15 isn't incorporated into an end-product, then it's not
16 covered by the Berry Amendment.

17 And this is a huge segment for us, and this is
18 where we've seen a lot of competition from Chinese,
19 especially with regard to contracts where we've lost a lot
20 of business. And this accounts for a significant amount of
21 domestic production and domestic shipments.

22 Then finally, concerning the role of non-subject
23 imports, although the information is confidential, we
24 believe that the data on Latvian imports are not reliable.
25 Significant fluctuations exist that are unexplained in the

1 reported AUVs for Latvian imports.

2 Moreover, the trends in the data reported in the
3 questionnaire responses differ from those in the public
4 import stats. Our best guess is that the data contained
5 reporting errors, or contained quantities for both subject
6 and non-subject products. Please refer to AMI's brief,
7 prehearing brief at 20 through 23 for additional
8 information.

9 Therefore, the Commission should view them, with
10 skepticism.

11 I will now pass the baton over to Mr. Dougan.
12 Thank you.

13 STATEMENT OF JAMES DOUGAN

14 MR. DOUGAN: Good morning, Madam Chairman,
15 Commissioners, and staff. My name is Jim Dougan from
16 Economic Consulting Services, and I am appearing on behalf
17 of Petitioners.

18 The record evidence in this case is clear.
19 Domestic producers of Amorphous Silica Fabric have been
20 materially injured by reason of subject imports from China,
21 and are threatened with future injury if trade relief is not
22 granted.

23 Since virtually all of the quantitative data on
24 the record are proprietary, this presentation will use
25 unlabeled graphs and charts for illustrative purposes, but

1 the citations to the proprietary evidence are provided on
2 each slide, and of course in Petitioners' prehearing brief.

3 (Slides shown.)

4 First, with respect to volume effects, as shown
5 at slide one, subject imports from China grew in market
6 share and a declining market. This is true regardless of
7 which source the Commission uses to measure subject import
8 volume.

9 Petitioners' brief presents extensive analysis of
10 the various sources available with which to measure subject
11 import volume, since poor responses from foreign producers
12 and unreliable responses from importers have put the
13 Commission and staff at a disadvantage by muddying what
14 should be a clear picture.

15 Not only has the Commission received inadequate
16 responses from foreign producers and exporters in the final
17 phase, as Mr. Heffner mentioned, but the data on imports
18 received in the final phase of the investigation are
19 somewhat suspicious.

20 There were significant changes to importers'
21 questionnaire data from the preliminary phase to the final
22 phase that resulted in a sharper downward trend in imports.

23 The quantity of imports that changed from the
24 preliminary phase to the final phase was significant.
25 Moreover, there is absolutely nothing on the record

1 indicating the reason for the change. In other words, the
2 importers did not specify why these changes were made.

3 Although Petitioners submit that the record shows
4 subject imports have caused significant volume effects,
5 regardless of the data source used, given the discrepancies
6 pointed out in AMI's prehearing brief, we believe that the
7 Commission should rely upon exports from foreign producers
8 as reported in the preliminary phase.

9 Although we believe that these too are
10 understated, in our view they represent the best and most
11 complete information that the Commission has available
12 concerning imports.

13 In fact, staff presented these data in the final
14 phase prehearing staff report because of the inadequate
15 response from foreign producers to final phase
16 questionnaires. However, if the Commission elects not to
17 rely on the exports contained in the foreign producers, it
18 should rely on importers questionnaire data from the
19 preliminary phase.

20 In any event, given the unexplained and
21 suspicious data on imports reported in the final phase of
22 this proceeding, the Commission should not rely on the
23 importers data from the final phase questionnaires.

24 Petitioners submit that whatever data source the
25 Commission relies upon, it should draw the same conclusion:

1 that subject imports have made sales and gained market share
2 at the expense of the domestic industry.

3 This is corroborated by the fact that, shown at
4 slide two, purchasers have confirmed that they switched
5 massive amounts of sales to subject imports because of low
6 prices. These switched sales represent very significant
7 proportions of domestic production and shipments over the
8 POI, and are quantified in Petitioners prehearing brief at
9 Exhibit No. 1.

10 These facts are not in dispute. And were it not
11 for the loss of these sales, domestic production, shipments,
12 capacity utilization, and market share would all be
13 significantly higher.

14 Subject imports have also caused adverse price
15 effects to the domestic industry. Slide three shows the
16 Staff Report's conclusion with respect to underselling. One
17 hundred percent of instances, 1.8 million square yards,
18 underselling margins ranging from 15.7 percent of 68.4
19 percent, and an average underselling margin of 36.8 percent
20 across all products.

21 Moreover, the pricing products are defined to
22 narrow specifications. So these underselling margins are
23 the result of apples to apples comparisons and are not due
24 to differences in product mix.

25 As discussed at slide four, subject imports also

1 depressed U.S. producers' prices. Purchasers have confirmed
2 that domestic producers lowered prices to compete with
3 subject imports. And domestic producers note that they
4 still lost sales, despite these price cuts. However, the
5 full depressive impact of subject import competition in the
6 record evidence is masked by several factors.

7 The first factor is the beneficial effect of the
8 preliminary duties imposed in the third quarter of 2016.
9 The prehearing staff report at page 5-16 notes that the
10 prices for products 1 and 2 increased from January 2013 to
11 September 2016. But this increase is partly an artifact of
12 the end-to-end comparison in time periods, which includes
13 the third quarter of 2016 when the beneficial impact of the
14 imposition of preliminary duties was first felt, after
15 Commerce's CBD prelim in July and its AV prelim in
16 September.

17 At pages 42 to 43, and Exhibit 13 of Petitioners
18 prehearing brief, we show how the results are different if
19 the comparison ends with the second quarter of 2016--that
20 is, before the preliminary duties were imposed.

21 The second factor masking the full extent of
22 price depression by subject imports is the reduction and
23 share of the industry's total sales that is represented by
24 larger, more price sensitive high-volume customers.

25 Over the POI, several of these larger customers

1 shifted their purchases to subject imports, as confirmed in
2 the prehearing staff report and purchasers questionnaires,
3 and as detailed in Petitioners' prehearing brief at pages 38
4 to 39.

5 This had the effect of reducing the domestic
6 industry's overall sales quantity and value, but also
7 increasing the share of the industry sales represented by
8 these smaller customers who paid, because of their lower
9 volumes in part, somewhat higher average prices than their
10 larger counterparts.

11 The net effect of this shift in customer mix was
12 to show a basically flat trend in U.S. shipment of AUVs and
13 a modest increase in the prices of pricing product two,
14 which represented a significant share of domestic industry
15 sales, but was also a product in which much of the sales
16 lost to subject imports were concentrated.

17 Had the domestic industry's proposed price cuts
18 resulted in their winning a portion of the sales ultimately
19 lost to subject imports, however, a more clear downward
20 trend in prices would be apparent from the data.

21 Slide five shows that subject imports have
22 suppressed U.S. prices as domestic producers COGs to sales
23 ratio increased from 2013 to 2015. It declined somewhat
24 between the part-year periods, which is attributable to two
25 factors: the aforementioned shift in the mix of sales from

1 the larger customers to the smaller customers, which
2 resulted in a modest increase in average selling prices; and
3 the beneficial effect of the Petition and the preliminary
4 dumping duties imposed in September 2016.

5 In its Preliminary Determination, the Commission
6 found that, despite the increases in the COGs to sales
7 ratio, subject imports did not prevent price increases that
8 otherwise would have occurred to a significant degree.

9 But the Commission indicated its intent to
10 explore further the extent to which subject imports may have
11 contributed to the domestic industry's inability to increase
12 prices.

13 Petitioners submit that the record before the
14 Commission in this final phase shows that the increased COGS
15 to sales ratios from 2013 to 2015 are indeed evidence of
16 price suppression. Purchasers have confirmed that domestic
17 producers lowered prices to compete with lower priced
18 imports, and have also confirmed that they shifted large
19 purchase volumes to subject imports on the basis of price.

20 In this competitive environment, and especially
21 considering the poor financial performance of the industry,
22 it is clear that subject imports prevented domestic
23 producers from implementing price increases that otherwise
24 would have occurred.

25 Through the combination of adverse volume and

1 price effects discussed previously, subject imports have
2 caused significant adverse impact to the domestic industry.

3 As shown at slide six, U.S. producers'
4 production, shipments, capacity utilization, net sales
5 quantity, net sales value, all declined over the POI. And
6 as discussed at Petitioners confidential prehearing brief at
7 page 47, the industry's decline in profitability has led to
8 extreme financial hardship, some of the effects of which
9 were discussed by Ms. Leonard in her testimony.

10 As a consequence of this financial hardship, the
11 domestic industry's investments in its production and
12 development efforts has plummeted.

13 As shown at slide seven, the domestic industry's
14 capital expenditures fell by roughly 90 percent from 2013 to
15 2015, and fell again between the interim periods. The
16 prehearing staff report at Table 6-4 discusses in detail the
17 specific results of this decline in investment, which
18 jeopardizes the domestic industry's future competitiveness,
19 and indeed its viability.

20 Thus, the domestic industry is not only suffering
21 current material injury, but is also vulnerable to and
22 threatened with future injury by reason of subject imports
23 of ASF from China.

24 Slide eight illustrates how ASF capacity and
25 production in China absolutely dwarfs ASF capacity and

1 production in the United States.

2 What's more, as shown at slide nine, the
3 available capacity, the idle capacity in China, is enormous
4 relative to U.S. capacity and production. There's good
5 reason to believe that a significant portion of this
6 available capacity will be shipped to the U.S. market,
7 absent the granting of trade remedy, because, as discussed
8 in Petitioners' prehearing brief at page 54, the Chinese ASF
9 industry is highly export oriented and the U.S. market is a
10 very significant export market for this industry.

11 This is further illustrated by the degree to
12 which imports from China increased their market share over
13 the POI, shown at slide ten. It is not only the presence of
14 substantial available capacity in China that threatens the
15 U.S. industry with harm. Chinese producers' inventories
16 also threaten the domestic industry.

17 Slide 11 shows these inventories compared to
18 apparent U.S. consumption and the domestic industry's
19 shipments. Moreover, U.S. importers' inventories of Chinese
20 ASF also threaten the domestic industry with injury.

21 As shown at slide 12, these inventories
22 effectively doubled between the interim periods. This
23 indicates not only the presence of critical circumstances,
24 as Mr. Ferrin will discuss, but also the propensity of
25 importers to stock up on inventories of Chinese ASF in a way

1 that would cause harm to the domestic industry in the
2 future.

3 In closing, the record evidence overwhelmingly
4 supports the conclusion that the domestic ASF industry has
5 been materially injured by subject imports from China, and
6 is threatened with future injury if trade relief is not
7 granted.

8 With that, we respectfully request that the
9 Commission make an affirmative determination in this case.

10 I now turn to Mr. Ferrin who will discuss the
11 remaining statutory factors for threat, and also how the
12 record supports an affirmative finding of critical
13 circumstances.

14 STATEMENT OF RICHARD P. FERRIN

15 MR. FERRIN: Thank you, Mr. Dougan. As Mr. Dougan
16 discussed, there is compelling evidence that the domestic
17 industry is experiencing present material injury by reason
18 of subject imports of industrial grade amorphous silica
19 fabric from China.

20 In addition to causing present material injury,
21 Chinese imports threaten further material injury in the
22 imminent future unless antidumping and countervailing duty
23 orders are put into place.

24 Mr. Dougan touched on a few of those threat
25 factors, including excess capacity of Chinese producers,

1 market penetration trends in Chinese inventory levels. I
2 would like to briefly discuss some additional threat
3 factors.

4 First, Chinese producers receive massive
5 subsidies of the type that make a threat of future injury
6 more likely. The statute requires the Commission to
7 consider whether the case involves export subsidies or,
8 quote/unquote "seriously prejudicial subsidies."

9 In this case, the Department of Commerce has
10 found both. Regarding export subsidies, Commerce found that
11 numerous Chinese producers benefitted from preferential
12 export financing, export sellers credits, export buyers'
13 credits, and export credit insurance.

14 Regarding seriously prejudicial subsidies, any
15 subsidy program in excess of 5 percent constitutes serious
16 prejudice under the WTO Agreement.

17 In the preliminary determination, Commerce found
18 a net subsidy rate of 26.25 percent for mandatory respondent
19 Nan Jin Tianwan and 104.10 percent for numerous Chinese
20 producers that did not answer the questionnaire.

21 After the preliminary determination in a
22 post-preliminary decision memorandum, Commerce found an
23 additional subsidy. Namely, that Chinese producers
24 purchased fiberglass cloth, their main input to make ASF, at
25 below-market rates from the Government of China.

1 The subsidy rate for this program alone was 22.69
2 percent for the two mandatory producers Acet and Nan Jin
3 Tianwan. Thus, Chinese producers threaten future and further
4 injury to the U.S. industry because they receive export
5 subsidies and large prejudicial domestic subsidies, both of
6 which tend to encourage further exports to the U.S. market.

7 Another threat factor is whether subject imports
8 are entering at prices likely to have a significant
9 depressing or suppressing effect on U.S. prices.

10 During the POI, Chinese ASF under-sold the U.S.
11 product in all 35 quarterly comparisons with margins ranging
12 from 15.7 to 68.4 percent. The average margin of
13 under-selling was 36.8 percent overall.

14 The Commission also has collected substantial
15 evidence that these subject imports have depressed U.S.
16 prices as the domestic industry has been forced to drop its
17 prices repeatedly in an effort to compete with subject
18 imports.

19 Without trade relief, the Chinese producers'
20 assault on the U.S. market through drastic underpricing will
21 only continue and will cause tremendous damage to the
22 domestic industry.

23 Finally, because of the Chinese producers' grab
24 of large and increasing market share, through consistent and
25 deep underpricing, U.S. producers [sic] have made it

1 difficult if not impossible for U.S. producers to invest in
2 development and production efforts. The details regarding
3 AMI's financial condition is provided in the confidential
4 prehearing staff report. But more generally speaking,
5 competition from the flood of unfair Chinese imports has
6 essentially caused capital investments in the U.S. industry
7 to grind to a halt over the POI.

8 Numerous investment plans by domestic producers
9 have been cancelled due to large quantities of low-priced
10 Chinese imports.

11 For all these reasons, the Commission should find
12 the domestic industry is not only presently materially
13 injured, but is also threatened with injury in imminent
14 future due to subject imports.

15 Now I would like to now turn and discuss the
16 issue of critical circumstances.

17 As the Commission is aware, in its preliminary
18 determination, antidumping determination on September 1st,
19 Commerce found that critical circumstances exist with
20 respect to all Chinese producers and suspended liquidation
21 retroactively to the beginning of June 2016.

22 Thus, if the Commission makes an affirmative
23 final determination based on present material injury, the
24 Commission must determine whether subject imports that
25 entered during the period June through August 2016 are

1 likely to, quote/unquote, "seriously undermine the remedial
2 effect of the antidumping order."

3 In evaluating critical circumstances, the
4 Commission considers the following factors:

5 One, the timing and volume of the imports;

6 Two, any rapid increase in inventories of the
7 imports; and

8 Three, any other circumstances indicating that
9 the remedial effect of the orders will be seriously
10 undermined.

11 Regarding the timing and volume of the imports,
12 the Commission generally considers the six-month period
13 before and after the filing of the Petition. Because AMI
14 filed the Petition on January 20th of 2016, the relevant
15 pre-petition period is August 2015 through January 2016, and
16 the relevant post-petition period is February through August
17 2016.

18 Commission staff has collected data on monthly
19 imports comparing the pre-petition period with the
20 post-petition period. The data are provided in Table 4-3 of
21 the prehearing staff report. Those data clearly show a
22 significant surge in subject imports after the filing of the
23 Petition. In addition, the timing of the surge is
24 unmistakable. The month-by-month timing show that massive
25 imports entered a few months after the filing of the

1 Petition, and continued until just before Commerce published
2 its preliminary countervailing duty determination on July
3 5th of 2016.

4 Regarding inventories, Commission staff collected
5 data on U.S. importers' inventories and reported the data on
6 page 4-4 of the prehearing staff report. The exact numbers
7 are confidential, but it is clear that there has been a
8 significant surge in inventories comparing January to
9 September 2015 versus January to September 2016.

10 This is the case whether the Commission considers
11 the absolute volume of inventories or the ratio of
12 inventories to U.S. imports, or the ratio of inventories to
13 U.S. shipments of imports.

14 In short, the Commission has before it compelling
15 data showing a surge in Chinese imports after the filing of
16 the Petition, and a buildup in importers' inventories. This
17 shows that imports of the subject merchandise rushed to get
18 as much product in as possible before the preliminary
19 determination.

20 This buildup continues to injury the domestic
21 industry, and the only remedy for this buildup is for the
22 Commission to make an affirmative determination on critical
23 circumstances. Thank you.

24 MS. HEFFNER: Thank you, Mr. Ferrin. That
25 concludes the domestic industry's affirmative presentation.

1 CHAIRMAN SCHMIDTLEIN: Alright, thank you very
2 much, Mr. Heffner. Today I'm actually first in line to
3 question, so I will start.

4 I'd like to understand a little bit better the
5 issue of the grades and the difference between fabrication
6 grade and what's the staff report called "the other grades."
7 And so maybe I'm not sure, Ms. Leonard, this might be a
8 question for you. Is there a standard system for assigning
9 grades to these fabrics? Is it published? Are there
10 criteria or a certain chemistry that goes with each grade?

11 MS. LEONARD: I appreciate being asked, but I'm
12 going to ask Garrett to address this.

13 CHAIRMAN SCHMIDTLEIN: Sure, whoever's most
14 knowledgeable?

15 MR. VAN ATTA: Garrett VanAtta.

16 So the one real standard that's out there for ASF
17 is the military specification 24576 that basically says that
18 the silica content must be 96 percent. So that sort of sets
19 the baseline for what, in the industry, I think is forever
20 known as a silica fabric, okay. It's sort of the starting
21 point, but in order to meet that mil spec there are other
22 parts of that specification, like the strength of the
23 fabric, the amount of smoke that gets generated if it gets
24 heated, some combustion characteristics and things also must
25 be met. And sort of when you get to the silica content

1 percent sometimes to get to that level you take away from
2 some of the other things, right? So that's why silica is
3 actually a very high-temperature fabric, but it's also a
4 fairly weak fabric, strength-wise.

5 We have some customers who require that they're
6 going to fabricate with this product because they need the
7 higher temperature resistance than fiberglass. The mil spec
8 was more designed as a welding barrier, so you're going to
9 place it, kind of drape it over something or hang it or
10 whatever to protect something.

11 You have customers who want to fabricate with it
12 and they want to actually cut it and sew it into some shape
13 to protect something. And in that case, because it tears so
14 easily, it's difficult for them to fabricate. They're not
15 mil spec. They don't have to meet the mil spec, so we can
16 add product or coatings, if you will, to the fabric to make
17 it easier to handle and fabricate and not break as easily.

18 CHAIRMAN SCHMIDTLEIN: Is that what the
19 fabrication grade is then?

20 MR. VAN ATTA: That's what we understand the
21 fabrication grade product to be, yeah.

22 CHAIRMAN SCHMIDTLEIN: I see. And so is the
23 coating -- and I heard this during the testimony, that
24 there's a coating added to it and that makes it a
25 fabrication. Is that the primary difference in the

1 manufacturing process --

2 MR. VAN ATTA: Yes.

3 CHAIRMAN SCHMIDTLEIN: -- for what's called a
4 fabrication grade?

5 MR. VAN ATTA: Correct, yes.

6 CHAIRMAN SCHMIDTLEIN: Okay. And I guess the
7 applications for that are, as you said, people who want to
8 take that and sew it into another shape, not just a drape or
9 a blanket that I guess the other grades come through.

10 MR. VAN ATTA: Yes. And when you do add the
11 coating it also means that it no longer meets the military
12 specifications for things, other than the 96 percent silica
13 piece.

14 CHAIRMAN SCHMIDTLEIN: So when it's called a
15 fabrication grade, it's not meeting that military --

16 MR. VAN ATTA: It is more than likely not meeting
17 the mil spec. Correct.

18 CHAIRMAN SCHMIDTLEIN: Okay.

19 MR. VAN ATTA: Because the coating may burn off,
20 say, when it heats up, so it generates too much smoke in the
21 area and that's one of the other criteria that is in the mil
22 spec.

23 CHAIRMAN SCHMIDTLEIN: Okay. And I know the
24 numbers are confidential, but the staff report -- when you
25 look at the staff report and they breakout the volumes, and

1 maybe Mr. Heffner you can speak to this, the volumes between
2 the fabrication grade and the other grades, right, and you
3 say that U.S. producers appear to be more concentrated in
4 the non-fabrication grades, lets' call it that, although the
5 Chinese you know did increase in that category in 2015. Can
6 you reconcile that for me, if you will, with the argument
7 that the Chinese are picking up a lot of sales for defense
8 contractors? So do the defense contractors not have to meet
9 the military -- the purchases they're making don't have to
10 meet this military standard that you're talking about
11 because they're purchasing mostly -- according to the data,
12 they're purchasing fabrication grade from the Chinese.

13 MR. HEFFNER: Doug Heffner, Drinker Biddle.

14 The fabrication grade does not meet the mil
15 specification. So if it's a defense contractor, typically,
16 they're meeting the mil specification -- the military
17 specification. So we believe we're looking at the data -- I
18 think there was some uncertainty about what a fabrication
19 grade is that was being reported by the importers because
20 there was no definition there about what fabrication is,
21 other than it's just being fabricated into a product.

22 We tried to get a definition in the
23 questionnaire, originally, that said, well, put down what
24 your grade is that you're using so everyone can compare
25 apples to apples and it turned out that no one on the

1 Respondent's side put in anything down concerning that and
2 that's what we were talking about earlier.

3 However, to your question, though, on what they
4 reported as fabrication grade we're not sure they actually
5 always put down what the correct product was that goes in
6 that category. There was a categorization thing, but the
7 one thing is for sure, we do sell a lot of fabrication grade
8 product. We have been adversely impacted by Chinese imports
9 in that area too. They've taken a lot of business away from
10 us in the fabrication grade product also; it's just not in
11 the defense contractor segment of the market.

12 CHAIRMAN SCHMIDTLEIN: Okay.

13 MR. HEFFNER: It's in both segments of the
14 market.

15 CHAIRMAN SCHMIDTLEIN: Do you want to add
16 something, Ms. Leonard? Yes?

17 MS. LEONARD: Yes, Kathie Leonard.

18 I would just like to add to your question about
19 are there industry standards with regard to fabrication
20 grades --

21 CHAIRMAN SCHMIDTLEIN: Or the other grades, yes.

22 MS. LEONARD: Okay. And I think Garrett has
23 answered the question clearly that there are standards. The
24 military standard is the best, the highest standard we use
25 and -- but the testimony, as I recall, from AVS at the

1 preliminary hearing was that they supply some kind of
2 fabrication grade product that performs better than ours and
3 it was confusing because we think that was a
4 self-classification on their part. That's my opinion on
5 that to clarify what I thought I heard at that hearing.

6 I just don't see it from the marketplace that
7 there is a fabrication grade. I've never seen another
8 standard out there regarding that.

9 CHAIRMAN SCHMIDTLEIN: If it's coated, and
10 whether you call it a grade or not, that would be --

11 MS. LEONARD: That's what we would call it.

12 CHAIRMAN SCHMIDTLEIN: You would call that a
13 fabrication item.

14 MR. VAN ATTA: Garrett VanAtta.

15 So we actually sort of define ours as an abrasion
16 resistant product and the coating that we put on is really
17 an abrasion-resistant coating and it helps keep those fibers
18 together and kept them from tearing as easily. It seemed
19 like AVS, in the preliminary hearings, tried to make up some
20 new fabrication grade piece that I guess we feel that our AR
21 or Abrasion-Resistant fabric is fabrication grade.

22 CHAIRMAN SCHMIDTLEIN: So I mean this is really
23 getting to you know are you competing head-to-head with the
24 Chinese in every segment and in every grade, you know, for
25 lack of a better word, right? So I mean I also notice that

1 the channels of distribution, the concentration is
2 different. You sell mostly to end users. The Chinese sell
3 mostly to distributors or almost all to distributors. So
4 can you talk a little bit about are you competing
5 head-to-head with them in every segment of the market that
6 you see and how does that different channel of distribution
7 affect your competition.

8 MS. LEONARD: Kathie Leonard.

9 I'll answer that because I see the request for
10 quotations that come in from customers or would-be customers
11 and I've never seen an RFQ that calls for a fabrication
12 grade ASF. There is the terminology "abrasion-resistant" in
13 the marketplace. It's been industry jargon for many, many
14 years, decades, but I've never heard of fabrication grade.
15 And the fact that we're quoting against the Chinese product,
16 I suppose, you know in many places now one would think
17 because the AVS product numbers are listed, from
18 time-to-time, in the ARFQs, okay, so their style numbers, as
19 we call them in the textile industry, are there and it
20 doesn't indicate anything but their standard product.

21 CHAIRMAN SCHMIDTLEIN: Okay.

22 MS. LEONARD: So if they're calling it a
23 fabrication grade that's what I mean. It's this internal
24 classification by that company. I don't see it from a Sales
25 and Marketing standpoint.

1 CHAIRMAN SCHMIDTLEIN: So you see offers in the
2 distributors are competing for sales to those same end
3 users.

4 MS. LEONARD: Kathy Leonard.

5 CHAIRMAN SCHMIDTLEIN: Yes.

6 MS. LEONARD: We sell to both distributors and
7 end users, depending on the supply chain that's necessary
8 for that particular market. As I explained earlier, we sell
9 to many different industries and they each have different
10 channels. You know different supply chains, so it depends
11 on how it goes. So we might receive a request for a
12 quotation from an end user or we might receive a request for
13 a quotation from a distributor, but either way I've not seen
14 that terminology included in RFQs.

15 CHAIRMAN SCHMIDTLEIN: Okay. Alright, thank you.
16 My time is up and Vice Chairman Johanson is next.

17 VICE CHAIRMAN JOHANSON: Thank you Chairman
18 Scmidtlein. It's a privilege to be participating in today's
19 Maine centric hearing. We had half the Maine delegation
20 here this morning and I finished a book just this week on
21 James Garfield, the 20th President of the United States.
22 And the book discussed, significantly, a man named James
23 Blaine, who was Secretary of State under Garfield and he was
24 also with Garfield when he was shot at 20th and Constitution
25 here in D.C.

1 And he was from Maine and he was a congressman
2 from Maine as is Congressman Poliquin, who is here this
3 morning and also a senator for Maine, as is Senator King.
4 And when Senator King was Governor King, he lived in
5 Blaine's old mansion, so he's a very significant person in
6 19th Century history. Most of us had never heard of him
7 because he was defeated for President by Grover Cleveland.
8 So I nod my head to him, the famous Mainer, and I know move
9 from 19th Century Maine to 20th Century Maine with today's
10 hearing -- 21st Century Maine.

11 COMMISSIONER PINKERT: I recall, Mr. Vice
12 Chairman, that Blaine was referred to as the Continental
13 Liar from the State of Maine, is that correct?

14 VICE CHAIRMAN JOHANSON: The book didn't mention
15 that. It had nothing but pretty good things to say about
16 him. He was very ambitious, but obviously, he made a lot of
17 his life. In fact, the only remaining mansion on DuPont
18 Circle here in D.C. is the Blaine Mansion. It abuts Le Pain
19 Quotidien, if any of you ever drink coffee there, so anyway,
20 a very interesting person.

21 But moving on to today's hearing, I wanted to
22 talk to you about something which really struck me when
23 looking at the staff report this week and it discussed the
24 industry's market share. Why has the domestic industry's
25 market share increased in this down market? What does an

1 increase in domestic industry market share tell us about any
2 volume-based injury on the record?

3 MR. DOUGAN: Vice Chairman Johanson, Jim Dougan
4 from ECS.

5 The particular data are, of course, confidential
6 so I'm going to dance through the raindrops here and we can
7 provide a more substantive response in the confidential
8 post-hearing, but you know this is a -- first of all, we
9 have, as Mr. Heffner mentioned, reason to believe that that
10 -- the shift in market share that you mentioned is largely a
11 consequence of the trends in the non-subject import volumes.

12 This is a market in which overall consumption was
13 declining and any gain in market share resulted from
14 declining in volume by less than another source, so the --
15 I'm trying to be careful. So the volume from all sources
16 declined from 2013 to 2015, the volume from China of imports
17 from China declined by less than anyone, which meant that
18 they gained significant market share.

19 The reporting of the data that we have the volume
20 from the U.S. producers declined by more, so they would've
21 lost market share relative to China; however, the data
22 reported in the questionnaire from non-subject imports --
23 questionnaires, I should say -- indicate that volumes from
24 those sources declined by more than either domestic
25 shipments or import shipments, which would mean that they

1 would have lost share relative to everyone. And so what you
2 have is essentially the appearance of -- because everything
3 is declining if the domestic industry's shipments appear to
4 have declined by less than the non-subject imports it looks
5 like that they would have gained share relatively speaking.

6 First of all, as Mr. Heffner said, we're not
7 fully confident that the data from all non-subject imports
8 in the questionnaires is fully reliable. There's discussion
9 of that in our pre-hearing brief having to do with perhaps
10 some internal confusion about the source of that from the
11 people who were reporting the data. I'm going to be careful
12 about this, but it's discussed in our pre-hearing brief. I
13 can give you page citation in a moment, but I think what is
14 clear is that whatever the aggregate numbers say about the
15 shifts in market share purchasers have confirmed that they
16 switched very significant volumes away from domestic purchases to
17 imports from China on the basis of price and that is market
18 share and volume that was lost in direct competition to
19 imports from China and that represents loss in market share,
20 loss in volume and loss in the production and other volume
21 indicia.

22 MR. HEFFNER: If I can also add, if you look at
23 the decline in imports from China, the trend that is
24 reported in the staff report for the market share numbers
25 that you're looking at, that is also a function of what we

1 believe are, number one, unexplained changes from the
2 preliminary to the final by importers, okay. So there is a
3 lot of information that we put on the record where we
4 believe that the market shares would come out differently
5 if, in fact, the data were looked at that were from the
6 preliminary investigation versus the final investigation.

7 Again, it's confidential, but the fact is the
8 trend -- the way that the trend occurs it is unexplained why
9 the changes were made between the preliminary and the final.
10 It's totally unexplained as far as the imports and what has
11 happened to them from the preliminarily reported data versus
12 the final, number one. And number two, it's contradicted by
13 other evidence that we've put on the record concerning
14 publicly available information that they reported to the
15 Department of Commerce. Thank you.

16 MR. DOUGAN: Vice Chairman Johanson, one thing
17 that I -- for your reference, the discussion of non-subject
18 imports in our pre-hearing brief is pages 20 to 22.

19 VICE CHAIRMAN JOHANSON: Alright, thank you, Mr.
20 Dougan and Mr. Heffner.

21 The record suggests that apparent U.S.
22 consumption has decreased substantially since 2013 while raw
23 material costs have not. Given that, on what basis should
24 we conclude that subject imports have had a price depressing
25 or suppressing effect?

1 MR. DOUGAN: Jim Dougan from ECS again.

2 With regard to the price depression, purchasers
3 have confirmed -- it's in the staff report -- that domestic
4 producers reduced their prices to compete with subject
5 imports, so that's one. Two, there were the -- the observed
6 sales prices for the domestic producers are only of sales
7 that were actually made.

8 As Ms. Leonard testified and as discussed
9 extensively in our brief, there were a lot of instances in
10 response to RFQs where domestic producers lowered their
11 prices to compete and still didn't get the business. And
12 then come the next RFQ lowered their prices again and still
13 didn't get the business. So is the injury resulting from a
14 depressing affect of prices or is it a result from not
15 getting the sale at all, but I think that's an open
16 question. It's injury either way, but what I think what is
17 clear is that had at least some of those sales been made you
18 would've seen a much more significant downward trend in
19 domestic prices as actually sold.

20 With regard to price suppression, again we have
21 an increase in the products-to-sales ratio. We have the
22 confirmed lowering of prices to compete and you know I think
23 when you think about price suppression are there price
24 increases that otherwise would've occurred.

25 Now we understand that demand was in decline and

1 we understand that raw materials didn't necessarily
2 increase, but when you look at the financial performance of
3 the domestic industry and look at their operating margins
4 and the trend in those operating margins you have to think
5 that absent this intense competition from these unfairly
6 traded imports that their pricing would have been higher
7 because they would've, presumably, like to earn a profit and
8 so that right there is evidence that -- especially, given
9 the confirmed lost sales and the confirmed reductions in
10 price that there are price increases that otherwise would've
11 occurred, but for the affect of the subject imports.

12 VICE CHAIRMAN JOHANSON: Thank you, Mr. Dougan.
13 The yellow light's on, so I will stop for now. Thank you.

14 CHAIRMAN SCHMIDTLEIN: Thank you. Commissioner
15 Williamson.

16 COMMISSIONER WILLIAMSON: Thank you. And I too
17 want to welcome you all for your testimony today.

18 There are some big picture questions that I just
19 can't get out of my mind and one of them was that I think it
20 was about three or four years ago our textile and apparel
21 group had a seminar here on industrial fabrics and the role
22 that they're playing. And I was quite excited because I was
23 impressed with how much technology is going into those
24 fabrics, how much -- you know how competitive we were in
25 global markets in the future.

1 I assume that the product we're talking about
2 today falls into that category and I was just wondering how
3 significant is it, in terms of the overall category. Ms.
4 Leonard, since you have a lot of experience in not just
5 running your own business --

6 MS. LEONARD: Yes, 38 years, you know I get to
7 talk. So it's Kathy Leonard.

8 I think that's an excellent question. I think
9 the fact -- the fact that there are only two U.S. producers
10 of this product speaks to the sophistication of it. It's
11 not -- ASF itself is not an easy product to make and we
12 explain probably ad nauseam how it's woven and then it has
13 to go through this acid bath and then it has to be treated
14 after that. There's a lot of testing that has to be done.
15 Outside testing to make sure that the silica content is up
16 to military grade and it's just not -- there's a lot of
17 science that goes with it and a lot of experience goes into
18 making it.

19 If it was easy to make, you'd see a lot more
20 people making it because you do see a lot of weavers in this
21 country. You know you buy a loom, you can weave fabric, but
22 this goes beyond weaving and that's what Auburn
23 Manufacturing has always been about. We started the company
24 in 1979 to make products that would be substitutes for
25 asbestos because asbestos caused cancer, but asbestos is a

1 rock and it's very unique and it has very high temperature
2 characteristics. So one product could not replace asbestos,
3 so what evolved was a whole industry of advanced textiles
4 that could some of the jobs that asbestos did, like we make
5 fabrics that go into safety clothing. We don't use the
6 silica fabrics in those applications. We use aramid fibers
7 and some fiberglass and we use specialized coatings and so
8 forth so that it's a totally different product, but it's
9 still in the advanced textile arena.

10 We have five major product lines that we make
11 based on the base fabrics and the coatings and the processes
12 that we've added where we do a lot of -- add value to our
13 products, so that's what makes Advanced Textiles. We did
14 not go offshore to make ASF or to buy ASF because we felt
15 strongly that we had made the investment here. We have the
16 experience here and logistically, it makes sense to make the
17 product nearer your markets. So I didn't make that from an
18 emotional standpoint. I made that decision from an economic
19 standpoint that it didn't make sense to offshore this
20 particular type of product.

21 Unlike fabrics used in clothing, one can
22 understand that -- or making apparel maybe you do go to the
23 lowest you know labor rate in the world. You don't need to
24 do that with these products. It's material and equipment
25 intensive. It's not labor intensive, so to speak.

1 COMMISSIONER WILLIAMSON: It's technologically
2 intensive too.

3 MS. LEONARD: Technologically. And we depend on
4 the fibers that were developed in the United States largely
5 for our space programs. You know that was the driver for a
6 lot of fiber development and coating development in the
7 United States because, as you know, you've got to bring the
8 equipment back to the United States. It's very high
9 temperatures on the equipment, on the space shuttles, so
10 that's what we do.

11 So yes, I believe that we are an advanced textile
12 company and we pride ourselves on looking forward
13 constantly. We are not a dinosaur, okay. This is where I
14 get a little emotional because we've worked so hard to be
15 innovative and at the preliminary hearing we were made out
16 by the other side, the importers, as dinosaurs, that all we
17 do is wait for government orders and that's what we live off
18 of. That's just not true and that really added insult to
19 the injury that we've faced here.

20 Now that I know from the facts that we're talking
21 about an average price discount of 37 percent -- okay, 36.8
22 to be exact that is being put to the marketplace by U.S.
23 companies pretending to be manufacturers. So they're
24 selling the product as if it's an equal to Auburn
25 Manufacturing's product at a 36 percent, 37 percent

1 discount. I've now lost my reputation as a good
2 manufacturer, as a real manufacturer and this is, when you
3 said "big picture," that's the big picture I'm coming to.
4 This process has boiled it down to the fact that because of
5 that misrepresentation that these products are made
6 domestically and combined with the 37 percent average price
7 discount has hurt my ability to grow my business, to even
8 survive as a manufacturer, let alone grow it. And I'm the
9 job creator, supposedly. We have 50 jobs. They're the job
10 killers. There's only a handful of people that are buying
11 all this stuff from China and benefitting from it. Nobody
12 else is. I've got a supply chain that supports three times
13 the jobs that I have, so that's 200 jobs -- American jobs
14 from one little dinky company. How many jobs are they
15 creating?

16 COMMISSIONER WILLIMASON: Thank you for that.
17 Well, also complimenting you on Mr. VanAtta's title,
18 Innovation Engineering. I don't think I've seen that title
19 before.

20 Let me ask a question on this question of the --
21 you talked about the importers and foreign suppliers not
22 identifying their product as American products. Don't we
23 have marketing requirements? I don't know what the
24 marketing requirements are in terms of on this type of a
25 product.

1 MR. HEFFNER: You don't have to mark up product
2 if it's a U.S. product. You can just leave it blank. You
3 know you don't even have to put anything on there.
4 Obviously, there is "Made in the U.S.A." that's controlled
5 by the FTC, but with regard to Customs if it's a Chinese
6 product coming in, or any imported product, the product
7 needs to be marked until it reaches the ultimate consumer.

8 What's happening here, we believe, is that
9 they're bringing in big rolls. It goes to AVS Industries or
10 Lutco or one of the other companies like that and they cut
11 it into the smaller pieces to sell to other places, but it
12 loses its origin. They take off the country of origin, in
13 other words. It's not marked on the product anywhere. It
14 was marked on the box when it came in. It was probably --
15 we don't know this for sure, but we believe it was properly
16 marked when it came in, but once they took it apart and
17 resold it -- you know cut it into smaller rolls that's when
18 it loses its country of origin.

19 So they've been going off -- remember AVF
20 Industries was or is a U.S. company and they used to be a
21 part of or they were a spin off from Havak Industries. So
22 they've just maintained the fact that, oh, we're a U.S.
23 company and we own this product and they've been selling it
24 as a product that we believe is -- they're calling it a
25 domestic product or at least not, at a minimum, not telling

1 their customers it's Chinese.

2 COMMISSIONER WILLIAMSON: Do you think any of
3 this is going to the Defense Department? I was just curious
4 whether or not the Berry Amendment or the people who
5 administer that in the Buy America Act do they have any
6 regulations about identifying the products that are being
7 used and the things they're buying?

8 MR. HEFFNER: Well, the question of the Berry
9 Amendment is whether it -- according to their largest
10 customer is whether the product is being incorporated into
11 an end product that ASF is being incorporated --

12 COMMISSIONER WILLIAMSON: The question is what
13 are the people that administer -- not the person selling,
14 not the defense contractor, but the people administering the
15 programs.

16 MR. HEFFNER: Right. That's a very good
17 question, and it's something that we haven't gotten an
18 answer to, despite the fact that we've raised it.

19 COMMISSIONER WILLIAMSON: Okay. I was just
20 wondering about that. Okay. Let's see. I was just
21 curious. My time has run out, so let me come back to that
22 one. I'll get it the next time around. Thank you.

23 CHAIRMAN SCHMIDTLEIN: All right, thank you.
24 Commissioner Pinkert.

25 COMMISSIONER PINKERT: Thank you, and I thank all

1 of you for being here today, to help us understand these
2 issues. I know you've talked about your concerns about the
3 reliability of the data, and that puts into some perspective
4 the issues about the non-subject imports. But apart from
5 your concerns about the reliability of the data, can you
6 tell us about the role of non-subject imports in the U.S.
7 market.

8 Do they compete with the domestic product and
9 with the subject imports, and if so how?

10 MS. LEONARD: Kathie Leonard. I was just asking
11 Doug. You're talking about other imports. As I said in my
12 testimony, Belarus had been sanctioned. That was one
13 country that was importing a good amount into the U.S., and
14 they were sanctioned a few years ago, but that sanction was
15 lifted just this year, earlier in -- I should say last year,
16 earlier in 2016.

17 So I can't speak to the present effect of those
18 non-subject goods. I haven't seen data showing, you know,
19 that, imports of those products. As far as Latvia goes, we
20 know that they make silica fabrics as well, and they market
21 them in the United States. But I think the -- and maybe two
22 years or three years ago I may have had more to say about
23 Latvia. But they've been, you know, shadowed by the amount
24 of Chinese product that has come in.

25 I think that China has just decided it's going to

1 own this market, and they're just going to buy it. So I
2 can't speak. I have not seen, probably long with U.S.
3 producers. I think we heard that U.S. producers aren't even
4 asked to quote sometimes anymore, because they don't think
5 we're going to be competitive. Maybe that's the same thing
6 that's happened to Latvia, because I'm not hearing a lot
7 about the Latvian imports at this point.

8 But certainly as we get, move through the Chinese
9 import situation, that we might see that develop. Anything
10 else?

11 MR. SCHADE: Jeff Schade from HITCO. So very
12 similar to Kathie's comments there. So Belarus had human
13 rights sanctions placed on them in 2011. The sanctions were
14 lifted in 2016. So I've alerted our sales team to notify us
15 of, if we run into any of the Belarusian product. It would
16 compete head to head with what we make and what Kathie makes
17 at AMI.

18 The Belarusian silica was used for the Russian
19 space program. So that's where that production comes from,
20 and as far as Latvia, we have not run into any significant
21 amount of Latvian material from input from our outside sales
22 force.

23 COMMISSIONER PINKERT: Thank you. More of a
24 legal question, Mr. Heffner. If the Commission agreed with
25 your argument regarding adverse inferences, what information

1 would you suggest that we rely on? It's possible that
2 whether we look at adverse inferences or not, that the
3 information is what the information is and it doesn't really
4 make a difference whether we employ that particular
5 provision in the statute. So I'd like to give you an
6 opportunity comment on that.

7 MR. HEFFNER: Sure, and if Mr. Dougan has
8 anything to add, basically what our -- what Mr. Dougan was
9 saying before is we believe if you look at the preliminary
10 phase exports from the foreign producer responses, that that
11 is the best information available, exports to the United
12 States. That seems to be the most comprehensive, even
13 though, you know, we think again like you're suggesting,
14 they didn't really answer that much.

15 But that seems to be the most comprehensive
16 information that we have. So to us, if you are going to use
17 some form of best information available, it would be the
18 exports to the United States that are contained in the
19 foreign producer questionnaire responses in the preliminary
20 phase.

21 MR. DOUGAN: If I can add one thing to that
22 Commissioner Pinkert, to the degree that, you know, and that
23 I think Mr. Heffner's argument is like this is the best that
24 you have to rely upon. So certainly you can't apply what
25 the responses were in the final phase. So to the degree

1 that, going back to the prelim where it presents an adverse
2 inference then, you know, maybe it's just seeking the best
3 data.

4 But even with respect to that, there are, and we
5 discuss this in the prehearing brief, with regard to
6 consideration of threat and the projections that were
7 provided by the foreign producers, even in the preliminary
8 phase, we don't think that those are reliable or hold water
9 with respect to the information for the actual experience
10 within the record.

11 So if the Commission is examining a threat,
12 making a threat determination consideration there, we think
13 we've got enough for current material injury. But if you're
14 assessing threat and the best information available to you
15 is what's in the staff report now with regard to the prelim
16 foreign producers' questionnaires, we would suggest that you
17 look at the actual experience of the volumes of exports from
18 China and the share of exports to the U.S. in total
19 shipments, rather than what they project to be the case in
20 2016 and 2017, because we just don't believe those are a
21 representative or realistic basis on which to make that
22 determination.

23 COMMISSIONER PINKERT: Thank you. Just a note,
24 Mr. Heffner. Back in the day, when we used the term "best
25 information available," that incorporated an adverse

1 inference. So the terminology has shifted a little bit.
2 I'm not sure whether what you're saying is that this is the
3 best information that we have, or whether you're saying it
4 incorporates an adverse inference.

5 MR. HEFFNER: I'm thinking that it doesn't matter
6 as you were indicating. I think the answer is it's the best
7 information you have on the record to be able to make a
8 determination is what we were talking about, the information
9 in the foreign exporter response as far as shipments to the
10 United States during the Period of Investigation.

11 COMMISSIONER PINKERT: Thank you. Now back to
12 the industry witnesses. If you could discuss the
13 circumstances that led to the domestic industry's capacity
14 increasing during the Period of Investigation, I think that
15 would be helpful. Do I have the data wrong?

16 MS. LEONARD: Kathie Leonard. From AMI's
17 experience, I testified that after the -- there was a, yeah.
18 After the lifting, after the sanctions were put in place for
19 Belarus, as Mr. Schade had just mentioned as well, we saw an
20 uptick in business. Now that could have, you know, some of
21 that could have just been an uptick because of other market
22 forces as well added in.

23 You know, the U.S. economy was continuing to
24 improve. The dollar was fairly low at the time, making
25 exports attractive. There are a lot of market forces at

1 play at any given time, as you know. At the same time,
2 Auburn Manufacturing was looking ahead, developing our next
3 three year plan, three to five year plan. In small
4 companies you don't go out ten; you go out three, you know,
5 and we felt that we needed to be ready for more production.

6 You don't just do that overnight, you know, just
7 call a supplier and order that equipment. It has to be
8 built and there's a lot of things we have to do. So with
9 help of the expertise of folks like Garrett, we developed
10 the plan that would upgrade our equipment, add capability so
11 that we could expand our product lines and that's what we
12 did. That's what we based it on.

13 COMMISSIONER PINKERT: For the post-hearing, if
14 you could articulate the assumptions you made in that three
15 to five year plan, I think that would helpful. And Mr.
16 Silverman, I think you want to add something to the
17 testimony.

18 MR. SCHADE: Jeff Schade from HITCO. Our actual
19 questionnaire shows that our capacity decreased over the
20 Period of Investigation.

21 COMMISSIONER PINKERT: Thank you, that's helpful.
22 All right. Thank you very much.

23 CHAIRMAN SCHMIDTLEIN: All right, thank you.
24 Commissioner Broadbent.

25 COMMISSIONER BROADBENT: Thank you, Chairman

1 Schmidtlein. Ms. Leonard, I want to particularly welcome
2 you. I think I've been here three or four years, and I
3 don't think I've seen a female CEO yet. So it's
4 unbelievable.

5 MS. LEONARD: That's what a lot of people say.

6 COMMISSIONER BROADBENT: And you tend to really
7 sound like you enjoy your work, so I applaud you for that.
8 I started out in my trade career many years ago working on
9 textiles, because no one else in my office wanted to do it,
10 and I learned a lot, because people just didn't have
11 patience for it because it was so complicated.

12 I'm just wondering, I noticed your MFN curve
13 isn't particularly high relative to other textile products.
14 Do you have access to any quota protection at all if you
15 were to argue a surge at the Commerce Department at this
16 point?

17 MS. LEONARD: I'm sorry. I guess I'm not sure I
18 understand your question.

19 COMMISSIONER BROADBENT: Well, we don't generally
20 hear from textile companies all that often, I think because
21 they have more quota protection at the Commerce Department
22 instead of going through the dumping proceedings. So I just
23 wondered if that was available to you, to restrain imports
24 from China.

25 MS. LEONARD: I'm not aware of that --

1 COMMISSIONER BROADBENT: Okay. No, that's fair
2 enough, yeah.

3 MS. LEONARD: And I have spoken to our
4 Congressional delegation several times about, you know,
5 dumped imports, but that was never suggested to me.

6 COMMISSIONER BROADBENT: Right, okay.

7 MS. LEONARD: It's good to know that would be a
8 remedy. It would have been a lot cheaper.

9 COMMISSIONER BROADBENT: Yeah, and the other
10 thing that's frustrating to me at this point is
11 understanding the Barry Amendment, and whether it gives you
12 protection or doesn't give you protection. It sounds to me
13 like the language of the statute says procurements made with
14 U.S. funds should be made to American-made product.

15 But is this a situation where the Defense
16 Department has decided not to enforce it or enforce it in a
17 way that does not extend to the subcontractors?

18 MR. HEFFNER: It's a very good question. We have
19 battled this and we've gone up to the Hill. We've talked to
20 the Navy. We've done a lot of talking about this and their
21 answer is, you know, yeah subcontractors are sort of an
22 issue, you know. It's hard to please some. We count on the
23 primes to police it and it's very difficult to do.

24 So regardless of whether it actually prohibits
25 the use of Chinese imports, what we're seeing is that a

1 flood of imports are coming in that maybe we thought should
2 have been covered by the Barry Amendment. But anyway,
3 they're coming in and taking business away from us.

4 COMMISSIONER BROADBENT: And it seems like
5 they're violating the country of origin marking requirements
6 as well?

7 MR. HEFFNER: We think that's definitely the
8 case, and we're hoping to do more about that.

9 COMMISSIONER BROADBENT: Okay, because I mean
10 it's a little uncomfortable to be going for a different
11 remedy if current remedies in U.S. law are just being -- are
12 not being enforced and are being violated.

13 MR. HEFFNER: Right, and I mean I think Kathie's
14 frustration was she had gone to the Navy, gotten no relief.
15 She just kept on losing more and more and more sales, and
16 then as she was saying, she was seeing a lot of product
17 coming in and it's just being essentially being sold as a
18 domestic product. So companies didn't know that they were
19 buying a Chinese product, and that was a big frustration for
20 her. I don't know if you want to add something there.

21 MS. LEONARD: I'll add something that isn't in
22 this petition, but prior to this petition we learned that a
23 prime contractor to the Navy, who was supplying what they
24 call MRO supplies, that's maintenance, repair and operating
25 supplies, that was their contract, they -- the products we

1 make as welding safety protection or hot work safety
2 protection got included in that contract.

3 That prime contractor went out to bid, and we
4 discovered we were able to finally discover, because we
5 weren't getting the business from a Naval shipyard. This
6 wasn't the overall DLA, but a shipyard, a single ship, U.S.
7 Navy shipyard ordered through this prime contractor. The
8 material that they were -- that this prime contractor was
9 selling was Belarusian, and we complained to the prime
10 contractor that they weren't invoking Berry, which it took
11 us a lot of work to get through to the right people and it
12 was fixed. It was, you know, corrected and after a while it
13 became Berry.

14 But then we still, we ended up getting a call at
15 one point, where people in the shipyard were having quality
16 issues with that product. Somehow, that product was still
17 involved. So it ended that, you know, they really did
18 prefer the U.S. made product, you know. It just happened
19 because it went through these different channels.

20 So and let me just say that what the Navy said
21 with regard to this MRO contract is that when they issue a
22 contract, a prime contract like that, that there's privity
23 of contract that can't be, can't be disclosed. So we were
24 locked out of knowing, you know. When I sell to the
25 Department of Defense, everything's transparent, and I must

1 say I really enjoy working with DoD. The rules are clear
2 and they stick to the rules and they do a great job. Over
3 the years, it's been a pleasure.

4 So I trust that transparency and as a business
5 person, as a small business person that has to depend on
6 Barry, we're nowhere if we lose that transparency. So any
7 time a contract goes out, in my opinion if a contract is
8 awarded by the Navy to somebody else, that those -- that
9 transparency should be there with regard to Barry, because
10 we're the only ones that know that we didn't get that award.
11 No one else is ever going to see it. There's no one to call
12 about it except the suppliers. So thank you for letting me
13 expound on that.

14 COMMISSIONER BROADBENT: Okay, yeah. No, I
15 appreciate that. Okay. If you look at Figures 5-2 and
16 particularly 5-3 of the staff report, it appears that U.S.
17 producers' prices generally increased and did not seem to be
18 affected by subject import prices, that did undersell the
19 domestic industry by large margins.

20 Just looking at prices and setting aside the lost
21 sales allegations that are more BPI, where do you get the
22 demonstration that lower Chinese prices affected U.S.
23 prices?

24 MR. DOUGAN: Jim Dougan from ECS, and I partly
25 addressed this in my testimony but I'll expand upon it here,

1 and I can maybe do some additionally in post-hearing. On
2 the one -- well, the increase that was mentioned in a
3 certain section of the staff report may be 5-16. A lot of
4 that came in the last quarter of 2016 or the third quarter
5 of 2016, and we attribute that the beneficial effect of the
6 imposition of preliminary duties.

7 But in terms of just the flatness of the prices,
8 because I don't think it's any, you know, secret that the
9 prices don't look like they went down tremendously over the
10 period. When we've sort of unpacked the data, because we
11 actually, you know, we talked to Auburn about this and tried
12 to understand why did this, because you know, we could see
13 that data even when we were sort of helping prepare the
14 petition and it's like well what's going on here?

15 As I mentioned in my testimony, there are, you
16 know, larger customers who buy at higher volumes and command
17 lower prices because of that, because of the volume and
18 their negotiating power, and then there are smaller
19 customers, who don't have as much negotiating power.

20 And as -- so this is sort of interlinked with the
21 lost sales, because as those large customers, these defense
22 contractors have reduced their purchases from Auburn and in
23 fact stopped even asking for responses to RFQ, the
24 proportion of the sales base that went to them shifted away
25 from basically effectively a lower price to that segment,

1 those customers.

2 And a greater proportion of the sales went to the
3 smaller customers who, because of the lower volumes, were
4 paying higher prices. Now if you look at the overall
5 quantity and value, the sales of these products were going
6 down. But a greater proportion of it was represented by
7 these customers who were paying higher prices. So what, you
8 know, the sort of net effect of that is the prices looked
9 like they were effectively flat.

10 COMMISSIONER BROADBENT: Right, and that's what
11 we really have to focus on, I think. I mean it's a big
12 question for you to answer.

13 MR. HEFFNER: If I can, if you look at it like
14 this. If you say if we would have won those larger orders,
15 what would have been the price trend? So but for the lost
16 sales, if we would have gotten those, it would have shown a
17 downward trend in prices, okay.

18 We can show you that just by extrapolating on the
19 fact that what our bid price was and the quantity, and show
20 you that if we would have won those sales at those lower
21 prices, there would have been more price declines. We'll be
22 glad to do that in the post-hearing brief.

23 MR. DOUGAN: And if I may, I have just one other
24 thing, Commissioner Broadbent. You know, what you have
25 here, it's kind of -- there's essentially a trade-off

1 between the injury on the volume side and the injury on the
2 price side to some degree, because had they been able to
3 make these sales at the lower prices, they would have had
4 more volume. They would have increase their production,
5 they would have increase their utilization, and so some of
6 the volume-based metrics would have looked better than they
7 do.

8 But their pricing metrics would certainly have
9 shown much worse results. So it kind of has -- there's sort
10 of a little bit of a balance here that's going on. But Mr.
11 Heffner's suggestion is something that we'll follow up on in
12 post-hearing.

13 COMMISSIONER BROADBENT: Okay, and I just have
14 one more question, if that's okay. Ms. Leonard, could you
15 talk about the role that exports play in your business plan?
16 I really applaud you for all the success that you're having,
17 and how are you competing with the Chinese in your export
18 markets?

19 MS. LEONARD: Surprisingly, export markets seem
20 to appreciate U.S. made products. They respect the quality
21 of U.S. made products. We are sought out. We have a very
22 good website. We get leads for many of our products every
23 single day from all over the world, and I think if I'm not
24 mistaken, we've even sold some of our silica fabric into
25 China.

1 So it happens, and I've been as surprised by that
2 as anyone, because I really thought China would go out to
3 the rest of the world and sort of proselytize, you know, to
4 buy Chinese. What I found is that generally, the reason
5 China has made such an impact in the U.S. market is because
6 we have a very established distribution channel, and there
7 were these so-called experts, they are experts from other
8 manufacturers at one time, that know the market. They know
9 where the business is, and those are the folks that the
10 Chinese sought out or the U.S. distributors sought China to
11 do.

12 And so it was a very, very, very, you know,
13 lucrative supply chain that was fast to get to the big
14 users. That would take you a long time in another country.
15 As we develop business in other countries, we know that it
16 takes time and money to help market the product to them,
17 because in other markets these products are relatively
18 expensive compared to anything that they've used before.

19 Whether it's asbestos and in some countries they
20 still use cotton for welding materials as well. Silica
21 fabric's going to be way more expensive than cotton, and you
22 have to cost-justify that. Does that help?

23 COMMISSIONER BROADBENT: Yep, thank you.

24 CHAIRMAN SCHMIDTLEIN: All right, thank you. So
25 the argument with regard to the pricing data, do you think

1 this case is unusual, in the sense that, you know, given the
2 small buyers and that they don't have as much purchasing
3 power, or is it the case that your argument would really
4 apply in any case, that there are lost sales, right?

5 So in any case where the prices haven't actually
6 been lowered because they lost the sale, couldn't we --
7 couldn't that argument be made, that the pricing data would
8 be -- would reflect something different?

9 MR. DOUGAN: Conceivably, theoretically that is
10 true. I think what you have here though is a relatively
11 concentrated, highly concentrated purchasing base. And so
12 there's a disproportionate effect of the lost sales to the
13 very large customers. So in a lot of cases you have -- you
14 may have lost sales, but in aggregate they add up to very
15 small. They may be just diffused over a large number of
16 purchasers, and add up to a very small share of U.S.
17 production.

18 Here, it's concentrated in just a few purchasers
19 and it represents a massive amount of U.S. production and
20 sales. And so I take your point, that theoretically yes
21 that could be true in almost any instance. But in this
22 case, it is particularly salient.

23 CHAIRMAN SCHMIDTLEIN: And just as an aside, so
24 the small buyers that don't buy in volume, are these the
25 purchasers that you all referred to as less price sensitive?

1 So is it -- because I was going to ask like what makes a
2 purchaser -- why are some price sensitive and others aren't?
3 But is it really that they just don't have negotiating
4 power? Is that what you're saying?

5 MR. DOUGAN: Well you know, Madam Chairman,
6 actually that is -- I'll let Kathie answer that in terms of
7 market dynamics. But given that that language was mine, I
8 think it's probably fairer to say that they have less
9 negotiating power. I'm sure they would like to get lower
10 prices, but probably don't have the power to get them.

11 CHAIRMAN SCHMIDTLEIN: Okay, yeah. Would you
12 like to add something, Ms. Leonard?

13 MS. LEONARD: Yes. I'm trying to think of what,
14 how best to answer that. I mean our pricing is based on
15 volume and order patterns and industry that we're serving,
16 what they demand in the way of the product itself or testing
17 purposes and so forth, you know. If added testing is
18 required, obviously it raises the price and that does
19 happen. Certain standards that they require, shipping, the
20 way it's shipped, the packaging.

21 There's a lot of factors, so it's volume and our,
22 you know, history with certain supply chains comes into
23 effect. So you know, it's -- but overall it is, because
24 they don't buy as much so they don't get the volume price
25 basically.

1 CHAIRMAN SCHMIDTLEIN: Right, right, okay. I'm
2 not sure this has been touched on yet, but would you say
3 that the decline in demand, which seems to have been
4 significant over this period, has affected the prices? If
5 it hasn't, why not? Why are these products insulated from
6 that sort of market dynamic?

7 MS. LEONARD: Kathie Leonard. I think -- I think
8 I mentioned in my testimony that there have been some other
9 market factors involved in terms of less demand, okay. So
10 petroleum prices being so low, so refining, you know,
11 shipping, drilling, those types of operations have been
12 slow. Power generation in this country has been sort of
13 slow in some areas.

14 Not to say there isn't that business there.
15 They're still doing some work, but not as much. So if you
16 ^^^ what we've seen is that these distributors that know
17 those sizeable industries have gone after that business with
18 at least a 37 percent decrease in price to gain market
19 share. That's what we've seen, you know. They're getting
20 the business that --

21 CHAIRMAN SCHMIDTLEIN: I guess I'm asking about
22 the conditions of competition in terms of how do supply and
23 demand affect your prices, and you know, as you talked about
24 in your testimony, you've seen a slowdown in a lot of
25 different sectors?

1 MS. LEONARD: That's yes.

2 CHAIRMAN SCHMIDTLEIN: Right, which has affected
3 the demand for your product?

4 MS. LEONARD: Right.

5 CHAIRMAN SCHMIDTLEIN: So would that normally
6 have a depressing effect on your prices?

7 MS. LEONARD: It can. It can only go so far, and
8 when you're losing money hand over fist you can't keep doing
9 that.

10 MR. HEFFNER: I think the question is more your
11 -- your prices. Is it a volume issue that they're just not
12 buying because of the lack of demand, or is it also -- is
13 there an effect on prices? Is there a price lowering effect
14 because of the lower demand? That's what --

15 MS. LEONARD: Can the demand, the lower demand
16 affect pricing? I believe it can. I think it can affect
17 pricing.

18 CHAIRMAN SCHMIDTLEIN: Okay, and so how have you
19 sort of observed that in terms of over these last three
20 years, because of course like we're trying to determine how
21 much has subject imports affected, and really I'm talking
22 about pricing here. I'm not talking about lost sales.

23 MS. LEONARD: Yeah, yeah.

24 CHAIRMAN SCHMIDTLEIN: I'm talking about like
25 what the effect of the prices are. So I mean to be honest,

1 I was a little bit surprised to see, just given the drop in
2 apparent consumption over the Period of Investigation, that
3 prices didn't take a bigger hit just because of how much
4 consumption went down. But I don't know this, you know,
5 industry. So maybe there's a reason that, you know, and
6 maybe it has to do with government contracts. I don't know,
7 you know.

8 MS. LEONARD: Remember that we came out of a very
9 heavy, you know, a very big recession in '09, and business
10 was down that year substantially, and we've been climbing
11 out of that in this country since then. So demand had been
12 coming up, but there were price pressures all along that
13 time, and we were all, I believe, everybody in our industry,
14 was sensitive to that.

15 So it isn't as if we started out in 2012 at the
16 peak of profitability and, you know, we're getting prices
17 that have never been seen in the marketplace. That was not
18 the case. We've been very competitive all through that
19 period of time. So what you've seen is a further
20 deterioration of pricing over this period of time. That's I
21 will -- I will interject that.

22 CHAIRMAN SCHMIDTLEIN: Okay, okay.

23 MS. LEONARD: Yeah, and I will say, I mean just
24 give you an example of what we did last year, I hope this is
25 -- I think I'll, yeah. I'll not pass that one along. Thank

1 you.

2 CHAIRMAN SCHMIDTLEIN: Okay, maybe it's
3 confidential. Mr. Schade, would you like to add anything on
4 behalf of HITCO in this regard, your experience?

5 MR. SCHADE: Sure. As consumption goes down, you
6 would assume pricing would normally go down. One effect, I
7 think pricing becomes very complicated. If you lower your
8 prices, when markets come back it's very hard to raise them.
9 But I think the real question is if pricing was going down,
10 if the Chinese weren't here, would prices have gone down
11 lower? I don't believe so.

12 So what we are saying, the main effect here is
13 really driven by the Chinese pricing in the marketplace.
14 You know, it's a multi-variant equation that you're throwing
15 in here. There's a depressed, somewhat depressed market.
16 But the real, the real crux of the pricing going down is
17 driven by the Chinese imports.

18 And again, I don't want to, with a competitor
19 being here get into a big price strategy discussion, but --

20 CHAIRMAN SCHMIDTLEIN: Right, right. Well I'd
21 invite you to respond in the post-hearing brief, you know,
22 which would be confidential so if you'd like on this point.

23 MR. SCHADE: Great. Thank you for the
24 opportunity.

25 CHAIRMAN SCHMIDTLEIN: Okay, all right. Well, I

1 don't have any further questions. So Vice Chairman
2 Johanson.

3 VICE CHAIRMAN JOHANSON: Thank you, Chairman
4 Schmidtlein. A number of Commissioners, including me, have
5 visited steel mills in the past few years. Do steelworkers
6 use this type of material?

7 MS. LEONARD: Yes, as heat barriers.

8 VICE CHAIRMAN JOHANSON: Okay. So some of us
9 might have actually worn this type of --

10 MS. LEONARD: Well not silica fabric so much for
11 clothing, but as barriers, curtains, you know, industrial
12 barriers in buildings and to shield one operation from
13 another. But yes, we make fabrics that are, like I said
14 earlier, we make some fabrics that have aramid fiber and
15 fibrolycin. Then they are aluminized. We send them out for
16 a very, you know, sophisticated aluminization process so
17 that you increase the reflective capability.

18 So anytime somebody is near, you see those photos
19 where you're in front of a furnace or something, it will
20 reflect that heat back and the insulative fabric behind that
21 are products like ours.

22 VICE CHAIRMAN JOHANSON: Okay, and it's a
23 fascinating product.

24 MS. LEONARD: Thank you very much. I'm glad you
25 got -- your eyes did not glaze over yet.

1 VICE CHAIRMAN JOHANSON: Oh no, it's very
2 interesting. Actually, this Saturday I'm going to be
3 teaching fire-building skills to a bunch of 12 year-olds who
4 are Boy Scouts. I'd like to borrow some bibs maybe.

5 MS. LEONARD: Sure.

6 VICE CHAIRMAN JOHANSON: I'm hoping it all goes
7 well. I assume that it will.

8 MS. LEONARD: We have plenty of inventory.

9 VICE CHAIRMAN JOHANSON: Okay. I do get
10 concerned seeing kids running around a fire, but it's hard
11 to stop them sometimes. Petitioners note at page 42 of
12 their brief that they were able to increase prices during
13 the Period of Investigation in some cases. Can you all
14 please explain any price increases during the Period of
15 Investigation?

16 MR. HEFFNER: I think we would rather do that in
17 a post-conference brief, where we discuss it confidentially,
18 since we have another competitor here.

19 VICE CHAIRMAN JOHANSON: Certainly. I
20 understand. I have just one more question. There was an
21 anti-dumping duty order on amorphous silica fabric from
22 Japan, which dated back 1987, and was revoked by the
23 Department of Commerce in 1995, and this is discussed in the
24 staff report at page 1-5 and 1-6. Why did this order come
25 off, and what role has Japan played in the ASF market since

1 that time?

2 MR. HEFFNER: I'm not sure why the order came
3 off. At that point in time, yeah, they weren't involved, AMI
4 was not involved in the case at all. So I'm not sure we
5 have an answer to that. Do you want to talk about -- have
6 you seen Japan in the market at all?

7 MS. LEONARD: Yes, Kathie Leonard. No, Japan got
8 out of, as far as I know, Japan got out of the manufacture
9 of silica fabric as a result of that anti-dumping action. I
10 believe that a parent company was Hitachi, and it was a
11 chemical company, is a chemical company, and this was one
12 product that they manufactured for the U.S. market and then
13 just pulled it. I haven't seen their product since then.

14 VICE CHAIRMAN JOHANSON: All right. Thank you
15 for your responses. That concludes my questions. I thank
16 you all for testifying here today. Thank you.

17 CHAIRMAN SCHMIDTLEIN: Yes. Commissioner
18 Williamson, go ahead.

19 COMMISSIONER WILLIAMSON: Right, okay. Just I'm
20 going to be jumping around with questions. I think you
21 already said that sometimes your product is incorporated
22 into the end product, and sometimes it gets just used for
23 protection. Is that true in shipbuilding as well as in
24 other applications of this product?

25 MS. LEONARD: I can't be sure, you know. We know

1 that the fabric we sell to the military is used primarily
2 for hot work protection. I have heard that there are some
3 applications where they might fabricate something, some kind
4 of barrier that goes on the ship or is used in the ship in
5 case of a fire. But I haven't seen it for myself, nor have
6 I read a specific standard on it.

7 COMMISSIONER WILLIAMSON: Okay, and so you're not
8 clear how significant that is, okay. Just a clarification.
9 The term grade is used in several different contexts, you
10 know. It is defined in the scope. Is there a standard
11 grading system for ASF? Our scope excludes aerospace grade
12 and we've already talked about the fabrication grade but --

13 MR. VAN ATTA: So I guess there's a couple of
14 ratings sort of that are out there, and one we mentioned
15 earlier was the mil spec. So making something to a mil spec
16 product. There's also in the welding arena there's FM
17 testing. Those actually get rated as either a curtain, a
18 blanket or a pad, and those ratings sort of apply to the
19 application where fabrics get tested. It's not only silica
20 fabrics but could be fiberglass or silicon-coated fiberglass
21 fabrics, etcetera.

22 But they get tested so that if they're being used
23 vertically, they're only going to be used as a curtain or as
24 a blanket. You may drape it over the product you're trying
25 to protect, and a pad you can lay horizontally on the floor

1 and drop hot molten slag from a cutting floor, just
2 something that it won't burn through. So FM ratings are
3 actually sort of an industry standard that are out there.

4 COMMISSIONER WILLIAMSON: And these are all
5 published standards?

6 MR. VAN ATTA: Those are all published standards
7 by FM Global.

8 MS. LEONARD: And the ANC.

9 MR. VAN ATTA: And ANC standards as well.

10 COMMISSIONER WILLIAMSON: Okay, okay, thank you.
11 I was just wondering, in terms of we've talked about drivers
12 of demand, and I guess there's -- you already mentioned the
13 oil, and I guess declining shipbuilding. Is the decline in
14 shipbuilding a decline in military shipbuilding, or a
15 decline in private sector shipbuilding or both?

16 MS. LEONARD: Kathie Leonard. The shipbuilding
17 that I'm familiar with with regard to this is the
18 defense-related shipbuilding.

19 COMMISSIONER WILLIAMSON: Okay, good. Okay,
20 thank you. I know after the 2009 recession, there was a
21 decline in the private. Okay. Skip that one. I was
22 wondering, do the imports of non-subject sources,
23 particularly in Latvia, compare with either the U.S. product
24 or the Chinese product on the basis of price?

25 MS. LEONARD: I believe they do. I don't know --

1 at this point in time, like I discussed earlier, I'm not
2 seeing the Latvian product or I'm not seeing, you know, any
3 pricing from them as of late. So I can't speak to the
4 current situation, if they're trying to compete with the
5 Chinese or not. I think from the figures we're seeing from
6 the increase in Chinese imports, they're probably not. If
7 they are trying to compete, they're not as effective as they
8 might be.

9 COMMISSIONER WILLIAMSON: Okay. So the reason
10 I'm asking these questions, we're trying to figure out, is
11 the Chinese product the lowest-priced in the U.S. market? I
12 mean sometimes we have pricing tables that compare subject
13 and non-subject, and we don't in this case, and looking at
14 the AUVs, the unit values of Latvia were generally higher
15 than the Chinese except for one year.

16 So I'm trying to see what other evidence there is
17 to substantiate that the Chinese product is the lowest
18 priced? We've already talked about the fact that, you know,
19 when you talk to people who bought, who chose Chinese over
20 other. But is there other evidence out there?

21 MR. HEFFNER: Well, my understanding is from
22 talking to other people in the industry is that the Chinese
23 by far have the lowest price, and that's what we've been
24 told and that's ^^^^ and as far as seeing Latvia, as Kathie
25 said, we haven't seen them in the market that much. It's

1 really the Chinese that are commanding the market, and
2 they're the price drivers here.

3 COMMISSIONER WILLIAMSON: Okay, and the reason I
4 asked that, because as I said, the AUV data doesn't
5 necessarily -- there doesn't have to be product mix issues
6 and stuff like that. So I was just ^^^^ if there's anything
7 you could say post-hearing that kind of sheds light on that.

8 MR. HEFFNER: Sure. We'll be glad to do that.

9 COMMISSIONER WILLIAMSON: If there is anything.

10 MR. HEFFNER: Yeah.

11 COMMISSIONER WILLIAMSON: Okay, thank you. I was
12 wondering what has been the domestic industry's primary
13 capital expenditures related to ASF production since 2013?
14 In other words, has there been any capital expenditures and
15 much of that? I realize that with the competition has been
16 a problem but -- and to the extent if you want to do it
17 post-hearing, that's fine.

18 MR. HEFFNER: Okay. We'll answer that in
19 post-conference.

20 COMMISSIONER WILLIAMSON: Okay, fine. I guess
21 for both companies.

22 MR. SCHADE: If I may on that topic, it's in our
23 questionnaire already. But if we need to address something
24 else, I'm not sure what the specific question is. We were
25 asked about our capital expenditures in the Period of

1 Investigation and they were included.

2 COMMISSIONER WILLIAMSON: Okay. So we would see
3 well where most -- what was done of significance since
4 there.

5 MR. SCHADE: Correct.

6 COMMISSIONER WILLIAMSON: Okay, thank you.

7 MR. SCHADE: You're welcome.

8 COMMISSIONER WILLIAMSON: We talked a little bit
9 about export shipments already, and I was just wondering if,
10 and you can provide it in post-hearing, does your product,
11 firm's product mix different for U.S. sales and export
12 sales?

13 MS. LEONARD: Excuse me. I may have missed the
14 end of that.

15 COMMISSIONER WILLIAMSON: No. It's when you're
16 exporting, is the product mix different --

17 MS. LEONARD: Any different?

18 COMMISSIONER WILLIAMSON: Significantly different
19 for exports and sales to the domestic market and --

20 MS. LEONARD: With regard to ASF?

21 COMMISSIONER WILLIAMSON: Yes.

22 MS. LEONARD: Okay. So product mix within ASF,
23 because like I said we sell a lot of different products.

24 COMMISSIONER WILLIAMSON: Yeah, understood.

25 MS. LEONARD: No. I'd say they're probably the

1 same types of products are sold, the same products are sold
2 export.

3 COMMISSIONER WILLIAMSON: Okay, good. Okay, Mr.
4 Schade, do you want to address that now? If you want to
5 address that now or later it would be fine.

6 MR. SCHADE: I can address it now. We would ship
7 similar products, export or for domestic.

8 COMMISSIONER WILLIAMSON: Okay. I was wondering
9 about the price environment for ASF outside the U.S., and
10 how this might affect revenue generated by export sales. In
11 other words, I don't know whether you're finding lower
12 prices outside the U.S. or the same?

13 MS. LEONARD: Kathie Leonard. No, we use the
14 same price structures built on the same premises, both
15 domestically and for export, and I don't see -- as I said
16 earlier with regard to a question on exports, we don't --
17 there is some price pressure from China in any large, very
18 large volume uses. But in the smaller ones, China doesn't
19 seem to make, to be marketing their product in those
20 markets.

21 So you know, we don't get -- we don't get that
22 Chinese price pressure. There may be other market forces at
23 work there, but not from China.

24 COMMISSIONER WILLIAMSON: Okay, thank you. Good,
25 okay. That's all the questions I have for now. Thank you.

1 CHAIRMAN SCHMIDTLEIN: All right, thanks.
2 Commissioner Pinkert.

3 COMMISSIONER PINKERT: I just a couple of
4 additional questions. In the absence of pricing data on
5 non-subject imports, would it be appropriate for the
6 Commission, based on the average unit values shown in Table
7 C-1, to conclude that imports from China were generally
8 lower priced than non-subject imports?

9 MR. SCHADE: Commissioner Pinkert, I think the
10 absence of other information, especially along with what Mr.
11 Heffner as his experience in contact with other members of
12 the industry, it would be reasonable to conclude that the
13 Chinese import prices were the lowest prices in the market.

14 COMMISSIONER PINKERT: And would that be an
15 answer to any Bratsk type Mittal considerations?

16 MR. HEFFNER: Yes. I would -- I would agree that
17 it would be an answer, because they are definitely the price
18 drivers, the Chinese.

19 COMMISSIONER PINKERT: Thank you, and regarding
20 critical circumstances, I want to direct your attention to a
21 dissenting opinion that then-Chairman Williamson and I did
22 in the solar panels case, discussing critical circumstances,
23 and ask you just to speak generally if you will about what
24 you think the standard, as applied to the facts of this
25 particular case shows? In other words, what's the threshold

1 for an affirmative critical circumstances finding by this
2 Commission?

3 MR. FERRIN: Yes. That's something we'd prefer
4 to also discuss in a post-hearing brief, after we've had a
5 chance to review that in greater detail, that dissent.

6 COMMISSIONER PINKERT: Thank you very much. I
7 have no further questions.

8 CHAIRMAN SCHMIDTLEIN: All right, great. Any
9 further questions? Nope? Okay, all right. Do you have
10 any? No, okay. All right, well that concludes questions by
11 the Commissioners. Does the staff have any questions?

12 MR. CORKRAN: Douglas Corkran, Office of
13 Investigations. Thank you Madam Chairman. Staff has a
14 couple of questions please.

15 CHAIRMAN SCHMIDTLEIN: Okay.

16 MR. KNIPE: This is Andrew Knipe, Office of
17 Economics. I just have one follow-up question for Mr.
18 Schade. You mentioned you lost sales and you highlighted
19 one particular direct customer that you lost sales to in
20 2015, and you said that you looked at providing an alternate
21 ASF material, and I'm wondering if you can expand on that?

22 I'm particularly interested in whether this
23 alternate material would have contained less than 90 percent
24 silica.

25 MR. SCHADE: Thank you, Mr. Knipe. I would been

1 an alternate material that would have contained the same
2 amount of silica. Sorry, the same meaning 96 percent or
3 more, yes.

4 MR. KNIPE: Okay, thank you.

5 MR. SCHADE: You're welcome.

6 MR. CORKRAN: Douglas Corkran, Office of
7 Investigations. In your post-hearing brief, could you
8 please elaborate a little bit more on the testimony
9 regarding workforce size and reductions, and on testimony
10 involving manufacturing lines/capacity and reduction, and
11 compare that to the questionnaire responses and see if
12 there's any tension that needs to be resolved in that.

13 MR. HEFFNER: Thank you, we will.

14 MR. CORKRAN: Excellent. Thank you very much.
15 Staff has no additional questions.

16 CHAIRMAN SCHMIDTLEIN: All right. Thank you very
17 much. We will now move to closing statement. You have a
18 total of five minutes.

19 CLOSING STATEMENT OF RICHARD P. FERRIN

20 MR. FERRIN: Thank you Madam Chairman and members
21 of the Commission for hearing us out today. Obviously, this
22 is a time that normally I would be here rebutting what the
23 other side says, but of course there is no other side to
24 rebut, which is unfortunate because the other side, their
25 experience could be particularly valuable to this

1 Commission. For example, explaining why the importers told
2 you one thing in terms of their volume in the preliminary
3 investigation, and another thing in the final.

4 And also their participation would be useful to
5 try to find out why there were four producers, foreign
6 producers that submitted foreign producer questionnaire
7 responses in the preliminary, versus only one in the final.

8 A lot of the data problems that we have and a lot
9 of the data issues that you've raised are due, we believe,
10 to distortions in the data, because the lack of data from
11 foreign producers and because the importers -- a number of
12 the importers have changed their data, their responses
13 between the prelim and the final without any explanation
14 whatsoever as to why that has happened.

15 It would also be useful if we had the other side
16 here, so you could ask them why AVS, more about AVS'
17 practices and how they, exactly how they managed to get to
18 sell in the U.S. and to convince their customers that their
19 customers were buying a U.S. product when in fact they were
20 buying a Chinese product, these issues that we were talking
21 about earlier in terms of marking. I think they would be
22 very useful in explaining exactly what their marketing
23 practices are.

24 Likewise, LUTCO, which is the other major
25 importer for Nan-jing Tijuan, would be able to explain to

1 the Commission why he told the Commission staff one set of
2 facts in the preliminary investigation, and told the
3 Commerce Department another set of facts in that
4 investigation, as you should be able to tell from reading
5 our prehearing brief, there is plenty of reason to believe
6 that there's absolutely no credibility in the numbers that
7 LUTCO has given to you or any of the information that LUTCO
8 has given to you.

9 Other than that, I think we've set out the
10 reasons why we believe the volume, price and impact of
11 subject imports are very significant. Setting aside all of
12 these other issues that have been raised, these very good
13 issues have been raised in the questioning from the
14 Commissioners, keep in mind that we have concrete evidence
15 that nobody has disputed, of some major sales that we have
16 lost to subject imports.

17 Nobody has denied that, and we believe that those
18 losses of those sales alone constitute material injury to
19 the domestic industry. For those reasons, we ask that the
20 Commission make an affirmative determination. Thank you.

21 CHAIRMAN SCHMIDTLEIN: All right, thank you very
22 much. I'd like to take this opportunity to thank the
23 witnesses for being here today. It was very helpful and we
24 appreciate your time and effort in getting here. So all
25 right. With that, post-hearing briefs, statements

1 responsive to questions and requests of the Commission and
2 corrections to the transcript must be filed by January 25th,
3 2017.

4 Closing of the record and final release of data
5 to parties is February 8th, 2017, and final comments are due
6 February 10th, 2017. And with that, this meeting is
7 adjourned. Thank you.

8 (Whereupon, at 12:19 p.m., the hearing was
9 concluded.)

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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: 1-18-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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

DATE: 1-18-17

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