

UNITED STATES INTERNATIONAL TRADE COMMISSION

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

Pages: 1 through 241

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Wednesday
 June 15, 2005

Room 101
 U. S. International
 Trade Commission
 500 E Street, SW
 Washington, D.C.

The preliminary conference commenced pursuant to Notice, at 9:35 a.m., before the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

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On behalf of the International Trade Commission:

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P R O C E E D I N G S

(9:35 a.m.)

1
2
3 MR. CARPENTER: Good morning and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 Antidumping Investigation Nos. 731-TA-1092 and 1093
7 concerning Imports of Diamond Sawblades and Parts
8 Thereof from China and Korea.

9 My name is Robert Carpenter. I am the
10 Commission's director of investigations, and I will
11 preside at this conference. Among those present from
12 the Commission staff are, from my far right: Douglas
13 Corkran, the supervisory investigator; on my right,
14 Elizabeth Haines, investigator; on my left, Rhonda
15 Hughes, the attorney-adviser, who just stepped out for
16 a moment -- she will be right back; Craig Thomsen, the
17 economist; John Ascienzo, the auditor; and Ruben Mata,
18 the industry analyst.

19 I understand the parties are aware of the
20 time allocations. I would remind speakers not to
21 refer in your remarks to business proprietary
22 information and to speak directly into the microphone.
23 We also ask that you state your name and affiliation
24 for the record before beginning your presentation.

25 Are there any questions?

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1 (No response.)

2 MR. CARPENTER: If no, welcome, Mr. Pickard.
3 Please proceed with your opening statement.

4 OPENING STATEMENT BY COUNSEL FOR PETITIONERS

5 MR. PICKARD: Good morning, Mr. Carpenter
6 and Commission staff. I'm Daniel Pickard of Wiley
7 Rein & Fielding here this morning on behalf of the
8 Diamond Sawblade Manufacturers Coalition.

9 We represent the petitioning companies
10 producing diamond sawblades and semifinished
11 components of diamond sawblades. We are here today
12 because this domestic industry, which is mostly
13 composed of family businesses, is materially injured
14 and threatened with material injury due to a surge of
15 dumped diamond sawblades from China and Korea.

16 This is not a typical antidumping case, in
17 that the petitioning companies are mostly family owned
18 and have never appeared before the ITC. The domestic
19 producers don't have previous experience in responding
20 to Commission questionnaires. To quote several
21 members of the coalition, "These are companies that
22 cannot afford to bring an antidumping case but who
23 also cannot afford not to bring such a case."

24 However, in another way, this is a standard
25 antidumping case, in that subject import volumes have

1 increased, both absolutely and by market share, which
2 has had significant price-depressing effects and
3 consequently resulted in significant negative impact
4 on the domestic producers. The evidence of threat of
5 material injury in this investigation is even
6 stronger.

7 I would like to quickly walk through the
8 major issues in this investigation. In regard to the
9 domestic like product, the domestic like product in
10 this investigation includes all diamond sawblades and
11 their semifinished components, cores and segments.
12 We've also brought some samples along for the
13 Commission staff to examine.

14 In regard to the domestic industry, there
15 are two significant issues for the Commission to
16 conduct its analysis. The first is the question of
17 whether certain companies which are owned by foreign
18 producers and which primarily import finished diamond
19 sawblade or merely assemble imported semifinished
20 product are part of the domestic industry definition.
21 It is respectfully submitted that they are not.

22 The second major issue as to the domestic
23 industry definition concerns the application of the
24 related parties provision. Two domestic producers,
25 Electrolux and Saint-Gobain, are related to foreign

1 producers in China and have been shielded from the
2 injurious effects of subject imports. Consequently,
3 it is appropriate that the financial data of these
4 related parties be excluded from the Commission's
5 analysis of whether there is a reasonable likelihood
6 of material injury or threat of material injury by
7 reason of dumped goods.

8 In regard to cumulation, there does not
9 appear to be any real question as to whether a
10 reasonable overlap of competition exists. The
11 domestically produced product and imports from both
12 China and Korea are generally fungible, have similar
13 channels of distribution, and are simultaneously
14 present in the national market throughout the period
15 of investigation.

16 As to the relevant conditions of
17 competition, two are particularly noteworthy. First,
18 purchasers buy principally based on price. Second,
19 demand has increased generally over the period of
20 investigation. Most importantly, this is an industry
21 that is injured by subject imports and which is
22 threatened with even further injury for remedies not
23 imposed for the continued dumping by the Chinese and
24 Korean producers.

25 The volume of subject imports from Korea and

1 China have increased significantly, both in absolute
2 numbers as well as in market share. The subject
3 suppliers have used dumped prices to buy market share.
4 The pricing data collected by the Commission
5 demonstrates significant underselling and by large
6 margins. Prices for the domestically produced product
7 have collapsed over the period of investigation.

8 The pricing data is further supported by the
9 testimony that you will hear today, the responses to
10 the Commission's questionnaires, and the sworn
11 affidavits that are included in the petition. As a
12 result, the domestic industry's financial performance
13 has deteriorated. Average selling prices have
14 plunged. Some producers have decided that they can't
15 compete with dumped imports. Workers have lost their
16 jobs.

17 What is particularly wrong about this
18 picture is that the U.S. producers should be earning
19 peak profits during a period of high demand. The
20 demand for diamond sawblades tracks the construction
21 industry. Demand is up; however, prices are down,
22 bottom lines are down, and nearly all of the growth is
23 going to imports. That is material injury. Indeed,
24 the loss of profits at the peak of the cycle is
25 devastating for an industry that requires these

1 profits in order to attract the financial and human
2 capital necessary to remain competitive in the future.

3 With the exclusion of the related parties,
4 the evidence of injury is crystal clear. However,
5 even with the inclusion of the related parties,
6 material injury to the domestic industry is still seen
7 in the data concerning capacity utilization,
8 commercial shipments, depressed prices, as well as in
9 the number of and wages paid to U.S. workers. The
10 industry is not only injured but is also threatened
11 with material injury. Dumped imports can quickly
12 surge at any time and from any of the subject
13 suppliers. This is illustrated by several of the
14 questionnaire responses which demonstrate that imports
15 can explode into the United States in a short amount
16 of time and at low, low prices.

17 You will hear testimony today about the harm
18 being suffered by the true U.S. producers and the
19 threat of further injury imposed by subject imports.
20 This is an industry that needs the Commission's help.
21 Thank you.

22 MR. CARPENTER: Thank you, Mr. Pickard.

23 Mr. Griffith, would you please come forward
24 at this time?

25 //

1 OPENING STATEMENT BY COUNSEL FOR RESPONDENTS

2 MR. GRIFFITH: Good morning. My name is
3 Spencer Griffith with the law firm of Akin Gump. I
4 will be presenting the opening statement today on
5 behalf of the Respondents.

6 The Petitioners have no business being here
7 before you today. You have seen some petitioners in
8 other cases that were bleeding and injured, but this
9 industry is not. Look at the traditional indicia of
10 injury and ask yourself, is this an industry whose
11 financial and competitive position cries out for the
12 imposition of antidumping duties? We submit, it does
13 not.

14 We cannot discuss the confidential data here
15 today, but our brief will go into the criteria in
16 great detail. We urge the staff and the Commission to
17 scrutinize carefully those injury criteria and the
18 record data. Unlike our hometown Washington
19 Nationals, this industry should never get past first
20 base. They simply are not injured. There is,
21 therefore, no need for the Commission to even look at
22 causation issues, but if you do, there clearly is no
23 causation. This is, in fact, an easy case for the
24 Commission.

25 Petitioners would have you believe, and you

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1 heard it again just now, that diamond sawblades are
2 fungible, that a sawblade is a sawblade and that
3 imports compete equally with domestic production
4 across the entire spectrum. That is simply not the
5 case. You will hear testimony today that the diamond
6 sawblade market is, in fact, highly segmented, both by
7 product type and channels of distribution. Sawblades
8 vary widely, from small, foreign sawblades up to the
9 larger, more expensive, custom-built sawblades in the
10 professional sector.

11 There are major differences in the end use
12 market into which diamond sawblades are sold. The
13 professional sector consists of the larger, laser-
14 welded sawblades versus the smaller, usually sintered
15 blades used by the homeowner and for more general
16 contractor purposes.

17 Now, this highly segmented nature of the
18 market is critical here because competition between
19 imports and U.S. production is very attenuated, at
20 most. Imports are generally concentrated in the
21 smaller size ranges sold for general use. In
22 contrast, you'll hear today that U.S. producers focus
23 more on the larger sawblades sold directly to
24 professional end users. You will hear that, for these
25 reasons, imports compete in only a very limited way

1 with U.S. producers.

2 You will also hear today that foreign
3 producers, working with U.S.-branded resellers,
4 largely created the market for diamond sawblades in
5 the small contractor and do-it-yourself markets. They
6 created this market; they did not supplant U.S.
7 production. Also, while Chinese imports have grown,
8 those imports are concentrated generally in the
9 smaller sizes where U.S. producers do not focus. And
10 you will hear today that Korean producers have been
11 steady and stable participants in the market.

12 Despite a lack of cooperation from
13 Petitioners, the Commerce Department's delay in
14 initiating this proceeding has allowed the Commission
15 more time to gather important information. The
16 Commission has now obtained disaggregated data on the
17 types of products sold by importers and U.S. producers
18 as well as sales through distribution channels.

19 Respondents and, I presume, the Commission
20 itself have been hampered by the Petitioners'
21 unwillingness to provide data on a timely basis.
22 Diamond Products's company motto is "Whatever it
23 takes," but apparently that motto does not extend to
24 providing data to the Commission on a timely basis.
25 It also does not apparently extend even to bother to

1 show up for this Commission staff conference today.

2 This case is not about protecting the
3 Petitioners' U.S. production. Rather, it appears to
4 be, in good part, about protecting Petitioners'
5 imports. You will hear today that Petitioners for
6 years have imported to fill out their product lines
7 and that Petitioners are, to a large extent, coming
8 before you coming that subject imports are bypassing
9 their own sales of their imports, but the U.S. trade
10 laws are not designed to protect a petitioner's
11 imports but, rather, a petitioner's U.S. production.

12 Finally, you will hear today there is simply
13 no threat of injury in this case. The Korean
14 producers have long held a stable and steady share of
15 the U.S. market. Moreover, Chinese and Korean imports
16 largely compete in different sectors of the U.S.
17 market and U.S. producers, largely insulating
18 Petitioners from any perceived threat.

19 We look forward to presenting our case to
20 you today, and, again, thank you for your time.

21 MR. CARPENTER: Thank you, Mr. Griffith.

22 At this time, Mr. Pickard, if you could
23 bring up your panel.

24 (Pause.)

25 MR. BURNETT: Good morning, and thank you

1 for taking the time to listen to what I have to say.
2 My name is Bruce Burnett. I am the vice president of
3 Diamond B, Inc., a manufacturer of diamond sawblades
4 located in California.

5 I began working at Diamond B in 1984,
6 shortly after my father registered the corporation
7 with the state. We installed our equipment over Labor
8 Day weekend that year and were able to ship a set of
9 highway grinding blades, 175, by the next Friday. We
10 did about three-quarters of a million dollars' worth
11 of business during our first six months of operation,
12 with six or seven employees. We were dealing mostly
13 with resale distribution, OEM, and rental, with a few
14 direct-sale customers. This setup allowed us to enter
15 multiple presorters in the production with the least
16 amount of overhead and indirect cost.

17 We started out very small and worked very
18 long hours, often more than 80 hours a week, but this
19 allowed us to grow 10 to 15 percent almost every year,
20 with only a couple of years that we did not see
21 significant growth. Over the next 20 years, we saw a
22 few new companies get started and a few disappear, but
23 we are also aware that almost every larger diamond
24 blade manufacturer was being purchased by foreign
25 corporations.

1 As diamond sawblade prices fell, some of the
2 distributors reduced the sizes of their inventories
3 and orders, and the larger consumers were more often
4 buying direct from the manufacturer. Seeing that
5 Chinese and Korean imports were coming into the U.S.
6 at prices that were below our cost for materials,
7 nonetheless we continued to grow, even though imports
8 of Chinese and Korean products were increasing. As we
9 grew, we were doing everything in our power to keep
10 costs down, including building our own manufacturing
11 equipment, setting up our own computing systems, and
12 refining our processes.

13 One of our larger OEM distributors, MK
14 Diamond, started purchasing more of the Korean and
15 Chinese imports, even though they were buying from
16 multiple-use manufacturers and had financial
17 investment in another U.S. diamond blade saw firm. In
18 one of their larger years of purchases from us, they
19 did around \$800,000. Now they do less than \$50,000 in
20 business with us.

21 We had some of our product being sold in
22 Home Depot and other resale locations through private
23 label, but as time went by, our OEM label and private-
24 resale business had all but disappeared due to the low
25 pricing of the Chinese and Korean products. We still

1 have a couple of customers that believe in products
2 made in the USA, but when price is a determining
3 factor, they buy imported products.

4 Our major business is now limited to the
5 higher-performance, professional market. The Chinese
6 and Koreans have now entered this market and are
7 pulling prices down there, too. At one time, it would
8 have hurt to lose MK Diamond as a customer, even
9 though we had very tight margins on some items not
10 yielding us any profit just so we could maintain a
11 large enough volume to cover our overhead.

12 Now that loss would not even be noticed
13 since their purchases over the last few years have
14 dwindled to only one or two days of production.
15 Virtually all of their purchases are now imports.
16 Also, they recently closed down a company that they
17 had been investing in for many years. My
18 understanding is they could no longer compete with the
19 imported products they were buying and selling.

20 As a result of imports from China and Korea,
21 we have lost most of our larger resellers. However,
22 we continue to improve our production capacity and
23 efficiency in order to grow our market share. Due to
24 the incredibly low prices of Chinese and Korean
25 products, we have been forced to buy imports for

1 resale, replacing products that we used to
2 manufacture. Our own experience shows that prices for
3 imports that we buy have fallen by a minimum of 50
4 percent or more over the past three years without
5 doing any negotiating for prices. Just tell us what
6 price you need.

7 Remember, these are all metal-bonded,
8 diamond products that we have the capability to
9 manufacture, but we can no longer afford to do so. We
10 can buy imports for less than the cost of our
11 materials. As we worked to reduce our labor costs,
12 indirect labor, indirect overhead, including
13 administrative costs, and to reduce our material
14 costs, we have had to keep reducing our prices to
15 maintain our customer base.

16 We were hoping, as we reduced our costs, the
17 import prices would increase over time, and we might
18 be able to go back to making some of the lower-priced
19 product again. Unfortunately, this hasn't been the
20 case. There doesn't appear to be an end in sight.
21 There is no increase in the prices of Chinese and
22 Korean imports on the horizon. To the contrary,
23 Chinese and Korean importers just keep ratcheting down
24 their prices.

25 Over the last three years, Chinese and

1 Koreans have started producing products that are
2 acceptable to most American consumers. The result is
3 that Chinese imports have grown while their prices
4 have remained very low. The Koreans, of course,
5 followed suit and started lowering their prices to
6 maintain what market share they had gained.

7 A bidding war has gone on between the
8 Chinese and Koreans, with both sides cutting their
9 prices again and again. When these Chinese and Korean
10 imports are priced so low that a person can buy from a
11 reseller 25 to 30 percent of what they could buy
12 direct from a U.S. manufacturer, it makes it almost
13 impossible to keep market share.

14 We have seen pricing that would not even
15 cover our cost of a steel saw core, let alone to
16 produce a finished sawblade. Roy Burnett, my father
17 and CEO of Diamond B, recently took a trip to China.
18 When he was there, he visited a couple of diamond
19 blade manufacturers in Deng Yuang. He was told that
20 there are over 70 diamond blade manufacturers in Deng
21 Yuang alone. He was told that they are paid by the
22 government to export their product.

23 One of the manufacturers he visited told him
24 that all they manufacture is for export, and none of
25 it is for use in China. He was also told that their

1 sales were equivalent to 10 million U.S. dollars, and
2 they had over 400 employees, and their facilities were
3 about eight months' old. He saw there are no employee
4 safety precautions, the housekeeping is extremely
5 poor, and the building, even though it was less than a
6 year old, looked over 10 years' old.

7 Every indication shows that the number of
8 Chinese and Korean imports are going to continue to
9 increase. Just the other day, I had one of our
10 salesmen ask me, "What can we do to get more equipment
11 and factory personnel?" He is a worrier. He always
12 worries about losing an order. We do not need more
13 equipment to increase our production output; what we
14 need are more sales with a profit. We could triple
15 our output with our current equipment and working two
16 shifts a day.

17 We have maintained our sales by reducing
18 prices. I told him, the last year's sales dollars
19 were about the same as in 2000, and I asked him,
20 "Guess how many units we had to make last year just to
21 match 2000 sale figures?" He guessed somewhere
22 between 20 and 25 percent more segments. I almost
23 laughed and then told him it was more like 100
24 percent.

25 I believe in fair competition, but as the

1 Chinese and Koreans push further and further into the
2 U.S. market, they are fighting with each other and
3 ratcheting prices further and further down. There is
4 a problem when I can buy product from resellers at
5 prices lower than I can manufacture before our G&A and
6 sales expense.

7 Looking ahead in the future is worrisome. I
8 see nothing on the horizon but more unbearable
9 pressure being brought to bear by Chinese and Korean
10 imports available at irrationally low prices. I ask
11 to get help in this, and I'll be happy to answer any
12 questions.

13 MR. BRAKEMAN: Good morning. My name is
14 Richard Brakeman, and I have worked with Diamond B
15 since October of 1984. I am the office manager and
16 comptroller at Diamond B. Diamond B is a manufacturer
17 of diamond sawblades.

18 When I started with Diamond B, we frequently
19 sold product on a performance basis, or cost per inch-
20 foot of cutting. We based our sales effort on the
21 assumption that our product would outperform product
22 manufactured by our competition. This argument
23 stressed good performance at an economical price and
24 was somewhat successful for quite some time, even
25 though the advantage would be cents or fractions of

1 cents between competing manufacturers' prices. It
2 gave me the impression we were all buying,
3 manufacturing, and selling in the same marketplace.

4 As competition from imported product came on
5 the scene, it seemed that "economical" took on a new
6 meaning. We seemed to be constantly reducing prices
7 to compete with pricing on import blades, and
8 frequently we had no benefit to offer with our
9 performance-based selling.

10 In order to keep our customers, we found our
11 manufactured goods would have to be sold at an
12 unacceptably low margin or at a negative margin. I
13 was frequently asking why we were selling at these
14 lower-than-customary margins and was usually told we
15 were trying to meet quoted prices to hold back the
16 competition. When asking who the competition was, the
17 answer came back usually as China and Korea.

18 In the late nineties, we purchased new
19 equipment that would reduce our labor costs
20 significantly, utilizing automation. The additional
21 capacity was accomplished without an increase in the
22 labor force and, ultimately, some reduction in labor
23 force. We were successful in reducing labor costs by
24 producing more units with fewer direct labor hours.
25 Of course, this meant with fewer workers and reduced

1 hours for others.

2 Even though we were able to decrease
3 manufacturing, overhead, and material costs on goods
4 we produced, we have had to continually reduce the
5 selling price to get orders. We barely maintained our
6 profit margin as a percentage of sales, but we had to
7 sell significantly more units to equal the profit
8 dollars. The increase in the number of units did not
9 come fast or easy and is not yet satisfactory. This
10 made it very difficult to pay note payments for
11 equipment not yet paid for and impossible to order the
12 additional equipment that was needed.

13 In 2004, I was notified by Dunn & Bradstreet
14 -- we have a watch service that we have with them, and
15 they called and said that our credit rating was being
16 downgraded. In recent applications for credit, in
17 normal trade financing, more is being requested in the
18 way of guarantees and collateral with shorter
19 repayment terms.

20 In order to continue to improve our position
21 and have enough redundancy to produce in the event of
22 a machine breakdown, additional equipment is needed.
23 The purchase of this equipment has been postponed for
24 approximately four years due to the effect of the low-
25 priced blades from China and Korea. Trying to compete

1 with lower and lower selling prices from the imports,
2 they have prevented our company from making necessary
3 investments, which has contributed to bottlenecks in
4 production, shortened lead times, and forcing us to
5 upgrade freight methods at our cost to meet delivery
6 schedules. So it's bringing additional costs into the
7 picture.

8 Looking back, as the import pricing
9 structure became clearer in my mind, I had recommended
10 that we consider reselling imported goods rather than
11 reduce our margins to dangerous levels. This was not
12 a well-received suggestion by Mr. Burnett, as he felt
13 it would require even further reduction in workforce,
14 which would impair our ability to respond adequately
15 to customers' requirements where we were able to be
16 competitive.

17 We were rapidly losing the retail and
18 tradesmen market, which was mostly through our OEM
19 distributor and reseller-type customers. The largest
20 OEM customer on our list was constantly comparing our
21 pricing to import pricing and slowly moving towards
22 the imported goods. Their purchases dropped by 20 to
23 25 percent per year, and today they currently purchase
24 from us about 5 to 6 percent of what they used to.

25 Eventually, we did begin looking into the

1 cost of imported product and have been, in fact,
2 reselling some imports. As we shopped for available
3 sources of imported product, we found that many items
4 were available to us as finished product for less than
5 our cost of raw materials. As new product and pricing
6 information is made available to us, we find steadily
7 decreasing prices on the imported blades.

8 It seems to me that if the market continues
9 to shift towards the blades imported from Korea and
10 China, with finished blades priced below our cost of
11 materials, it will not take long for the domestic
12 manufacturers to disappear from the marketplace, and
13 this is not where I want to be.

14 That's why I'm here today, to seek relief
15 from this situation. Thank you for taking the time to
16 listen to this plea.

17 MR. GARRISON: Good morning. My name is
18 Steve Garrison, and I serve in the position of sales
19 and marketing manager for Diamond B in Santa Fe
20 Springs, California. I've served in this capacity
21 since beginning my employment with Diamond B in 1993.
22 Prior to that, I served as vice president,
23 construction products, for Longyear Company in Salt
24 Lake City, Utah, from 1988 to '93. In that capacity,
25 I was responsible for diamond tool manufacturing,

1 sales and contracting operations that use the diamond
2 tools for Longyear in the U.S., Canada, Europe, South
3 Africa, Australia, and New Zealand.

4 I began my career in this industry in 1974
5 in a sales capacity, selling mineral exploration
6 equipment as well as diamond tools used in the
7 construction industry.

8 From '82, I became involved in decision-
9 making within the Longyear Company regarding the
10 appropriate production machinery and methods to begin
11 manufacturing segmented sawblades and core bits. In
12 the early eighties, most segmented sawblades for this
13 industry were manufactured in a labor-intensive,
14 nonautomated manner, from the weighing to Dutch and
15 hot pressing to nonautomated braising or laser
16 welding.

17 And from the mid-eighties until the mid-
18 nineties, most serious U.S. manufacturers installed
19 and began to manufacture product using the latest
20 technology and automated manufacturing techniques that
21 dramatically reduced the labor component of
22 manufacturing diamond segments and attaching them to
23 steel cores. And as a result of what I would
24 characterize as normal competition, by the late
25 nineties, most serious blade manufacturers had either

1 converted their production at significant capital
2 investment or sold their businesses to larger, higher-
3 volume, better-funded firms, many of them foreign.

4 By the early 2000's, the U.S. manufacturers,
5 such as MK Diamond and others, who had not invested in
6 automated technology were forced to increasingly rely
7 on purchasing and reselling Chinese or Korean blades
8 or components due to the extreme low cost of these
9 items, coupled with their inability to compete in the
10 U.S. manufacturing arena.

11 From the early nineties up to about two or
12 three years ago, our company has chosen to invest in
13 our manufacturing processes so that we are confident
14 that our cost basis and quality enables us to compete
15 effectively. We're now nervous about future
16 investments.

17 Other U.S. manufacturers chose not to invest
18 in technology, chose to give up on their manufacturing
19 employees, and chose to take advantage of the
20 developing situation existing with the extreme low
21 pricing of the Chinese and Korean imports. These
22 manufacturers will likely be against this duty action
23 since it will likely force them to invest in
24 manufacturing technology to compete in the future.

25 Within the last two to three years, we've

1 begun to see prices on these Chinese and Korean blades
2 continue to drop to incredible lows. Since we have
3 the ability to determine the specific components used
4 in the Chinese and Korean blades, we have determined
5 that in many cases they are charging prices for
6 complete blades that are below our cost of materials.

7 Why would Chinese and Korean manufacturers
8 choose to do this? I ask. It seems and feels like the
9 strategy is to cause all U.S. manufacturing plants
10 that manufacture diamond sawblades, segments, core
11 bits, and steel cores to shut down so that the future
12 control of the market belongs to the Chinese and
13 Korean manufacturers, and I believe that's likely to
14 happen soon if the present situation is allowed to
15 continue.

16 I've worked for only two companies in my 30-
17 year professional career. As I was considering the
18 choice of companies that I was going to go to work for
19 12 years ago, I chose Diamond B for some good reasons.
20 The owner and management of the company seemed to
21 me -- number one, they were people of integrity, and
22 they understood the industry well enough to know that
23 commitment to manufacturing technology was going to be
24 required in the future, and I sensed, by virtue of my
25 awareness of what goes on in the industry, was aware

1 that they were very keen on respect for their
2 employees and the community that we work in.

3 I came from a large, corporate environment.
4 I chose to go to a small, family business because of
5 the people and the quality of the people there. Over
6 this past 12 years, I have witnessed those commitments
7 to improving manufacturing technology, going to
8 automated processes, and they have followed through
9 with the commitments that they have made to me as I
10 was changing careers.

11 In my previous job, I was in a unique
12 position to have learned a great deal about the
13 available technology for powdered metal blade
14 manufacturing. The Korean and Chinese manufacturers
15 have made no effort to hide the technology they are
16 using and, in fact, have shared that information
17 freely. It is the same technology. We are not in
18 jeopardy of losing our place in this U.S. market due
19 to lack of investment, technical capability, or
20 effort. We are in jeopardy because we cannot sell our
21 product for less than the cost of the material
22 components.

23 One other story that kind of hit home to me
24 is one of our salespeople that I hired 10 years ago
25 when I first came to Diamond B asked to meet for

1 breakfast about a year and a half ago and said, and he
2 worked in California -- he is continually up against
3 the extreme low price of the Korean and Chinese
4 product, and in his view, from what he saw, he felt
5 that it was going to be very difficult for him to
6 continue to live the living that he was earning and
7 chose to leave our company and begin a contracting
8 business and became one of our customers. So this has
9 hit close to home in the world that we deal in.

10 I sell blades. I will likely be able to
11 find a job selling blades if the U.S. manufacturing is
12 shut down. The manufacturing employees that have
13 worked most of their careers at our plant, at Diamond
14 Products's plant, at Hoffman Diamond's plant,
15 Sanders's plant, Western Saw's plant, Terra Diamond's
16 plant will need to start over, changing careers, and
17 another U.S. manufacturing industry will be lost, not
18 a big one, but it will be lost, and not lost due to
19 inattention to manufacturing technology or a lack of
20 investment or effort.

21 Our country's manufacturing base seems to be
22 losing out one step at a time. I have heard a few
23 people describe the Chinese and Korean pricing as
24 irrational, but I suggest that that's a short-term
25 view. Looking at in the long term, say, 10 or 20

1 years, it seems very rational, especially if the
2 strategy is market control. We need your help. Thank
3 you.

4 MR. PALOVOCHIK: Mr. Carpenter, ladies and
5 gentlemen, I appreciate your time. My name is Steve
6 Palovochik. I'm the president and CEO of Hoffman
7 Diamond Products, located in Pukstony, Pennsylvania,
8 the groundhog capital of the world.

9 I've been with Hoffman for eight years as
10 its president and CEO. Before coming to Hoffman, I
11 worked for the General Electric Company for almost 25
12 years, starting out as an engineer in their diamond
13 business. As an engineer, I worked my way in
14 international sales. I was international marketing
15 manager and also ended up as general manager before
16 taking a retirement.

17 I have been in the diamond tool industry for
18 25 years. Hoffman is the oldest, privately held,
19 diamond tool manufacture in North America. The
20 company was started in 1895 as Hoffman Brothers
21 Drilling, largely for the drilling of natural gas and
22 oil in Pennsylvania. Today, Hoffman manufactures
23 construction diamond tools, primarily sawblades and
24 thin-wall coring bits. Additionally, we manufacture
25 products for the industrial processing of glass and

1 refractory materials used in the steel and specialty
2 glass industry. We also manufacture tools for
3 geological exploration and mining of precious metals.

4 Between these three markets -- construction,
5 industrial, and stone -- are production is split
6 essentially evenly. Our markets are limited primarily
7 to North America due largely to international pricing.
8 Hoffman employs up to 40 to 50 people typically in
9 season, and it sells both directly and through
10 distribution.

11 Upon introduction into the construction
12 market, all products and all sizes of products and
13 diamond tools were manufactured in the Pennsylvania
14 facility. Fifteen years ago, I saw the first
15 introduction of offshore products, at that time,
16 primarily from Japan. The Japanese competitors did
17 not pose much of a threat because their prices were
18 the same as those of many companies and other U.S.
19 manufacturers.

20 The Koreans, led by Ehwa, also known as
21 General Tool in the United States, began selling into
22 the market approximately 12 years ago. We helped
23 provide an entree into the U.S. market for these
24 companies who, at that time, were selling at
25 competitive U.S. prices.

1 After a period of time, Ehwa proceeded to
2 set up a number of shell companies under different
3 names to sell directly against Hoffman by underselling
4 to the exact same customers. In essence, they were
5 attempting to take over the distribution market
6 segment through underpricing their existing
7 distributors, such as Hoffman and MK Diamond Products,
8 who is on the other side of the table, effectively
9 competing against themselves. In my opinion, this was
10 the beginning of the massive price erosion that the
11 industry has seen over the past three to five years.

12 Specifically, Ehwa has hired Hoffman
13 employees over the past three to five years in an
14 attempt to accelerate their impact on our customer
15 base.

16 The entree of Chinese competition into the
17 U.S. market further accelerated the level of price
18 erosion, particularly as the quality of their products
19 improved. Chinese and Korean producers now produce
20 products that are comparable with most products being
21 produced in the U.S.

22 The market now is at a point where products
23 being sold by Korean and Chinese companies are of the
24 same caliber as U.S. products, but they are priced at
25 levels where the cost of the same raw material used in

1 these products, priced in U.S. dollars, since all raw
2 materials are internationally priced in U.S. dollars
3 whether they are purchased in Korea, the United
4 States, or Europe, are at least as expensive or more
5 expensive than the selling price of the product. In
6 other words, we cannot buy the raw materials for the
7 price that we can purchase these products from these
8 people. This makes it impossible for Hoffman to
9 compete on a level plane.

10 Over the past three years, the cost of these
11 products has fallen precipitously. For example,
12 several years ago, Hoffman purchased from the Koreans
13 sawblades of a certain size, the smaller sizes that
14 have been referred to, for approximately \$100. We
15 currently purchase these products for \$25. In fact,
16 lower prices are available -- quality is an issue for
17 our company -- from other manufacturers. You can find
18 these products for as low as \$12 to \$14. Steel core
19 typically would cost \$8 to \$12 for us to purchase.

20 The net effect to Hoffman has been that
21 price erosion has far exceeded our ability to grow our
22 top line rapidly enough to cover the rate of price
23 erosion, and that includes all product lines. There
24 also has been a spillover into our larger blade
25 business, which makes up the largest percentage of our

1 professional business, which was also referred to. As
2 the Koreans and Chinese have attempted to enter this
3 market, we have seen price erosion in this market as
4 well.

5 Thus, thusfar, the value-added elements has
6 helped Hoffman, but we have lost market share and seen
7 declining revenues. To offset declining revenues, we
8 continue to invest in productivity, equipment, and
9 tooling which I feel is comparable and competitive
10 with the Chinese and Koreans. I have personally
11 visited many of the Chinese and Korean manufacturing
12 facilities. I've sold to them and found that their
13 manufacturing technology is fundamentally the same as
14 that used by most U.S. manufacturers, including my
15 company. We continue to invest in more laser welding
16 equipment as well as automated segment production.

17 Continuous improvement is the key not just
18 for Hoffman's long-term survival but every
19 manufacturer's long-term survival. In addition to the
20 financial impact on Hoffman, the ongoing price
21 pressures continue to divert our attention and
22 resources just to maintain market share. We have been
23 forced to sell Korean and Chinese product below the
24 cost that we paid for them originally from these same
25 suppliers just so we could maintain our market

1 position and customer relations, the reason being they
2 have gone in and undercut our pricing for the very
3 same product.

4 Additionally, we continue to reduce our
5 overhead, manufacturing costs, and labor costs as much
6 as possible to remain competitive. However, Hoffman
7 remains deeply committed to issues such as
8 environmental health and safety of our employees.
9 We've instituted voluntary compliance and monitoring
10 programs with EPA and OSHA. In addition, we provide
11 comprehensive medical benefits. These benefits are
12 not provided, nor are they required, by our foreign
13 competitors.

14 Hoffman remains profitable, but it is
15 becoming more and more difficult to compete in this
16 market when we are not dealing with a level playing
17 field. Looking into the future, the Koreans and
18 Chinese have both been committed to expanding their
19 direct-selling efforts in the U.S. market. The best
20 example of this is Ehwa setting up a company by the
21 name of Diamond Vantage, again, a shell company
22 supported by Ehwa out of Kansas City, as their major
23 outlet in the U.S. market. This company is made up of
24 ex-Targedemus, a once-U.S.-owned, now Swedish-owned
25 company, employees. Again, this company is being very

1 aggressive in their pricing.

2 Hoffman will continue to cut costs while
3 maintaining our commitment through our employees and
4 customers. Having said this, though, it's becoming
5 more and more difficult as prices continue to erode.
6 It's a simple tenet of business that you can't remain
7 profitable by selling products below cost.

8 In conclusion, I believe that the Korean and
9 Chinese manufacturers' goal is to drive U.S.
10 manufacturers from the market by suppressing prices as
11 long as necessary. Thank you for your time.

12 MR. RIZNER: Good morning. My name is Ken
13 Rizner. I am vice president of the Industrial Blade
14 Solutions unit of Hyde Tools, located in
15 Massachusetts. I have been with Hyde for 39 years.

16 Hyde was established in 1875, providing
17 handtools for the local tradesmen. With the equipment
18 and blade manufacturing expertise developed along the
19 years, industrial circular knives, blades, and diamond
20 cores joined the line of product offerings during the
21 middle of the century. We do not manufacture complete
22 diamond sawblade blades. Instead, we supply the saw
23 core on which diamond segments are attached by our
24 customers. Our products are made to order, with
25 requested delivery dates provided by our customers.

1 While Hyde Tools manufactures several types
2 of industrial blades for the rubber, textile, paper-
3 converting blades, diamond core blades used to be a
4 substantial portion of our business, nearly 25 percent
5 at its peak. We reached our highest sales volume for
6 core blades in 1999. At that time, we had the
7 equivalent of 21 employees dedicated to the operations
8 of the diamond core unit. In the two subsequent
9 years, and due to subject imports, we saw 50-percent
10 declines each of those two years. Today, that segment
11 of our business is only 8 percent of the unit's total
12 sales. We have lost 92 percent of our business
13 compared to when we were operating at peak.

14 We now have fewer than two employees
15 dedicated to the diamond core unit. Without the other
16 product lines that we offer, Hyde Tools would not be
17 able to stay in business, all because of subject
18 imports.

19 Following these declines in sales, we ended
20 up with large quantities of raw material that cannot
21 be utilized on any other industrial blade product.
22 The chemical composition of the raw material used on
23 the core blades is such that it is not suitable for
24 other knife applications. Because we had to order
25 large quantities for price concessions, we had, and

1 still have, large inventories of material with little
2 or no other use.

3 We continue to have equipment and technology
4 investments and consider our manufacturing facility to
5 be state of the art. We designed and built dedicated
6 equipment for the purpose of remaining competitive in
7 this market. We do our own heat treating in house and
8 all of our own grinding. We inventory large
9 quantities of raw material and have the expertise in
10 house to provide the highest-quality product in the
11 market. Using manufacturing saw design, team
12 building, constant member training, and continuous
13 improvement techniques, we consider ourselves to be
14 highly productive and quality conscious. We are
15 Riason 9001 2000 registered, receiving that
16 recognition on our first effort, signifying our high
17 quality-assurance level even prior to the actual
18 registration award.

19 Despite the fact that we can produce in a
20 minimal amount of lead time and have on-site sales and
21 technical support staff, it seems like pricing has
22 taken over as the driving force in the blade sales.
23 In order to keep our employees and facilities
24 productive after our hardship began, we chose to match
25 street pricing just so we could continue to utilize

1 manpower and equipment. As a result, our standard
2 margin was reduced by 50 percent or more, but if we
3 didn't take this drastic step, our resources would
4 have gone unused.

5 Despite our best effort, our business
6 continues to suffer. I've heard comments from the
7 customers that they can buy a complete blade from
8 China or Korea for less than the price of my core
9 alone. I could give them a core for free, and they
10 could not turn it into a finished sawblade
11 competitively. Because of this decline, we have
12 equipment dedicated to the steel core production line
13 that is being utilized 10 percent or less.

14 While the market for finished diamond
15 sawblades seems to continue to grow, our business has
16 dried up because former customers are not ordering
17 from us anymore. The minimal amount of business that
18 we have today is because of our ability to produce
19 small runs with minimal lead times. The loss of
20 revenues generated by past core business has
21 substantially affected the financial performance of
22 this unit. We are unable to make investments in
23 equipment, technology, and manpower for the diamond
24 cores due to the bleak state of the market. It makes
25 no financial sense to invest in a market that isn't

1 there.

2 Our past practice was to inventory several
3 sizes of raw material in large quantities to be able
4 to react to customer demands. We are unable to
5 substantiate raw material purchases to support future
6 business in this market, affecting our ability to
7 provide products with minimal lead times.

8 Currently, the reduced number of sizes
9 stocked decreases our chance of having the ideal size
10 on hand when a need does arise. So not only are we in
11 a hole; we are forced deeper into it by the current
12 state of the market.

13 We attribute the suddenness of this market
14 decline to offshore products being introduced into our
15 marketplace at unmatched prices. We continue to sit
16 on equipment capabilities of meeting customer demands,
17 having manpower resources obtainable in short order,
18 and the capabilities and expertise to return as a
19 major supplier to the diamond saw manufacturers. For
20 this reason, I am in support of the coalition's
21 efforts, and I urge you to take the appropriate
22 actions to remedy this situation. Thank you very
23 much.

24 MR. PICKARD: Thanks, Ken.

25 This is Dan Pickard. Mr. Carpenter, we have

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1 a couple of samples, if they would be of interest to
2 the staff.

3 MR. CARPENTER: Okay. That would be great.
4 you can pass them around.

5 At this point, I would just like to make a
6 general announcement that I think a number of you may
7 have samples of sawblade that you've brought in, and I
8 was mentioning this to the Petitioners already, that
9 we have just purchased new tables here in the last few
10 months, and, unfortunately, the Commission hasn't yet
11 obtained protective coverings for the tables, so I
12 would ask you to be particularly careful with the
13 tables.

14 MR. PICKARD: We'll be very careful.

15 MR. CARPENTER: Thank you.

16 MR. PICKARD: So this is a finished diamond
17 sawblade produced by Diamond B. It's essentially a
18 steel core with diamond segments welded onto the
19 outside, and this is a Chinese blade. And this is
20 just a sample of what typical steel core is.

21 MR. CARPENTER: Are there any differences
22 between a U.S. blade and a Chinese blade that you
23 would like to point out, or are you saying that they
24 are essentially the same?

25 MR. PICKARD: I'll defer to some of the

1 witnesses here today, but, yes, they are essentially
2 fungible. They compete directly against one another.

3 And these are just two small examples of
4 segments. And we'll be happy to answer any questions
5 the staff may have.

6 MR. CARPENTER: Okay. Thank you.

7 MR. ASCIENZO: I'm sorry. This is John
8 Ascienzo. So the very first one was a U.S. blade?

9 MR. PICKARD: Correct. And the second was a
10 Chinese blade.

11 MR. ASCIENZO: Chinese blade. I'm sorry.
12 Thank you.

13 MR. CARPENTER: Does that conclude your
14 presentation, Mr. Pickard?

15 MR. PICKARD: That concludes our direct
16 presentation.

17 MR. CARPENTER: Okay. Very good. At this
18 point, then, we'll begin the staff questions with Ms.
19 Haines, the investigator.

20 MS. HAINES: Hi. Betsy Haines, Office of
21 Investigations. Thank you for the presentation. It
22 was very helpful.

23 I have a very basic question. I would kind
24 of like someone to explain the different uses for the
25 different types of blades, the castellated versus the

1 continuous versus the segmented. I'm trying to get a
2 better grasp of the different uses.

3 MR. PICKARD: Well, I suppose, as a very
4 general end use, the fundamental similarity is that
5 they are all used for cutting things, that same
6 general end use. As far as regards the different
7 substances that can be used to be cut, Steve, would
8 you be so inclined?

9 MS. HAINES: Is there one that's better for
10 a different material to be cut?

11 MR. PALOVOCHIK: Yes.

12 MS. HAINES: Could you tell me the different
13 uses?

14 MR. PALOVOCHIK: Well, there are multiple
15 applications. I wouldn't necessarily define them in a
16 macro sense as different markets. For instance, I'm
17 looking around here, the granite. The granite would
18 be actually cut with a diamond tool very similar
19 looking to that, but the composition of the metal
20 matrix that holds the diamond would be substantially
21 different just because of toughness of the material
22 being cut, particularly that being red granite over
23 there. It's much more difficult to --

24 MS. HAINES: So it would have more diamond
25 material?

1 MR. PALOVOCHIK: It would typically have
2 more diamond, maybe of a smaller size.

3 MS. HAINES: Okay.

4 MR. PALOVOCHIK: So there is a lot of
5 product differentiation that does take place but in a
6 given application. You mentioned continuous rimmed.
7 Continuous rimmed typically are used in what we call
8 "brick block and tile-type applications." The
9 continuous rimmed; if you're cutting ceramic tile, it
10 will minimize the amount of chipping. They tend to be
11 bronze bond.

12 The manufacturing technologies, at least
13 speaking for Hoffman and, I think, most of the other
14 people, we all have the capability of manufacturing
15 those products, the cost being the limiting factor,
16 typically why we're not producing it. There are
17 differing manufacturing methods also that are used for
18 some of these different products that will probably
19 come out in some of the questioning.

20 MS. HAINES: Okay.

21 MR. PALOVOCHIK: Does that help?

22 MS. HAINES: Yes. That's very helpful.

23 And another basic question, the sizes.
24 Again, for the product being cut, for asphalt, are
25 using something that size, or are you using something

1 much bigger?

2 MR. GARRISON: There are several questions
3 and several possible answers. Our guys sell blades
4 from four-inch to probably 60-inch, 70-inch diameter.

5 MS. HAINES: Right.

6 MR. GARRISON: Typically, the size of the
7 blade is related to the horsepower of the tool that
8 gets used to power that blade, so the smaller the
9 horsepower of the tool, usually the smaller the blade.
10 So the higher the horsepower of the tool, usually the
11 larger the blade.

12 MS. HAINES: And that's because of the
13 toughness of whatever is being cut, --

14 MR. GARRISON: Yes.

15 MS. HAINES: -- you need the greater
16 horsepower. Can you give me an example of one of the
17 toughest things that you would be cutting?

18 MR. RIZNER: This is Ken Rizner with Hyde.
19 I know that it also has a lot to do with the depth.
20 If somebody is going in, cutting into the side of a
21 mountain or something like that, and they want to go
22 in three feet, you need a blade that's at least seven
23 feet in diameter, where half of it goes in and does
24 the cutting.

25 MS. HAINES: Okay. I see.

1 MR. RIZNER: So that's an explanation of why
2 the different sizes exist.

3 MS. HAINES: Okay.

4 MR. GARRISON: Any of the materials that you
5 asked about are possibly of equal hardness. For
6 instance, there are very hard stone and tile products,
7 and there are very hard concrete, different concretes
8 that are very hard with steel reinforcing in them. So
9 there is a range of soft to hard materials in both
10 stone or in all of the stone masonry tile, concrete,
11 potential materials that would get cut.

12 MS. HAINES: Okay.

13 MR. PALOVOCHIK: But the larger blade,
14 probably the most simplistic when you start to think
15 about larger blades, if you go out near any of the
16 road work, it's typically being done with anywhere
17 from 26- to 48-inch blades. For instance, we sell a
18 tremendous amount to New York City. You have the same
19 problem here in Washington: many, many, old, old
20 streets. There may be cobblestone under asphalt. You
21 have a very hard material plus a very abrasive, soft
22 material. So we actually try to customize the product
23 to be able to handle that type of application, so
24 there is a fair amount of engineering.

25 MS. HAINES: So there is a certain amount of

1 customizing for the job.

2 MR. PALOVOCHIK: A tremendous amount,
3 actually, in many areas, yes.

4 MS. HAINES: Okay.

5 MR. ZUCKER: This is Paul Zucker of Wiley
6 Rein & Fielding. I would also mention that if you go
7 to most of the Web sites of the producers or
8 resellers, you will see something called the
9 "aggregate hardness map," which tells people across
10 the United States approximately how hard the material
11 in their area is. So there is a certain amount of
12 necessity so that if you are located in one part of
13 the country, you need a blade that can handle harder
14 material than you are in another part of the country.

15 And one thing that they won't like to talk
16 about is that there are many contractors who simply
17 don't want to carry specialized blades, so they buy
18 general-purpose blades that will work, not optimally
19 but well on almost anything they would encounter.

20 MS. HAINES: What is the life span of a
21 blade? Again, I know that's a very -- and also, in
22 terms of life span, if it's treated well, what might
23 be the life span versus if it's not used well, or if
24 it's damaged, how easy is it to fix it? Like, if the
25 core is damaged, do they just have to throw it away.

1 Can they fix a core if a few segments are lost?

2 MR. GARRISON: The simple answer is it
3 depends.

4 MS. HAINES: Okay.

5 MR. GARRISON: But to try and take a stab at
6 it, in concrete, it might range -- the measurement we
7 tend to use is inch-feet, one foot long, one inch
8 deep. So in the very extreme, hard aggregate areas in
9 cutting concrete, it might be as low as 2,000 inch-
10 feet, and in some of the softer limestone-favorable
11 aggregates it might be as high as 40,000 inch-feet.
12 That's a general range, so it's quite a broad range,
13 depending on the toughness of that material.

14 Now, that same ratio, not exactly that same
15 ratio but the same relationship will apply between
16 hard masonry materials and stone materials, say, for a
17 favorable marble versus a very tough, hard granite.
18 So it always depends on the material that's being cut
19 and the horsepower that the contractor has available
20 to bring to bear on that blade.

21 MS. HAINES: How about repairing? Is that
22 something that's done very often?

23 MR. GARRISON: It depends. If it's a small-
24 diameter blade that is a low-cost blade, generally
25 it's not repairable. Occasionally, you will find a

1 larger-diameter blade that we would be able to repair,
2 but there are so many other issues related to the
3 steel core that we have to be concerned about from a
4 safety perspective, --

5 MS. HAINES: Sure.

6 MR. GARRISON: -- that, generally speaking,
7 a damaged blade is not repaired very often. It might
8 be less than 5 percent of the time that you see a
9 damaged blade that it would be repairable.

10 MS. HAINES: So I gather, the core itself is
11 more of a safety issue if it's damaged, but if it
12 loses a segment or two, it is hypothetically possible
13 to repair that.

14 MR. GARRISON: Hypothetically possible, but
15 usually the damage to the segment might also then
16 cause damage to the core, so you would have other
17 issues to consider, even though it was just a damage
18 to a segment.

19 MS. HAINES: Okay.

20 MR. PALOVOCHIK: The core is damaged, but
21 the blade is tensioned to run at a certain RPM, and
22 what happens in the summertime, if you go out here,
23 the concrete can actually close up when you cut it
24 because of thermal expansion of the concrete. The
25 blade can get wedged in there, and oftentimes they are

1 pried out, and if they have been damaged in any way,
2 it's very difficult to repair the blade so that it
3 will run properly, safely.

4 MS. HAINES: Okay. So, like a construction
5 company, would they typically have -- again, I'm
6 trying to get a better idea -- how many blades would
7 they have in stock, or do they rent? Do they rent the
8 big ones? I'm trying to figure out the rental market
9 versus what they keep in stock.

10 MR. GARRISON: Every contractor is
11 different, and we sell to people that carry a lot of
12 blades in their inventory and on their truck so that
13 they are prepared, and we sell to people that rarely
14 carry inventory and rely on their supplier, whether it
15 be one of our distributors or us at the plant, to
16 provide that product.

17 MS. HAINES: So size might not matter for
18 the rental market. The really expensive ones; do they
19 tend to be rented more, or companies would buy those
20 also?

21 MR. GARRISON: Let me think about that one.
22 Certainly, there are some people that rely on rental
23 companies. Let's say they are not often cutting
24 concrete. They would rely on a rental company and
25 perhaps be more inclined to rent rather than buy a

1 large blade. Probably not a large part of the
2 spectrum, though. Most of the contractors that would
3 be involved with large blades would tend to buy them.

4 MS. HAINES: Okay. The difference between
5 the lasering or the sintering and soldering; does that
6 have anything to do with the end use? What are the
7 differences between attaching the segments?

8 MR. BURNETT: Bruce Burnett with Diamond B.
9 The way the segment is mounted is mostly technology.
10 We have the capability of doing any of it. Even the
11 application, at least in my concern, is irrelevant
12 because we can make from the smallest to the largest
13 blade. We can make any of the metal diamond products,
14 but it doesn't do us any good if we can't compete
15 where the materials cost us more than what they are
16 being sold for.

17 MS. HAINES: Right.

18 MR. BURNETT: Since we can make it for any
19 application, even some of the industrial applications
20 that we never bothered to get into, we can't compete,
21 and that's our main problem. It has nothing to do
22 with the application, the sizes, or anything other
23 than just strictly cost.

24 MS. HAINES: Okay.

25 MR. PALOVOCHIK: I think maybe to add onto

1 that, and maybe this may be more to your question --
2 Steve Palovochik. This may be more to your question.
3 The sintering process is typically attachment of the
4 segment right to the core, directly to the core,
5 during the direct manufacturing process, generally, on
6 a segmented -- it could be segmented, but typically
7 it's still manufactured directly to the core,
8 continuous rim or segmented. With laser welded or a
9 braised blade, it's a secondary process, laser
10 welding.

11 MS. HAINES: Is it faster to do it one way
12 than the other to produce it?

13 MR. PALOVOCHIK: Yes. It's faster to sinter
14 the product. It's cheaper because you're taking out
15 one step, but the integrity of the product, in terms
16 of how you're using it, is much more limited.

17 MS. HAINES: Okay.

18 MR. PALOVOCHIK: You're not going to make
19 some of the bigger blades that we're talking about by
20 that process.

21 MS. HAINES: Okay.

22 MR. PALOVOCHIK: I'm not going to say it
23 hasn't been tried, and there are products available up
24 to a certain size range in that sintered mode.

25 MR. GARRISON: Excuse me.

1 MS. HAINES: Yes.

2 MR. GARRISON: Steve Garrison. Just to tack
3 onto that, there are some applications that it would
4 be important in terms of how the segments were
5 attached. For instance, dry sawing would be better
6 suited for using a laser-welded product, but, in
7 general, laser welding was originally developed about
8 30 years ago for reducing the cost of attaching
9 segments. There are cases where braising will be more
10 effective, given the conditions that the sawblade
11 might be used in. So there are certain applications
12 where we would prefer to provide a braised product
13 over a laser-welded product and other applications
14 where we would prefer to supply a laser-welded
15 product. Probably 90 to 95 percent of the
16 applications would be laser welded, though.

17 MS. HAINES: Okay. Another basic question.
18 I've heard reference to core bits. Can you tell me
19 what exactly those are? How is that different? And
20 carbide tips. I'm trying to visualize what's the
21 difference between that and the subject product.

22 MR. GARRISON: Steve Garrison. A core bit
23 is a round cylinder that has the diamond segments
24 attached to the end of it for the purpose of drilling
25 a hole in the concrete floor to install a plumbing

1 pipe or an electrical conduit or something of that
2 nature as opposed to sawing a trench or something in
3 the floor, which is what a blade is used for.

4 MS. HAINES: Okay. Carbide tips is
5 something else.

6 MR. GARRISON: Carbide-tipped sawblades are
7 generally used -- maybe Hyde would be more appropriate
8 to answer that.

9 MR. RIZNER: Ken Rizner from Hyde again.
10 Carbide tips would be used for cutting wood or that
11 type of thing. That's what a contractor would have in
12 his Skil saw or something like that.

13 MS. HAINES: Would it look like a circular -
14 -

15 MR. RIZNER: It's a circular saw, but they
16 have teeth in them, not the slots that you see here,
17 and the carbide tip is actually the piece of metal
18 that is doing the shaving of the web as the blade is
19 spinning around very fast, but that is not what we're
20 discussing here.

21 MS. HAINES: Yes, but I've just seen
22 reference to that repeatedly, so I was trying to
23 visualize.

24 MR. PALOVOCHIK: Steve Palovochik. You
25 mentioned relate to a core bit, a carbide-tipped core

1 bit.

2 MS. HAINES: Well, I had just seen it
3 separately, yes.

4 Touching on capacity, do you feel is the
5 core production or the availability of cores, is that
6 a restriction on capacity, or is it more putting the
7 segments on? Is there one that's more a restriction
8 on capacity of the finished product than the other?
9 I'm trying to get a sense of that. Or is it actually
10 assembling it? Is that more a restriction on
11 capacity?

12 MR. GARRISON: Steve Garrison. I think that
13 each one of those items, depending on your product
14 mix, might end up with a bottleneck, but generally,
15 for instance, I think, Bruce, you mentioned that we
16 could triple our production without adding any
17 production machinery. So that sort of gives you an
18 idea that there is not any one area that is hugely
19 restrictive in the manufacturing process toward
20 increasing production.

21 MS. HAINES: And you feel that the U.S. core
22 producers could supply the tripling easily.

23 MR. GARRISON: Absolutely, yes.

24 MS. HAINES: Okay.

25 MR. PALOVOCHIK: Steve Palovochik. If I can

1 comment on that, I think we're all generally in the
2 same position. We could probably triple our output
3 very easily. There's always going to be bottlenecks,
4 but you always try to work from bottleneck to the next
5 on a continuous-improvement basis. So the
6 manufacturing processes themselves are not the
7 bottleneck.

8 MS. HAINES: Okay.

9 MR. RIZNER: Excuse me. This is Ken Rizner
10 again. I mentioned in my presentation that we had, at
11 one time, 21 employees dedicated to this segment of
12 our business, and today we have less than two, but all
13 of the equipment is still there, and all of the
14 resources are still there, and at our maximum
15 capacity, we weren't running 24 hours a day, seven
16 days a week during those times. I think capacity is
17 not an issue with me. Orders is an issue with me.

18 MS. HAINES: Okay. Is there seasonality to
19 this product? The construction industry; is there any
20 seasonality to it?

21 MR. GARRISON: Steve Garrison. Yes, there
22 is some seasonality, especially in the northern tier
23 states just because of the lack of outdoor work or the
24 great reduction of outdoor work in the wintertime in
25 cold temperatures.

1 MS. HAINES: Okay. I want to ask what the
2 status of Blackhawk is. Are they in business? Are
3 they out of business?

4 MR. PICKARD: They are evaluating on a day-
5 to-day basis. I spoke with Blackhawk last week. They
6 indicated that they expect their business to fail in
7 the upcoming year. A principal is attempting to
8 reconstitute the business, keep it alive, but we're
9 getting status reports pretty much every couple of
10 days.

11 MS. HAINES: Okay. There had been mention,
12 not during the testimony but somewhere else, of a
13 Tennessee company, Precision Disk, that had gone out
14 of business. Do you have any idea what their capacity
15 was or how large they were, rough estimate maybe? No?
16 Okay.

17 Another name when I was doing research that
18 came up was PMI Phoenix Metallurgical. Are they a
19 U.S. producer? Do you know anything about them?

20 MR. PALOVOCHIK: Yes. They are located in
21 Massachusetts, and basically they closed the company
22 and sold their inventory to a company in Seattle,
23 Washington.

24 MS. HAINES: How recently was that?

25 MR. PALOVOCHIK: Within the last three

1 months.

2 MS. HAINES: Okay. All right. Actually,
3 Dan, I have a question on the HTS category. Do you
4 feel that that is a basket category, to some degree?

5 MR. PICKARD: It is a basket category, to
6 some degree, in that it obviously captures all
7 circular sawblades with a cutting part other than
8 steel, so data other than diamond sawblades are going
9 to be captured in there. However, I think, for a lot
10 of the other countries, it definitely represents a
11 basket category. For China and Korea, it does seem to
12 generally track what we've seen as imports or what's
13 been reported by the coalition members.

14 MS. HAINES: Do you have any thoughts on our
15 importer questionnaire data, if the staff were to
16 decide to use or importer questionnaire data versus
17 the HTS data?

18 MR. PICKARD: It appears that the
19 questionnaire data probably captured a decent
20 percentage of the Korean imports. It appears that the
21 Chinese imports are underrepresented by the importer
22 questionnaires. I would say that the HTS numbers
23 support probably the importer questionnaires, which
24 are probably the more specific evidence.

25 MS. HAINES: That's all the questions I

1 have.

2 MR. CARPENTER: Thank you. We'll turn next
3 to Rhonda Hughes, the attorney/adviser.

4 MS. HUGHES: Good morning. I have a lot of
5 questions about the product itself, so please humor me
6 because I want to make sure the Commission looks at
7 the like product issue correctly, so a lot of my
8 questions are going to be really basic.

9 We've got the parts up here that you passed
10 around, and I understand that the segment goes onto
11 the core somehow. Could somebody explain this in more
12 detail? Maybe you'll want to use the parts that you
13 sent up to us.

14 MR. RIZNER: This is Ken Rizner with Hyde.
15 Again, we manufacture the steel core; we do not
16 manufacture the finished. But that is the type of
17 blade that we manufacture right there. It's made out
18 of a material that when you weld it, it does not
19 become very brittle at that point. So what you want
20 to do is attach the little segments, which is diamonds
21 and materials that are put together. That does the
22 cutting. That blade will not cut anything other than
23 to scratch the table if you drop it.

24 However, so you put one of those little
25 things on the outside with either a laser or a

1 sintering or another way of attaching the diamonds to
2 the blade, and you end up with a saw, a saw product.

3 MS. HUGHES: I understand from the petition,
4 whichever of the numerous amendments that were filed,
5 that this is generally made of alloy steel. Is there
6 ever anything else it's made out of?

7 MR. RIZNER: This is Ken Rizner again.
8 Alloy steel is used for that because, once again, it
9 is rugged. It is something that can vibrate and be
10 pounded and all of that other kind of stuff without
11 damaging it. If you made it out of a stainless steel,
12 for instance, first of all, it's much more expensive,
13 there is no reason to, and actually the stainless
14 steel would not be a good application for that. There
15 are other materials called high-speed steels, high-
16 carbon steels, but, once again, with the way that they
17 weld the product on there, that does not make for a
18 good bond between the blade and the diamonds, and if
19 you use the wrong steel, as soon as the blade starts
20 to cut, all of those little diamond segments would go
21 flying off.

22 But we make blades to customer
23 specifications. If somebody came to me and said, "I
24 want a blade made out of gold," I would figure out a
25 way how to make it. I don't care what he uses it for

1 or what he does with it. We make them according to
2 what our customers ask us to make.

3 MS. HUGHES: How many of those little
4 segments would actually go onto a core, say, that
5 size?

6 MR. RIZNER: I think, typically, the length
7 of that little segment is around somewhere between one
8 and seven-eighths to two and an eighth inches if you
9 kind of measure it between one slot and the other.
10 So, therefore, as the periphery of the blade gets
11 larger, and those of us with a mathematical background
12 say 3.14156 times the diameter tells you what the
13 periphery is. You divided it by around two inches,
14 and it will tell you how many segments are common on a
15 blade.

16 MS. HUGHES: Okay.

17 MR. PALOVOCHIK: Steve Palovochik. There
18 are 24 on that blade.

19 MS. HUGHES: Okay. Why are some of the
20 blades slotted and some are not? I imagine that
21 depends on the applications. Are the slotted blades
22 preferable or used more often than the nonslotted
23 blades, for instance?

24 MR. BURNETT: Bruce Burnett with Diamond B.
25 About the only real blades that are not slotted would

1 be what's commonly called continuous rim, and they are
2 usually done in a process called "furnace sintering,"
3 which is a process that the owner of our company has
4 been extremely familiar with. That's what he started
5 with a company called Felker back in the extremely
6 early fifties. We looked into getting into making a
7 continuous rim again.

8 A few years back, Robert Delahaut with MK
9 had had some discussions with us about making that
10 particular product because it was one that they were
11 importing, and we spent a bit of time investigating
12 the cost of the equipment. We were planning on
13 purchasing the equipment, and they continued to have
14 price erosion on it. We determined that it wasn't
15 worthwhile for us to get into it because, again,
16 blades were coming into the country at a cost below
17 the material cost.

18 We still have all of the information from
19 that original plan of purchasing and getting back into
20 it, but the continuous rim are usually used to cut
21 ceramic tile and glass, some precision cutting, but
22 most continuous-rim blades aren't really called a
23 precision blade because those are a special type of
24 application usually used for cutting wafer chips.

25 There's basically three processes for making

1 segments. One is what's known as a "hand-charged
2 graphite mold" and then "induction sintered," which we
3 do, -- it's an old process -- and then there is what's
4 known as a "cold-pressed segment," and then there is
5 "resistance sintered," which we also do. Then there
6 is what's known as "bell furnace sintered." We don't
7 currently do it. It's probably the oldest known
8 process. It goes back to the forties, and it's
9 something we could easily do. We have the knowledge
10 and the capability. There's no financial resources to
11 do it because the only products that are done in the
12 process are almost always sold below material costs.

13 We buy our materials pretty much from the
14 same places that a lot of the Chinese and Koreans do,
15 and a lot of it's on international markets. When they
16 are selling products over here for less than just the
17 powdered metals that are going into the product, we
18 can't see how we could even think about manufacturing
19 it, even though some of it's products that were first
20 built in this country, and some of them are no longer
21 built here because they can't compete. It has nothing
22 to do with labor or overhead; it's strictly material
23 costs purchased on an international market.

24 MR. GARRISON: Rhonda, Steve Garrison. One
25 of the questions you asked was, is there an

1 application where continuous rim might be more
2 applicable? In any situation where the end user is
3 trying to avoid a chipping of the material being cut,
4 and that generally is in the application Bruce was
5 describing there, you can use a segmented blade to cut
6 masonry materials. Both are used to cut masonry
7 materials. Generally speaking, in the higher
8 horsepower applications, the segmented blades are used
9 because the steel core is more rigid and more capable
10 of handling the increased horsepower.

11 MS. HUGHES: So with the segmented blades,
12 in light of the difficulty, it appears, to manufacture
13 the continuous-rim blades, it may be less expensive,
14 the segmented blades, or is there a cost difference?

15 MR. GARRISON: I'm sorry. Would you repeat
16 that?

17 MS. HUGHES: Is there any cost differential
18 between the manufacture of the segmented blades versus
19 the continuous-rim blades, generally speaking? If
20 it's proprietary, and you can't say, you can tell me
21 that in the post-conference brief.

22 MR. GARRISON: Sure. Can we address it in
23 the post-conference brief?

24 MS. HUGHES: Okay. Do you know if the
25 Chinese and the Koreans' blades that are imported are

1 primarily segmented blades as well, or do their
2 continuous-rim blades perhaps compete with the U.S.
3 segmented blades?

4 MR. GARRISON: They import both, and they do
5 compete in the segmented blade market quite handily.

6 MS. HUGHES: The continuous rim competes
7 with the U.S. segmented blade --

8 MR. GARRISON: In some applications, yes.

9 MS. HUGHES: Okay. What exactly is a
10 "semifinished sawblade"? That was mentioned in Mr.
11 Pickard's filings, the one dated May 13th.

12 MR. PICKARD: Sure. For the purposes of
13 this investigation, the semifinished products are the
14 steel core and the segments themselves.

15 MS. HUGHES: Okay. You had stated that you
16 do not believe that the manufacturers of the segments
17 and the cores should be part of the domestic industry,
18 or are they part of the domestic industry, and I just
19 didn't catch it?

20 MR. PICKARD: Oh, no. There are no real
21 independent segment producers in the United States.
22 There are two principal core manufacturers, and under
23 the semifinished product analysis, yes, it definitely
24 would suggest that they are properly within the
25 domestic industry.

1 MS. HUGHES: Okay. If you can analyze that
2 for the Commission in your post-conference brief, the
3 semifinished analysis, I would appreciate it.

4 MR. PICKARD: We certainly will.

5 MS. HUGHES: Okay. Well, then who
6 manufactures the segments if there is no manufacturer
7 of that in the U.S.? Where do they come from?

8 MR. PICKARD: That is what the petitioning
9 companies do. They purchase steel cores, manufacture
10 segments, and then attach the segments to the cores.

11 MS. HUGHES: All right. Okay. I understand
12 that there is a great number of diamond sawblades out
13 there. Can you give me an approximate number of how
14 many there are actually? Are we talking hundreds?
15 Are we talking thousands? Just a ball park figure.
16 Is it differentiated by size as well as type? I'm
17 just trying to get a feel for what exactly is out
18 there.

19 MR. ZUCKER: This is Paul Zucker of Wiley
20 Rein & Fielding. Just a quick glance through
21 anybody's catalog will reveal that there are general-
22 purchase blades, there are blades optimized for
23 certain types of materials in a variety of sizes and
24 in a variety of qualities. So even a small catalog
25 will yield hundreds of SKUs, perhaps thousands for a

1 full-line manufacturer, and some of them will keep the
2 most popular ones in stock and then produce less-
3 common ones, but they can all provide essentially a
4 full range in any size, any quality, for any
5 application.

6 MS. HUGHES: Okay. So besides size and the
7 need for horsepower depending on the application, what
8 other factors would differentiate the various
9 sawblades?

10 MR. GARRISON: Okay. We've got size. We've
11 got the depth of cut required. That's size dependent.
12 We've got the horsepower of the saw, and that will
13 affect the design of the blade, and we've got the
14 material being cut, and that will affect the bonding
15 used. So those are the main three that I can think
16 of. There may be others, but they are not coming to
17 mind right now.

18 MS. HUGHES: Okay. Thank you.

19 MR. BURNETT: Bruce Burnett with Diamond B.
20 For the cost of the product being manufactured, you'll
21 have various metal bonds. You might have some
22 different grades of diamonds and a concentration of
23 the diamonds. Those are about the only things that
24 would normally affect the same type of blade, same
25 size of blade, for cost.

1 MS. HUGHES: Would that be because for a
2 certain application you need a certain --

3 MR. BURNETT: Yes. Certain applications may
4 require stronger diamonds or even weaker diamonds;
5 higher concentrations, lower concentrations; finer
6 diamonds, coarser diamonds. It depends on the
7 particular application. If one is out there cutting,
8 say, asphalt, you can get away with a coarser diamond
9 that doesn't have to be as strong. If they are
10 cutting something, say, like extremely hard granite,
11 they are usually going to go with a stronger, finer
12 diamond because they need a good, clean finish, and
13 it's a hard material, so it requires stronger
14 diamonds. The diamonds do the cutting, but they also
15 wear, get rounded and polished, so it requires
16 diamonds that will also break down but continue to
17 leave a sharp cutting edge. So what particular
18 diamond is used is usually based on the application.

19 MS. HUGHES: Now, because not everything is
20 kept in inventory, and you do manufacture according to
21 request or something, must your customers certify you,
22 or is there any process like that required for the
23 nonstandard blades, whatever you're not keeping in
24 inventory?

25 MR. BURNETT: Bruce Burnett with Diamond B.

1 Most of our customers purchase on price. We sell to
2 end users. We sell to private label. We sell to OEM.
3 We sell to cities and counties, and we almost never
4 have to have any type of certification other than we
5 practice Fair Employment Acts. About the only thing
6 that ends up disqualifying us will be price. It's
7 almost never performance, or I should say it's never
8 performance; it's always price. When it comes to
9 dealing with some of the cities and counties and
10 stuff, it is strictly price.

11 We just got through having to deal with a
12 quote for a city in the Midwest, and there was six
13 distributors included on that, and all of the domestic
14 manufacturers' prices were comparable, not the same,
15 but all of the resellers that were selling imported
16 blades were about 25 percent of the price of the
17 domestic companies, and the domestic companies
18 included manufacturers that are owned by companies,
19 Electrolux and Saint-Gobain. So we were priced in the
20 same range as they were, but yet the companies selling
21 the imported products were extremely low in comparison
22 to everybody else.

23 MS. HUGHES: Is that the same with you, Mr.
24 Rizner?

25 MR. RIZNER: This is Ken Rizner. We get

1 blueprints. Somebody sends us a blueprint. We make
2 it on a blueprint that has the specifications, the
3 tolerances, the type of material the customer
4 specifies, Rockwell hardness, which is a heat-treating
5 term, and we have to manufacture to those
6 specifications. We guarantee our product 100 percent.
7 If it's not right, you send it back, and you get your
8 money back. You get credited for it.

9 So our guarantee and the fact that, you
10 know, the quality level that we have is definitely set
11 by the customer, and if there is something in there
12 that we say we can't produce to that tolerance, or we
13 need to do something, it's negotiated prior to
14 contract time prior to the order. But our orders are
15 made to order. I hope, when I get back to my office
16 tomorrow, there is an order sitting on my desk.
17 That's how it happens. When that happens, we
18 manufacture, we do not stock, and there is probably a
19 lead time of about two to three weeks, and that's how
20 our business is handled.

21 MS. HUGHES: Mr. Palovochik?

22 MR. PALOVOCHIK: Steve Palovochik. I'll
23 give you a little bit different answer. We do a lot
24 of business in New York City with people like Con
25 Edison and Verizon, and in dealing with those

1 companies, we are very specific in terms of the
2 specifications of the product in terms of the makeup.
3 It's very detailed, extremely detailed.

4 MS. HUGHES: You just make to the
5 specifications, though, and --

6 MR. PALOVOCHIK: Yes, but they are
7 competitively bid also.

8 MS. HUGHES: Okay. So are most of these
9 sawblades held in inventory, generally throughout the
10 industry, not necessarily your respective companies,
11 do you know, or are they mostly made to order?

12 MR. PALOVOCHIK: Steve Palovochik again.
13 Both. The inventory; a lot of what we consider
14 standard product that we know we move a lot of, fairly
15 generic product that we know is going to work. If a
16 customer needs something, like, right now, we'll be
17 able to ship that off from the shelf. Where we have
18 large-volume customers, we do inventory product for
19 them, but yet our turnaround time on short orders is
20 fairly rapid. If we get an order by 11 o'clock, we
21 can still, even large blades, if it's a reasonable
22 number, we can get them out the same day that the
23 customer needs it.

24 MS. HUGHES: Okay.

25 MR. BURNETT: Bruce Burnett with Diamond B

1 again. We're about a \$12 million-a-year business. We
2 have over a million dollars in finished product in
3 inventory. In segments, we have almost three-quarters
4 of a million dollars in inventory, and we have about a
5 half a million dollars or so worth of cores in
6 inventory. So we keep quite a bit of inventory, and,
7 of course, it's growing continuously, but most of
8 what's growing is product that we no longer are able
9 to sell. Actually, a lot of it, we try to fire sale
10 because we can't get rid of it due to pricing.

11 MS. HUGHES: Okay. Thank you.

12 MR. ZUCKER: Ms. Hughes, Paul Zucker from
13 Wiley Rein & Fielding. It's also common in this
14 industry for distributors and, as you pointed out,
15 rental houses to maintain inventory, so it may be the
16 case that even though a producer doesn't have a
17 particular blade in inventory, he can call one of his
18 distributor customers that he knows does.

19 MS. HUGHES: Okay. Thank you.

20 Mr. Pickard, if you could provide in the
21 post-conference brief a discussion or an analysis of
22 why the makers of the sawblade parts themselves should
23 be considered part of the domestic industry, I would
24 appreciate that.

25 MR. PICKARD: Certainly.

1 MS. HUGHES: And with respect to the related
2 parties, you mentioned two that you believe should be
3 excluded: Saint-Gobain, and I forgot what the other
4 one was.

5 MR. PICKARD: Electrolux.

6 MS. HUGHES: Electrolux. Do you know of any
7 other related parties in this proceeding? I haven't
8 had the opportunity, I should explain, to look at the
9 questionnaire responses, so if you've seen something I
10 haven't, you can just point me to that.

11 MR. PICKARD: Certainly. Saint-Gobain and
12 Electrolux are probably the two most significant
13 related parties, and it's public information that they
14 have got manufacturing facilities in China. There are
15 other related-party issues that are probably best
16 dealt with in the BPI draft.

17 MS. HUGHES: Okay. If you could address
18 those in terms of whether you believe the Commission
19 should exclude them from the domestic industry as well
20 as Saint-Gobain and Electrolux, the reasons for those,
21 we would appreciate that.

22 MR. PICKARD: Absolutely.

23 MS. HUGHES: Mr. Brakeman said something
24 about the usual competition being the Chinese and the
25 Koreans. What other competition is out there?

1 MR. BRAKEMAN: Richard Brakeman. I think,
2 basically, today, other than domestic, the bulk of the
3 competition would be Chinese and Korean. There are
4 some other countries importing that we're starting to
5 see but not in large quantities yet. India is one of
6 them. I think, at one time, there may have been some
7 European blades, but I don't think they ever -- in the
8 time that I've been aware of and worked with Diamond
9 B, I don't think they have been a big problem with our
10 business.

11 MR. PALOVOCHIK: Steve Palovochik. I would
12 say I have not seen India -- in other dual-segment
13 areas, not with respect to what we're talking about
14 here today, they have kind of come and gone. They are
15 really not a factor.

16 MS. HUGHES: One more question about the
17 like product. I think it was Respondents that said
18 something about there being professional and homeowner
19 segments in the market. If you could explain, and you
20 can do this in the post-conference brief, whether the
21 Commission should determine separate like products on
22 that basis or if that is a condition of competition
23 the Commission should examine, we would appreciate
24 that as well.

25 MR. PICKARD: Sure. It's our position that

1 there is a continuum of products. I'm not sure if
2 anyone would like to speak to that now. It's
3 something we can certainly address in our post-
4 conference brief.

5 MS. HUGHES: Okay. My last question: If
6 you could address the factors in your brief that the
7 Commission traditional must look at in making its
8 threat-of-material-injury finding, we would appreciate
9 that. Thanks.

10 MR. CARPENTER: Mr. Thomsen, the economist?

11 MR. THOMSEN: Good morning. I do have a
12 number of questions, and they aren't necessarily in
13 any particular order, so excuse me if I'm kind of
14 jumping around between Mr. Garrison and Mr.
15 Palovochik.

16 I guess my first question, and this is for
17 anyone on the panel, is regarding growth in the
18 different markets. There has been talk of the do-it-
19 yourself market. Home Depot has been growing like
20 gangbusters, and construction, as you noted, has been
21 growing. Is the rate of growth different in the do-
22 it-yourself market versus the general construction
23 market versus the road construction market?

24 MR. BURNETT: Bruce Burnett with Diamond B.
25 For us, that would be a tough one to analyze. We used

1 to have products that were getting used for the do-it-
2 yourself market. Most of them were going through
3 companies like MK Diamond, United Rentals, and few
4 other rental yards and resellers. We've kind of been
5 squeezed out of that market. We know it's been
6 growing, but we've also been told by the Koreans and
7 Chinese that that market has gotten so competitive
8 between themselves that they need to expand their
9 market into what part of the market we still have
10 left. So that is really my worry because that's the
11 only market we have left.

12 MR. PALOVOCHIK: Steve Palovochik. My
13 answer to your question would be I think we would have
14 to look at it in further detail because of the rate of
15 price erosion in some of these areas. I think there
16 has become a saturation in the rental resale market,
17 and I think a lot of it falls back on the law of
18 supply and demand. I think that's probably, to a
19 large degree, the type of situation we're talking
20 about here today.

21 The rate has been so precipitous. I've
22 tried to get my arms around -- can we grow our unit
23 volume? There are so many products that you have to
24 look at. We do try to look at it in a macro sense,
25 but you almost have to break it down by unit. We

1 certainly have the capability to do that better today,
2 but we're talking about so many different units that
3 it's really very difficult to get your arms around the
4 growth rate. I believe it has slowed.

5 A lot of the consolidation within the rental
6 industry -- United Rentals, the Hertz rentals, and
7 these people -- that industry consolidation has
8 started to pretty much cap out, and they have run into
9 some issues of their own. So the grow there, I think,
10 has slowed somewhat.

11 Construction has bounced back somewhat, but
12 it's sporadic. It largely is still waiting for the
13 highway funds to be released. That impacts the
14 fluctuation in rate of usage of the sawblades on the
15 major highway projects around the country.

16 MR. ZUCKER: Mr. Thomsen, Paul Zucker of
17 Wiley, Rein & Fielding. I think the shortage answer
18 in our discussions with the clients is that there are
19 always some markets that are ebbing and always some
20 markets that are not. As you mentioned, there is the
21 road construction bill, but to counter that, there is
22 all of this new granite, such as you have here, being
23 placed in homes, brick driveways where you used to
24 have asphalt. So as a result, to say, is the market
25 overall growing or to ask about specific markets,

1 there are always going to be some markets doing better
2 than others for these guys because they have so many
3 different materials that they can cut.

4 So, overall, I think the period where
5 diamond sawblades had first been introduced in mid-
6 century and, therefore, were taking over from the
7 earlier alternatives -- one need only look at the
8 pyramids to see that people have been cutting stone
9 for a long time -- that part has pretty much -- now
10 they are developing new markets, new materials, such
11 as the brick and the granite, but basically that
12 growth period where they were the new guy on the block
13 has probably slowed, and I believe that's what Mr.
14 Palovochik is referring to.

15 MR. PALOVOCHIK: That was an excellent
16 answer because, in honestly, we are in this home
17 business as well, and that is the major growth segment
18 that we see right now because of the use at the
19 consumer level of stone, which we haven't seen in this
20 country. If you've gone to Europe or the Pacific Rim,
21 you see all of the stone use in residential and
22 commercial construction. We're now seeing it here.
23 The cost to produce the stone has come down to that
24 level. So that is the growth segment that's out there
25 right now.

1 MR. THOMSEN: Is there a way that you could
2 guesstimate to quantify this? For post-hearing brief,
3 obviously, because this would be proprietary
4 information, but to look at maybe some of your largest
5 sellers or maybe broken down into segments between a
6 few that might be used for road construction or a few
7 that might be used for stone, seeing how the growth
8 has shifted in there, where we're seeing this ebbing
9 down of construction increase in stone. Is there a
10 way to quantify that?

11 MR. PICKARD: I think that's something that
12 certainly we would be willing to do in the post-
13 conference brief so we don't get too close to business
14 proprietary information. As a general matter, I think
15 the industry tracks both residential and
16 nonresidential construction, and we've seen that
17 increase over the three-year period. But we'll flesh
18 that out in our post-conference brief.

19 MR. THOMSEN: That goes to a related
20 question I had, which was about the highway spending
21 bill that is not yet complete, what effect that has
22 had on your business. Obviously, it will depend on
23 how much of your sales are into the road construction
24 segment of the market. I was just trying to break
25 down the market to see where the growth is, and so

1 that's just a related question as to how much effect
2 that might have, if you have information on it.

3 MR. PALOVOCHIK: Just a quick general
4 comment. I think it's very state specific. Some
5 states are much more aggressive in the amount of work
6 that they have undertaken this year; others have
7 fallen back. And I think, from the standpoint of the
8 manufacturers here, it obviously depends on which
9 contractors you're involved with. Some get the jobs,
10 and some don't. Diamond B may have an instance where
11 they are working with a contractor that's got some
12 work that we didn't get because we're involved with
13 another contractor, but we'll get other work that they
14 don't. But it has picked up. I just don't think it's
15 picked up, from my perspective, personally, at as
16 dramatic a rate as I thought it would at this point in
17 time in the year.

18 MR. BURNETT: Bruce Burnett with Diamond B.
19 We just can't manufacture virtually every year we've
20 been in business. Some areas have shrunk; some areas
21 have increased. Part of it is the normal cycles. Our
22 biggest situation has been we know that all of the
23 smaller-sized blades; that area has definitely shrunk
24 for us. It's not that we can't make a product. We
25 can't compete on the price again.

1 We're still able to compete in most of the
2 larger sizes, in what a lot of people are trying to
3 call the "professional market," which, to me,
4 professional or home user, they are not really
5 different markets; they are just different end users.
6 They are all cutting the same materials, and since
7 we've had our products go to home users, the small
8 professional guy doing tile work to the large highway
9 work, we're in all of the markets.

10 If it's a metal-bonded diamond product, we
11 can manufacture it; we just can't manufacture it below
12 cost, and that's going to be it, no matter what the
13 markets are out there right now. We can go into any
14 market there is for the product if there is a price
15 available to allow us to make some money, and that's
16 really our short end of it.

17 I've been kind of joking around, so what are
18 we going to start making? But, of course, our
19 equipment won't make anything else. So we're kind of
20 stuck.

21 MR. GARRISON: Steve Garrison. I just
22 wanted to reinforce what Steve said. The highway bill
23 and the amount of money in it may not necessarily be
24 indicative of how much diamond blade consumption would
25 be there because that money can be spent on many, many

1 different things, such as sound attenuation on the
2 freeways and so on and so forth, so there's a lot of
3 other monies that can be spent there. It sometimes
4 is, but it's not necessarily.

5 MR. THOMSEN: Do you know if the federal
6 spending bills would have typically any Buy American
7 provisions that would affect sales, or have you heard
8 anything about any Buy American provisions that have
9 affected your sales?

10 MR. BURNETT: Bruce Burnett again. I'm not
11 aware of anything with any other government that we
12 deal with that's Buy American. The only thing I'm
13 aware of is Use Minority, not Buy American, and I'm
14 not against minority uses, but definitely for Buy
15 American, we're definitely 100-percent American but
16 maybe not for very long.

17 MR. THOMSEN: I guess, getting to that
18 point, you had noted, Mr. Burnett, that you have
19 started to import some of the blades, and I was
20 wondering what size or type of blades do you typically
21 import to round out your product line?

22 MR. BURNETT: Actually, we're not importing,
23 but we are using imported product. We're buying from
24 some of the opposition here, and it's all in the
25 smaller-diameter blades that mostly right now they are

1 selling for at or below our material cost. We can't
2 manufacture it at material cost, so if we can buy it
3 elsewhere, we don't have any choice when the
4 competition out there is so great that you have people
5 that can go to Home Depot or a private label and buy
6 the stuff cheaper than we can manufacture it for,
7 cheaper than we can sometimes buy all of the materials
8 for. We've been kind of forced to use imported
9 products in our product line, not that we can't
10 manufacture it.

11 MR. PALOVOCHIK: Steve Palovochik. I would
12 say 14 inch and under. We will make 14-inch blades,
13 but typically they will be a performance-related
14 product, not a commodity consumable. They will be a
15 value-added product.

16 MR. THOMSEN: So the domestics' production
17 really kind of starts at 14 because you haven't been
18 priced out of the market at the 14 inches for the
19 produced order, the performance blades.

20 MR. PALOVOCHIK: Right. If were to look at
21 consumption, probably 14 inches is probably the main
22 driving size throughout the country.

23 MR. GARRISON: Steve Garrison. We've been
24 priced out of the market from the seven-inch segmented
25 all the way to 14 inch now.

1 MR. PALOVOCHIK: Minus 14 and under, we've
2 been priced out of the market.

3 MR. THOMSEN: Okay.

4 MR. ZUCKER: Paul Zucker of Weil Rein &
5 Fielding. However, it should be noted for the record
6 that each of these producers goes down to four inches,
7 has sold four-inch blades, so they have been pushed
8 but not completely pushed out of those sizes.

9 MR. THOMSEN: Thank you for that
10 clarification.

11 MR. GARRISON: We still make them, just not
12 as many.

13 MR. THOMSEN: Okay. Another question for
14 Mr. Palovochik. You had talked about the rental
15 market and growth in there. I'm just trying to get a
16 feel of the size of the rental market versus the
17 contractor market versus the different market segments
18 that you're selling into, and this might also be for
19 the post-conference brief, if you don't want to talk
20 in generalities. But if you want to just give me an
21 idea how large the different market segments are, that
22 would be helpful in our analysis.

23 MR. PALOVOCHIK: Steve Palovochik. I think
24 I can make some just very general comments. Probably
25 the largest single, in terms of unit volume, that we

1 would sell into the rental resale market would be the
2 12- and 14-inch blades. I mean, there are sevens,
3 there are tens, and what we call "tuck-point blades,"
4 that type of thing, but the largest single item would
5 be the twelves and fourteens. We do sell through some
6 supply houses larger-diameter blades, but they are
7 generally rented out on a footage basis. They charge
8 the customer so much based on how much wear they have
9 seen on the blade. I would say, far and away, that is
10 the biggest single size, twelves and fourteens, that
11 are sold through supply houses.

12 MR. PICKARD: Mr. Thomsen, if your question
13 is more who is buying what, what percentage of
14 purchasers fall into, arguably, which groups, I think
15 that's something that we'll address more in our post-
16 conference brief.

17 MR. THOMSEN: That would be great, although
18 I do thank Mr. Palovochik for that answer because that
19 is very helpful.

20 Another question I wanted to talk about, the
21 quality of the blades. It seems, from our research,
22 that there are different qualities of blades, even in
23 the same size, width, segments, and so forth. I've
24 seen the name "premium." I've seen "ultra." I've
25 seen "highest." Can you just give me a sense of what

1 those are?

2 MR. BURNETT: Bruce Burnett again, Diamond
3 B. We've been manufacturing for 20 years, and it
4 really hasn't changed. What one company may call
5 standard may be another company's premium. What one
6 company may call a professional, for some it may be
7 the top of their standard line. Premium to premium to
8 premium is not necessarily relevant. It still comes
9 down to what the diamond grades and quantities and
10 stuff are in the blade for really high performance.
11 It's all marketing scheme. We can call one of our
12 lowest-grade blades a premium blade, but in our
13 product line, our lowest-grade blade is a low-grade
14 blade for us.

15 MR. THOMSEN: I understand, but I'm trying
16 to get at what the difference between your standard
17 versus your premium --

18 MR. BURNETT: Our standard versus our top of
19 the line is going to be strictly in the diamond grade,
20 the quantity of the diamonds, the size of diamonds,
21 and may have to do with a difference in the bond and
22 the application.

23 If you were to kind of look at what's the
24 difference between, say, a Mr. Coffee coffee pot and a
25 Molita coffee pot, there's people that prefer one

1 versus the other. One will call it a premium, and the
2 other one will call Mr. Coffee the bottom-of-the-line
3 stuff, but they both serve the same purpose. So
4 you'll come up with different grades because of
5 horsepower -- that's usually what causes the change in
6 grades and not really the pricing. But when it comes
7 down to where a customer is looking for pricing, it
8 really doesn't matter what you call a premium and a
9 standard because if they are looking for pricing,
10 that's all they are going to look for, and you can
11 call it anything you want.

12 But we do have a difference in our catalog,
13 and there is a difference, but it's strictly going to
14 be diamond depth, the amount of diamonds, and the
15 greater the diamonds.

16 MR. THOMSEN: Mr. Garrison?

17 MR. GARRISON: Yes. Steve Garrison. Just
18 to tack onto what Bruce was talking about, "quality"
19 is one of those words that gets used to define or
20 describe, and I just wanted to define quality as
21 manufacturing a blade to the intended requirements and
22 separate that from the price that's being charged.
23 The price that's being charged is generally if they
24 are higher and lower prices in our catalog, they are
25 generally, as Mr. Burnett has explained, higher

1 diamond weights, either because of higher
2 concentration of diamond per unit volume or a taller
3 segment that contains more diamonds.

4 So the higher concentrations, as he said,
5 are for higher-horsepower applications, not
6 necessarily for a pro market, as has been described,
7 but for use on high-horsepower saws which can be sold
8 directly to a pro through a rental yard, through all
9 of the possible ways to get the product in the hands
10 of the end user.

11 MR. THOMSEN: In terms of inch-feet, someone
12 had mentioned -- I'm not sure who it was -- that there
13 are different amounts of inch feet that a blade could
14 cut through, and it depends on the hardness of the
15 product being cut along with the type of blade that is
16 being used for that. What would be a difference in
17 inch-feet, say, between a standard and top-of-the-line
18 blade?

19 MR. GARRISON: Steve Garrison. Typically,
20 you would use the lower-priced blades in our product
21 line to saw with lower-horsepower saws, and because of
22 that, your expected inch footage is not going to be
23 nearly as high as if you used a higher-horsepower saw
24 and a higher-concentration blade. It's a difficult
25 question to answer because if you use that same low-

1 diamond-content blade on a high-horsepower saw, it can
2 disappear in 25 percent of the time that it would
3 normally disappear on a low-horsepower saw. I don't
4 know if I explained that well. I'm not sure. It is a
5 difficult question to answer, but certainly you would
6 expect lower footage on a lower-diamond-content blade.

7 MR. THOMSEN: And that would be both because
8 of the diamond content on the blade and that it's
9 being used on a lower-horsepower machine. Is that
10 correct?

11 MR. GARRISON: Yes.

12 MR. PALOVOCHIK: Not to belabor the point,
13 Steve Palovochik, maybe just to put a little different
14 spin on it, what Steve and Bruce have said, I totally
15 agree with, and I know when they have a premium or a
16 standard product, not knowing specifically the makeup
17 of their product, I know there is a certain level of
18 performance that I would expect to see out of them as
19 a competitor.

20 Talking about, in this case, the same kinds
21 of varieties -- standard, premium, whatever, heavy
22 duty -- with respect to the smaller-diameter blades,
23 these can vary all over the map from manufacturer to
24 manufacturer. We'll see segments as high as 14
25 millimeters high, 10 millimeters, seven millimeters

1 high. It has to do with the quality of the diamond,
2 the quality of the metal powders that they use, and
3 the performance of these blades can be all over the
4 map.

5 So when we sell a product, an overseas
6 product, we have to be very careful in scrutinizing
7 that product not just because it looks nice because
8 they could be using a low-quality diamond manufactured
9 in China at a very low price, or they could be using a
10 higher-grade product, and it depends on the
11 manufacturer. So there isn't the same relative
12 consistency that we see amongst our competition in
13 this country coming from the offshore sources. It's a
14 different answer, but I think it --

15 MR. ZUCKER: Mr. Thomsen, Paul Zucker of
16 Wiley Rein. There is one other factor that they
17 haven't really talked about that gets to your specific
18 question of how many inch-feet you would expect, and
19 that, truthfully, is how skilled the actual end user
20 is. Every person here can give you horror stories of
21 guys who bent blades and made them go running for
22 cover as they watched them operate it. So that can
23 have a very significant effect, regardless of the
24 quality of blade that's loaded onto the machine.

25 MR. RIZNER: Mr. Thomsen, Ken Rizner with

1 Hyde. Just for your information, the core itself is
2 the same core that we provide, and the levels in the
3 blades that they make from it for different
4 applications are through the diamonds and the segments
5 and the different solutions that are used for those
6 segments, but the steel core itself, it's the same
7 one.

8 MR. THOMSEN: Okay. Thank you. That is
9 helpful.

10 Are the typical blade heights coming from
11 China and Korea and any other markets, are they
12 typically the same as the --

13 MR. GARRISON: Yes. Sorry.

14 MR. THOMSEN: Even still, if they are both
15 considered premium, as you were saying, that one
16 person's premium may be another person's standard, do
17 you typically find that the Chinese and Korean premium
18 is the exact same height as your premium; it's just
19 that there may be other smaller differences between
20 the medium that the diamonds are in or in some other
21 such fashion?

22 MR. GARRISON: Most of the Chinese and
23 Korean product I've been aware of will offer differing
24 segment heights for their different grades, just like
25 we do, so it's very similar between the two.

1 MR. THOMSEN: Okay. Thank you.

2 Okay. Mr. Burnett, you had noted that when
3 Diamond B started out, you were performing cost-per-
4 inch-feet calculations, or was it Mr. Brakeman? Sorry
5 about that. Do you still perform these tests and
6 calculations?

7 MR. BRAKEMAN: Richard Brakeman. I believe
8 it's infrequent compared to what we used to do. I
9 won't say we've abandoned everything that we've ever
10 done, but historically I would sit there sometimes for
11 quite a few hours in one day calculating inch-foot
12 performance on blades and how they should be billed,
13 and I probably don't spend 5 percent of those hours
14 today making those same calculations. I won't say
15 it's gone away, but that's not common.

16 MR. THOMSEN: Do you perform these
17 calculations with other of your competitors' blades
18 also to try and figure out whether you still have the
19 highest-performing blades or that you have the best
20 mix of cost and performance?

21 MR. BRAKEMAN: In most cases, we're relying
22 pretty much on the information gathered by the
23 consumer, the user of the blade, sometimes with the
24 assistance of our salesperson, but usually it's the
25 numbers they have given us that we rely on.

1 MR. THOMSEN: If you have any information
2 regarding comparisons between them that you can submit
3 for the record in your post-conference brief, I would
4 be interested in seeing any comparative inch-feet for
5 one blade versus another, either anecdotally or in
6 terms of hard data, if it's available.

7 MR. BRAKEMAN: I don't think it would be so
8 much available that way, as we set usually a goal
9 number that we are going to try not to exceed. In
10 other words, we're going to try not to exceed in an
11 area a certain price per inch-foot, and based on, I
12 guess I would say, the customer's claim of historical
13 data, I don't think I have any comparative data
14 available that way.

15 MR. THOMSEN: Do you have any data, not in
16 terms of price range but just in inch feet per blade,
17 that you could submit?

18 MR. BRAKEMAN: I believe so.

19 MR. THOMSEN: Okay. That would be helpful.

20 In the testimony this morning, we also heard
21 that there was the story of someone that was in
22 California on the West Coast and faces intense
23 competition -- was it you, Mr. Garrison? Correct? Is
24 there more competition on the West Coast than there is
25 elsewhere in the country?

1 MR. GARRISON: I would say it began there,
2 but now it's fairly well involved in the entire
3 country. But certainly a couple of years ago, when I
4 had the conversation with our ex-salesperson, it was
5 much more evident at that time in the West.

6 MR. THOMSEN: Is the competition, then, just
7 as fierce throughout the country now?

8 MR. GARRISON: Yes.

9 MR. THOMSEN: I believe this question may
10 have been answered but not quite in the detail that I
11 was wondering. What is the most expensive versus the
12 cheapest way to bond a segment onto a
13 blade? Is laser welding the cheapest typically, or is
14 sintering the cheapest or soldering, or does it depend
15 on the application?

16 MR. GARRISON: Well --

17 MR. THOMSEN: -- for custom orders, you had
18 noted earlier that -- I think it was Mr. Palovochik --
19 that you could get something out the same day if it
20 was a big enough order. Typically, how much lead time
21 do customers need or how much do they give you in
22 order to make a custom order for them? And does it
23 require you to do more research or is most of the
24 custom order just blade that you would produce but is
25 not typically produced, not one of your large volume

1 pieces?

2 MR. PALOVOCHIK: Steve Palovochik.
3 Typically, on a same-day order, we know what the
4 customer's specific needs are. We do run into
5 situations where we do get requests for something
6 fairly unique for some off-the-wall application. If
7 the quantities are not significantly too great we can
8 try to accommodate them, but, generally, if it's a new
9 application in some area, we'll just refuse to respond
10 on that, not take the order for the sake of taking the
11 order. We want to give the customer the product that
12 he needs. So if it requires some engineering time
13 we're going to tell him that our turnaround time is
14 going to be a week, for instance. And typically
15 nothing is much more than a week.

16 MR. GARRISON: Mr. Thomsen? I would also
17 just autistic spectrum disorder that our custom orders
18 where we're making something for a very specific
19 application is definitely less than 5 percent of our
20 business. Where we end up making things and having to
21 get it out the same day is usually because their
22 just-in-time manufacturing wasn't just-in-time and the
23 segments weren't on the shelf or some other part of
24 that system wasn't quite where it needed to be.

25 MR. THOMSEN: Okay.

1 MR. BURNETT: Bruce Burnett with Diamond B.
2 It varies from application and customer. We have some
3 customers that will never order in advance and they
4 may order stuff that is not a common item. We do
5 sometimes get lead times. We can manufacture from
6 scratch and in an extremely short time, regardless of
7 if it requires engineering because we have excess
8 capacity in our plant. We prefer to have more lead
9 times on everything we manufacture because that makes
10 for the manufacturing to be much more efficient, it
11 reduces haul costs, overhead, labor. But our
12 capabilities are as good as anybody's out there,
13 whether it's short lead times or long lead times,
14 common items or not. We just need more orders with a
15 better margin.

16 MR. THOMSEN: Thank you.

17 Mr. Palovochik, you noted that you had gone
18 to -- was it Korea or Korea and China to tour their
19 plants. Do you know if they either the research
20 facilities to make new products or to make custom
21 products or just what they're producing, doing runs
22 where they can go as fast as they can and they stock
23 the inventory?

24 MR. PALOVOCHIK: Steve Palovochik. The
25 major manufacturers do have extensive research

1 facilities and significant engineering support
2 capabilities because they are typically -- the larger
3 ones are some of the top ten global manufacturers.
4 They are geared very much to producing -- I'll refer
5 to it as generic standard product, thousands of types
6 of products, because that's what their market was
7 built around. That's one of the things that their
8 market was built around. The issue being we have the
9 same capabilities, we'll use the same laser system and
10 you can split laser beams at multiple workstations to
11 do laser welding of blades. An example, a 12-inch
12 blade made in Korea. A segment is put on a rotary
13 table, they hand load the segments, they generally
14 make a magnetic clamp down, they turn on the laser,
15 run it around, it takes less than 30 seconds, pull the
16 blade off, put the next one on. It's not fully
17 automated, it's a relatively manual operation. I'm
18 not saying it can't be automated, but the ones I've
19 seen haven't been.

20 We have the same capability to do that,
21 except that the typical market demand that we've run
22 into in the U.S. market is not to demand or require
23 that level of production and the cost levels right now
24 to invest in the tooling to automate to that level at
25 prices where, as everybody has stated, the cost of the

1 blades are less than the raw materials required to put
2 the blade together, it's not practical or feasible for
3 us to even look at it. But are we all capable of
4 doing it? Yes, from what I've seen, we have
5 efficiencies that I haven't seen in China and Korea,
6 but yet are we always capable of capitalizing on them
7 because of price? The answer is no.

8 MR. BURNETT: Bruce Burnett with Diamond B
9 again. When Webb Burnett was in China in a one of the
10 plants that he visited, most of their blades were
11 known as centered product and what he had seen was
12 they had more currently in production that we produce
13 in an entire year and that was in production. Of
14 course, one of the things he was told was they have to
15 keep people busy and they're being paid to do it,
16 they're being paid to export. With that kind of
17 volume, with 400 employees, regardless of what the
18 labor is, they're doing less than maybe 10 million
19 equivalent U.S. dollars and I don't know how anybody
20 can compete with that because, like I said, we can
21 pull our labor and overhead out and it really doesn't
22 make any difference when you can't compete with the
23 prices that they're coming into this country at.

24 MR. THOMSEN: Thank you.

25 Do any of you currently at the table or do

1 you know if any of the other petitioners have related
2 diamond sawblade production facilities overseas?

3 I know you had mentioned Electrolux and Saint-Gobain
4 who are overseas companies but have production
5 facilities in the United States, correct? But do they
6 have other facilities overseas?

7 MR. PALOVOCHIK: Steve Palovochik. Yes,
8 they do.

9 MR. THOMSEN: Yes, they do? Okay.

10 And do you know of any other producers that
11 may have overseas facilities that are also in the
12 United States?

13 MR. PALOVOCHIK: That's an interesting
14 question because most of the overseas producers, for
15 instance, other ones out of Europe, do not sell into
16 the United States.

17 MR. THOMSEN: Okay.

18 MR. PALOVOCHIK: And largely because of the
19 pricing in the U.S. market.

20 MR. THOMSEN: Okay.

21 MR. PALOVOCHIK: In other words, there are a
22 large number of manufacturers in Europe that will not
23 sell in the United States because of the pricing
24 levels.

25 MR. THOMSEN: Okay. And does anyone know of

1 any plants that are currently being built overseas or
2 in the United States at the present time?

3 Mr. Garrison?

4 MR. GARRISON: It's my understanding that
5 Diamond Products is finishing a plant in Thailand, but
6 beyond that, I believe that Demus [phonetic] and
7 Electrolux have manufacturing plants in Europe, but I
8 couldn't tell you where they are in Europe.

9 MR. THOMSEN: Okay. But it's a pretty
10 mature industry besides that?

11 MR. GARRISON: Oh, yes.

12 MR. THOMSEN: Okay.

13 MR. PALOVOCHIK: Well, the only thing
14 I would add is that my experience in dealing with the
15 Koreans and the Chinese is that their respect for
16 intellectual property is not the same as it is here in
17 the United States and in many other western countries
18 and that what typically happens is that people will
19 start up a business and after a period of three to
20 four or five years, there are people in that business
21 that acquire the technology, they leave and start
22 another company. And that, I think, is to Bruce's
23 comment relative to the number of Chinese
24 manufacturers that his father saw when he was over
25 there and that's compatible with the experience I've

1 seen just in the abrasive side of the business when we
2 got involved in technology theft in Korea and China.

3 MR. THOMSEN: I want to thank the panel for
4 all your answers. I have no further questions.

5 MR. CARPENTER: Mr. Ascienzo, the
6 supervisory auditor?

7 MR. ASCIENZO: Good morning. This is John
8 Ascienzo.

9 My first question, I apologize if this has
10 been addressed, I think the answer is no, but are
11 there any fully integrated U.S. producers? In other
12 words, that make the cores and then the blades?

13 MR. GARRISON: Not that I'm aware of. This
14 is Steve Garrison.

15 MR. ASCIENZO: Okay. I thought the answer
16 was no. I'm sorry. Thank you.

17 To your knowledge and to the extent you can
18 explain it here, do any of the companies specialize in
19 certain sized blades or can you all make the same size
20 and type of blades? I think you've said you've kind
21 not walked away from but you've kind of lessened your
22 production of the under 14-inch, but can every U.S.
23 producer to your knowledge produce every type and kind
24 of blade?

25 MR. BURNETT: Bruce Burnett with Diamond B.

1 As far as I'm aware, all U.S. domestic producers that
2 can produce metal bonded diamond products can produce
3 an entire range if they have the profits available to
4 them and the market.

5 MR. PALOVOCHIK: Steve Palovochik. Yes,
6 I would concur with that. We're a little more unique
7 in that we're a little more diversified in the range
8 of diamond tools that we make, but absolutely we can
9 make any product that would be referred to within this
10 group.

11 MR. ASCIENZO: Okay. My next question, on
12 the raw materials, you've got the steel core and then
13 the segments which are the boron, the tungsten and
14 diamond bits. Do you have a feel for what the
15 approximate cost percentage would be for raw materials
16 between the two? In other words, is steel core 80
17 percent and diamond segments 20? And that might vary,
18 of course, by size.

19 MR. PALOVOCHIK: I think it could be
20 business proprietary, but we could break it down in
21 our brief for you.

22 MR. ASCIENZO: Okay. Thank you very much.
23 And, also, I this was asked but I didn't
24 quite get the answer before. The segments, are they
25 made by a company or companies in the United States?

1 MR. GARRISON: Steve Garrison. Yes. That's
2 what primarily we do, is manufacture segments, and
3 then attach them to the cores.

4 MR. ASCIENZO: I guess I did miss it. Thank
5 you. Sorry.

6 And this is another question that was asked
7 before, the seasonality, and I think the answer that
8 I remember is there's really not a whole lot, but
9 maybe that's not quite what you were saying, but let's
10 say we looked at the data and we saw that the
11 shipments and the sales in the first quarter of '04
12 were not one-quarter of what they were for the whole
13 year, they were less. What would be a reason for
14 that? Would you have an explanation?

15 MR. GARRISON: Steve Garrison. I don't
16 think I'd hazard a guess at that one, but I think
17 I would say that certainly if you divided our
18 company's business up by quarter, just to give you a
19 feel, it might be 20 percent, 30 percent, 30 percent,
20 20 percent, quarters one through four. Something like
21 that.

22 MR. ZUCKER: The testimony, Mr. Ascienzo,
23 was that there is at least in the northeast certainly
24 some element of seasonality just because of
25 construction market is impacted by weather, so to some

1 extent, yes, I believe that you'll find that the
2 winter quarters are the low quarters, at least for the
3 finished diamond sawblade producers.

4 MR. GARRISON: The northern tier, yes.

5 MR. ASCIENZO: And I gather, then, that the
6 northern tier is a big purchaser? Okay.

7 And this seasonality, is it production and
8 sales? To the extent you can address it now or you
9 can address it in the post-conference.

10 MR. GARRISON: Yes. We'll address it in the
11 post-conference.

12 MR. PALOVOCHIK: Steve Palovochik. Just to
13 address the seasonality, one of the reasons why the
14 northeast and the cold weather states are probably the
15 major consumers are because of construction of the
16 highways due to the weather, the freezing and thawing
17 and we have a lot more older roads and bridges that
18 are in dire need of restoration. So there is
19 definitely -- and I would agree with the 20/30/30/20
20 quarterly split. That's pretty typical.

21 MR. ASCIENZO: Thank you. I have no more
22 questions.

23 MR. CARPENTER: Mr. Mata, the industry
24 analyst?

25 MR. MATA: Ruben Mata with the Office of

1 Industry and I have one single question and that is
2 for clarification purposes.

3 Cutting diamonds found in segments, are they
4 a combination of industrial or natural diamonds?

5 MR. PALOVOCHIK: Maybe I should answer this
6 one because we deal with both products because we use
7 natural diamond in a lot of our geological drilling
8 products. Largely, today, it is all manufactured
9 diamond, 100 percent.

10 MR. GARRISON: Steve Garrison. We concur.

11 MR. MATA: I have no further questions.

12 MR. CARPENTER: Mr. Corkran, the supervisory
13 investigator?

14 MR. CORKRAN: First, I'd like to thank you
15 all very much for taking the time to be here and to
16 help us with this case.

17 Like Mr. Thomsen, I'll preface my remarks by
18 saying they're in no particular order. I'd like to
19 start off with a description of the industry as very
20 broadly defined. You have a limited number of
21 companies in the United States that produce cores, you
22 have a greater number of companies in the United
23 States that produce segments, I believe all of which
24 combine the segments to the cores to form the finished
25 sawblades. And then arguably there's a third category

1 of company that was mentioned in your opening
2 statement, Mr. Pickard, assemblers, because you are
3 questioning whether or not they were properly
4 considered or should be properly considered or
5 included in our data for the domestic industry.

6 Just to be clear, the assembler, then, would
7 be a company that is sourcing its segments rather than
8 producing them itself?

9 MR. PICKARD: You're essentially correct.
10 So there are a limited number of core producers,
11 essentially two. There's a larger numbers of
12 companies that manufacture the segmented in the United
13 States and then attach that segment to the sawblade,
14 the finished sawblade producers. And then we suggest
15 that those producers who would, for example, import
16 Korean segments and attach them to a Korean core in
17 the United States that that level of production would
18 not rise to the level of domestic production for
19 purposes of defining the domestic industry.

20 MR. CORKRAN: When you consider a company
21 that's purely engaged in assembly as opposed to a
22 company that produces segments and joins them, setting
23 aside, and I don't mean to diminish it in any way, but
24 setting aside the production of the segment itself,
25 would your operations be comparable in terms of --

1 when it comes to joining the segment to the core,
2 would your operations differ, do you believe, from one
3 of these assemblers in the nature of the operation
4 you're performing?

5 MR. GARRISON: I wouldn't believe so.

6 MR. PALOVOCHIK: Steve Palovochik. No.
7 I would say no.

8 MR. CORKRAN: Okay. With possible apologies
9 to Mr. Griffith, I will summarize his opening
10 statement and try to look for where there may be some
11 agreement and maybe some disagreement in how the
12 market has been characterized. I believe Mr. Griffith
13 characterized it as domestic producers having a focus
14 on larger sizes, laser welded product sold primarily
15 for professional application, and contrasted it with
16 imports typically being of smaller size, typically
17 center welded and typically being sold for home
18 improvement.

19 Now, he drew some further conclusions from
20 that, that the markets were highly segmented and that
21 there was attenuated competition. I'm not so much
22 focusing on the conclusions as I would like to focus
23 on just the characteristics of the market.

24 I took from the testimony that production of
25 smaller sizes, perhaps 14-inch and down, was somewhat

1 limited in the United States. I believe I heard that
2 at least do-it-yourself type sales which I would take
3 as being somewhat synonymous with home market sales
4 were somewhat limited on the domestic side and
5 I believe I heard that all domestic production was
6 laser welded. I know there's a discussion of a
7 company called Felker, but I don't think they were
8 considered an active producer of this product.

9 Have I adequately summarized the factual
10 elements here?

11 MR. BURNETT: Bruce Burnett with Diamond B.
12 To try to separate the differences in the market is
13 probably unjust and unfair. We have products going
14 into the do-it-yourself market as they want to call
15 it. One of the people on the opposition used to buy
16 from us and put some of our product in that market.
17 We used to quote pricing constantly with them,
18 lowering our prices because of the competition from
19 the imports and one of the things that we were told by
20 MK Diamond, specifically Robert Delahaut, was as long
21 as you can come close we'll buy it because we prefer
22 to buy American products. And I heard that a number
23 of times, I even heard it not all that long ago.

24 But as we'd lower prices and we were
25 thinking we were going to be getting some business,

1 instead of us getting the business, it was continuing
2 to increase the amount that was going to the
3 importers. So in a lot of ways, I think that we were
4 kind of in our pricing structure getting used to help
5 negotiate the beginnings of the downfall of the import
6 pricing because we've seen pricing in the last few
7 years coming to us from the import stuff that is 25
8 percent of what it was two years ago.

9 MR. GARRISON: Steve Garrison. I would just
10 recharacterize it as we've been pushed out of the
11 market for smaller blades, not that we have never been
12 in it. And the reference to Felker that Bruce made
13 was Felker was a company that did exist as a separate
14 entity years ago that his father worked for. They
15 have been purchased and made part of the target group
16 which was acquired by Demus [phonetic], so they don't
17 exist as an entity today, to clarify that.

18 MR. PALOVOCHIK: But they did exist as an
19 entity and a manufacturer.

20 MR. GARRISON: Absolutely.

21 MR. PALOVOCHIK: Up until --

22 MR. GARRISON: When his father was involved
23 in that.

24 MR. GARRISON: Yes.

25 MR. RIZNER: Excuse me. This is Ken Rizner.

1 Did you have a comment that feel all domestic blades
2 are laser welded? Did you just say that?

3 MR. CORKRAN: That was the interpretation
4 I was taking from the testimony, but if it's an
5 incorrect one, please do --

6 MR. RIZNER: Is that true?

7 MR. GARRISON: Steve Garrison. They're
8 certainly not always laser welded, but that would
9 be -- I think I mentioned a figure like 90 percent, 95
10 percent would be laser welded.

11 MR. PALOVOCHIK: I would concur with that
12 number. Yes. We do braised blades as well. We
13 actually do do some center product as well.

14 MR. GARRISON: And, again, we don't do the
15 centered method of attachment, which is a way of
16 making the segments and the attachment at the same
17 time, because we have already been pushed out of that
18 market segment.

19 MR. PALOVOCHIK: We only do it because we
20 have the equipment to do that type product --

21 MR. CORKRAN: I wonder if we could step back
22 a little bit and try to get a little bit of -- I'd
23 like to see where events are falling on a time line
24 here.

25 There's been testimony today about being

1 pushed out of the market for smaller sized blades
2 There has been some reference that one strategy
3 employed to maintain market share was through the use
4 of purchased imported product.

5 I wonder if you could give me a sense of
6 when these events were taking place, when did you
7 really see yourselves being pushed out of, say, the
8 14-inch and below markets?

9 MR. GARRISON: Steve Garrison. We started
10 purchasing Korean and Chinese type products about a
11 year and a half to two years ago, when the pricing
12 really became -- well, when it started dropping
13 severely.

14 MR. CORKRAN: I wonder if I could get some
15 clarification, switching gears out of the market, but
16 more into applications. When there's discussion of
17 wet versus dry cutting, are there differences in the
18 types of blades that are used for wet cutting versus
19 dry cutting?

20 MR. BURNETT: No, the differences may be in
21 the quality of the diamonds or the concentrations.
22 Dry cutting are almost always going to be laser
23 welded, very seldom what one would call silver
24 braised. Most wet cutting blades, if they're laser
25 welded, can be used in a dry application and most dry

1 blades can be used in a wet application, so it's kind
2 of a misnomer to call them wet versus dry.

3 Now, since most of the dry blades are used
4 on high speed handsaw blades, that is a difference in
5 that they have to be tensioned to run at a higher RPM,
6 but to really differentiate because of the amount of
7 water added to them, the same core, it can be the same
8 segments, it's only going to be the tensioned RPM on a
9 lot of the product. We've made it for both
10 applications. We've had customers that say, well,
11 I bought this dry blade, can I use it wet? And you
12 can always use a dry blade wet. If it's a braised
13 blade that's meant wet, we do not recommend using it
14 dry. The biggest difference is going to be in the
15 tensioned RPM.

16 MR. PALOVOCHIK: Steve Palovochik. And
17 generally the performance will be better wet than it
18 is dry. It would be kind of almost a nomenclature to
19 say under a certain size that they're dry blades when,
20 in point of fact, they really can be used as wet
21 blades as well, and are when they're used on tile
22 saws, for instance. They are used wet.

23 MR. CORKRAN: The last question I have was
24 basically to try to expand a little bit. You just
25 indicated that it's just really been in the last year

1 or two, year and a half to two years, when you really
2 increased your purchases of imports. For other
3 companies here at the table, have you employed a
4 similar strategy of trying to maintain market share
5 through purchasing and reselling product or has that
6 not been a strategy you pursued and has it been on the
7 same timeframe?

8 MR. PALOVOCHIK: Steve Palovochik. I'm
9 probably the only other one that can answer that here.
10 My answer is going to be a little bit different. When
11 I acquired an interest in Hoffman Diamond Products,
12 the former owner was in the process of already
13 purchasing product from Korea, and at that time,
14 I looked at ourselves as a manufacturer and not a
15 reseller, and it was at the time when there was -- the
16 margins were such that the prices were very
17 comparable. They had made a decision, I reversed that
18 decision. Their decision was to buy less and less
19 offshore made product since we were a manufacturer to
20 improve our productivity and cost precision. It
21 worked very effectively up until the last few years
22 when this very precipitous price erosion has taken
23 place. It was cost effective, say, eight to ten years
24 ago to make a 14-inch diamond blade; it probably was
25 eight years ago, but in the last three to five years

1 with the rate of price erosion, it's not there.

2 MR. BURNETT: Bruce Burnett. There are
3 certain metal bonded diamond products that are not
4 part of this petition that we have purchased for
5 years. That is still product that we could make, but
6 it has always been product that we could not afford to
7 make, so we've used imported product there previously,
8 but it's been in the last few years where the blades
9 themselves have become such a problem that what we
10 have left we're threatened with losing, too, so we're
11 looking to do something different than what we have
12 been, otherwise we will be out of business. Some of
13 the product we've given up in the past just because it
14 wasn't looking like it was available ever in our
15 future to be able to manufacture it.

16 When it comes down to the wire and you know
17 that it's do or die, you end up coming here because --
18 well, we've been in business now for over 20 years and
19 we have people that are working for us that have been
20 there for the entire 20 years and that have worked for
21 my father for 30, 35 years, 40 years, and some of
22 them, if they leave us, they'll be totally on the
23 unemployed market because they won't have anywhere
24 else to go.

25 We have a lot of loyalty with our employees,

1 we really don't want to lose them, but the way it's
2 going, if we don't do something, we're going to lose
3 everybody.

4 MR. CORKRAN: Thank you all very much for
5 your testimony.

6 I don't have any further questions.

7 MR. CARPENTER: I just have a few questions.

8 First, I'd like to follow up on
9 Mr. Corkran's question about the segmentation of the
10 market and attenuated competition, primarily because
11 Mr. Griffith had focused on that in his opening
12 statement.

13 As I understand it, you're focusing mainly
14 on the size of the blades. As I understand it, yours
15 sales right now are primarily to the professional
16 market, primarily sales over 14-inches in diameter.
17 It's not that you can't make the smaller sizes and
18 haven't made and sold them in the past, but
19 essentially you're arguing that you've been driven out
20 of that market. I guess my question is why do you
21 find that you're able -- if this is true -- why do you
22 find that you are still able to compete on price with
23 the imports in the over 14-inch blades but you are
24 unable to compete on price with the 14-inch and under
25 blades?

1 MR. BURNETT: Bruce Burnett. The Chinese
2 and the Koreans started in the small diameters and
3 they are mass producing and selling at a price that
4 they really can't afford to do either and since they
5 haven't ever really moved into the larger diameters or
6 what we call the professional market until the last
7 few years, I think the other market is over-saturated
8 and there's no margin in it. And, as we've been told,
9 they've got to keep the 700-plus diamond blade
10 manufacturers in China busy, so they're going to force
11 themselves into the markets over here until there are
12 no American manufacturers because they have to keep
13 their plants busy. So we've been able to compete
14 because they haven't been pushing themselves into it
15 and now they're pushing into it. And we won't be able
16 to compete in that portion of the market any longer.

17 MR. GARRISON: Steve Garrison. We have seen
18 evidence this last 18 months of them being involved in
19 the large diameter blades. For instance, we have been
20 quoted ourselves on prices for 36-inch diameter blades
21 from China that are under \$150. Our cost for a steel
22 core is in the range of \$130 to \$140. So we have
23 strong -- well, multiple cases of that sort of
24 situation existing, so that's why we're very concerned
25 because they are in that market now most definitely.

1 MR. PALOVOCHIK: Steve Palovochik. Yes.
2 I would echo that comment as well. I think that the
3 strategy has been one of let's penetrate the market
4 with a fairly generic product in the smaller sizes.
5 There is more value added in the larger sizes, the 30s
6 and 36s used by the professionals. They are selling
7 them and there is a commodity like in most markets
8 that have some degree of, to use the term,
9 segmentation. There are people who are performance
10 oriented, people who just want a utility product to
11 use.

12 I believe that they are doing it in core
13 bits now, that they've typically not been in the core
14 bit market. Now, the selling price of the bit now is
15 what we now pay for a core barrel which we stopped
16 making about five years ago and we were fully
17 integrated. We did do everything except saw blade
18 cores, all the other steel work we did ourselves. We
19 bought from the major steel suppliers. We got to the
20 point where we could not compete at that level, we
21 outsourced it, got much better pricing. Now, the cost
22 of a steel tube for a 14-inch long steel tube or a
23 core drill, I can go out and buy a finished product
24 now out of Korea for that.

25 I just think it's been an orchestrated step

1 function approach to in essence penetrate and control
2 the U.S. market.

3 The 30s and 36s and up are much more
4 difficult. There is a value added element that the
5 larger contractors will be reluctant to move away from
6 because of the cost of the product. Now, at \$136, it
7 now becomes a consumable disposable, if it works.

8 But they pay their people, just to add on,
9 the contractors pay their people on performance and if
10 they cannot get the job done in as an effective and
11 efficient fashion possible, the cost of the sawblade
12 becomes irrelevant, the labor costs override it.

13 MR. BURNETT: Bruce Burnett. We've found
14 that with Diamond B. Some of the prices that I've
15 been quoted on some of the large diamond blades -- I'm
16 using a 36-inch because it's a common size still for
17 us -- if we have almost \$400 worth of materials in it
18 and the Chinese and the Koreans are going to sell them
19 at material costs, as low as \$130, \$140, into the
20 market here, that may be what I was quoted but a few
21 months from now that will be what the end user will be
22 quoted and if they can buy a blade for a third of the
23 cost of our materials, it really doesn't matter what
24 performance is because you can throw them away if they
25 don't work or if they don't get life or if they lose

1 segments. At that rate, it really doesn't matter. It
2 really is a disposable item at that time and it's not
3 even covering the cost of materials, at least not for
4 us in this country.

5 MR. CARPENTER: Mr. Thomsen had touched on
6 the question of buy American preferences. Just to
7 follow up on that, I was wondering, particularly in
8 the public works projects that you would sell product
9 to, is that more of a factor in that segment of the
10 market than it would be in other segments? Are there
11 certain local jurisdictions or state governments that
12 do have stronger buy American preferences than others?
13 If you could just give me a sense of how big a factor
14 that is in the public works area.

15 MR. GARRISON: Not a big factor at all.
16 Most of the work that's done in that sector that we
17 would be involved with is done by contractors that are
18 working for them, so we would sell the product to the
19 contractor because he's going to buy the product he
20 feels is the best for the job. I think someone
21 mentioned earlier that we don't do a lot of business
22 with stage agencies because their sole determinant for
23 purchasing is pricing and I am not aware of any
24 advantage, there may be some out there, but I'm not
25 aware of it. It's very insignificant for us. I know

1 of no place we're selling something because we're a
2 U.S. manufacture.

3 MR. PALOVOCHIK: Steve Palovochik. No,
4 I would concur with that. We do a lot of state and
5 federal bidding as well and there is no requirement to
6 buy American.

7 MR. BURNETT: Bruce Burnett, again, with
8 Diamond B. Even if there was, I've looked at many
9 websites, I've seen many of the blades that are being
10 sold, they say American products, but they're
11 definitely not manufactured here. Chances are not
12 even assembled here. Some of them I know are
13 definitely not manufactured here. I've been on many
14 websites that I know that the products are definitely
15 imported product, finished item. It's maybe an
16 American company that's selling them, maybe an
17 American company on some of them that's even importing
18 them, but it's not an American product. They'll have
19 it in their advertisements as a made in U.S.A.
20 product.

21 MR. PALOVOCHIK: Steve Palovochik. An
22 interesting comment because typically imports are
23 required to label their country of origin and, for
24 instance, on this product, the common practice would
25 be what we do, all of us, is we either laser etch or

1 engrave on the seal center all the specifics on the
2 blades. These import blades typically come in with a
3 little stick-on sticker easily removed.

4 MR. CARPENTER: Let me shift gears a minute.

5 Mr. Rizner, could you tell me with respect
6 to the cores, the manufacturer, are there any
7 independent uses for that product or are they used
8 only in producing diamond saw blades?

9 MR. RIZNER: As I mentioned in my testimony,
10 because of the composition, the material's chemical
11 composition, I cannot use it on any knife or blade
12 that requires some life to it. The material gets heat
13 treated in our facility, automated heat treating, but
14 we cannot get the hardness up to the levels of where
15 it will withstand cuttings or contact with anything
16 else like that. So therefore the material cannot be
17 used as anything else. I believe that the material
18 that we use is used to make seatbelt buckles. We are
19 not in the seatbelt buckle industry, nor can our
20 material because of the thickness and the width be
21 used to make seatbelts, but the composition of the
22 material is used for seatbelts because it stays
23 together, it's very rugged, but it's not a knife, so
24 therefore my inventories sit there and go nowhere.

25 MR. PALOVOCHIK: Steve Palovochik again.

1 Just to add on to what was just said, we require low
2 carbon steel. If we were to use a higher carbon steel
3 or higher strength steel, we cannot laser weld that
4 material and that's why we use the very specific
5 material that we're discussing here.

6 MR. CARPENTER: Okay. That was my
7 understanding, but also just to ask a question with
8 respect -- for those of you who manufacture the
9 segments, is the same thing true there, that the
10 segments have no independent uses except for the
11 manufacture of diamond sawblades?

12 MR. PALOVOCHIK: We could make some nice
13 clocks for people.

14 MR. CARPENTER: No commercial application?

15 MR. PALOVOCHIK: There's no other
16 application. Yes, that's true.

17 MR. CARPENTER: Okay. Thank you.

18 Mr. Burnett, I believe at one point you were
19 talking about inventories and saying that your
20 inventories are fairly high, but inventories are also
21 maintained at the distributor level. Are your
22 inventories high because there are so many different
23 sizes and types of this product or in general why are
24 your inventories relatively high?

25 MR. BURNETT: Our inventories are elevated

1 for a few reasons. One is because we do offer a large
2 range of sizes and specifications for applications and
3 price ranges. We do keep some inventories in various
4 locations with salesmen and customers even. And, of
5 course, part of it is we have products that we have
6 manufactured but have either had to take back or had
7 to leave sitting on the shelf because now the pricing
8 structure out there, so we almost basically have to
9 give it away. When you try to give some of the
10 product away to people and they know that it's a high
11 priced item it's kind of like why are you giving it
12 away. So we don't move a lot of it until we end up
13 with a customer that's willing to take something that
14 they know is a fire sale and is not a current blade
15 that we sell because we make changes constantly to
16 improve our process and our product and reduce our
17 costs, so some of it that's increasing is older
18 product. It's a growing inventory and, of course,
19 it's a cost. It's another added cost to us that we
20 can't really afford at the time.

21 MR. CARPENTER: Okay. But it's safe to say
22 that you don't rely on your distributors to maintain
23 the inventories of the various sizes and
24 specifications completely.

25 MR. BURNETT: That is definitely not --

1 because we've lost most of our distributors. We do
2 have a few distributors that still stock. But most of
3 our distributors which do have to keep inventory are
4 now purchasing the low-priced products from the
5 Chinese and Korean imports and not from us.

6 And we did stock for those types of users,
7 purchasers even, in the past where they didn't have
8 to, but with a lot of the Chinese and Korean imports,
9 the distributor has to stock where we were stocking
10 for them at the one time.

11 MR. CARPENTER: Would any of the other
12 companies like to comment as to whether inventories in
13 this industry tend to be relatively high?

14 MR. GARRISON: The same company, but some
15 added comments. Steve Garrison. I just did a -- I
16 didn't do the math yet, but if you take the 16
17 diameters of products that we generally would sell and
18 multiply that times the six common widths, there are
19 more, and multiply that times the six different basic
20 grade levels that we offer, it is more than that, but
21 the basic ones, and then multiply that times the five
22 different bond choices that we have, you come up with
23 a fairly large SKU and that is one of the things that
24 drives that inventory number to be high because in
25 order to cover a large amount of our customers'

1 potential purchases we have to have that large of a
2 SKU covered. Either unfinished product or the raw
3 materials or the segments.

4 MR. PALOVOCHIK: And one of the reasons for
5 that is we're somewhat of a just-in-time industry and
6 business, that we require inventory, whether it's
7 cores, semi-finished segments in inventory. So in
8 other words, we have what we call WIP or work in
9 process, goods that we will keep on the shelf so that
10 we can put together a finished product in a relatively
11 short time span. But the inventory issue has become
12 an increasingly difficult one to manage because of the
13 price erosion. For instance, if we lose a
14 distributor -- to Bruce's point, if we lose a
15 distributor and they want to send back, for instance,
16 a consignment, it could be that the price that we paid
17 for the product originally could be as much as 50, 75
18 percent more than we're going to take the product back
19 for. Now, obviously, we'll try to get some relief on
20 that, but oftentimes we can't recoup the entire cost
21 of the product when we take it back. That's been an
22 issue that we're facing.

23 MR. CARPENTER: Thanks. That's very
24 helpful.

25 Mr. Garrison, you just mentioned in response

1 to the last question the six different grade levels
2 that you sell to your customers. Do you see
3 competition from imports at similar grade levels? In
4 other words, do they sell the same spectrum of grades
5 that you sell or are they concentrated in, say, the
6 lower grades?

7 MR. GARRISON: The Korean and Chinese
8 manufacturers that I'm aware of offer product for
9 cutting with low horsepower saws all the way to 65
10 horsepower saws. Now, there may be some Korean and
11 Chinese manufacturers that don't, but the ones I'm
12 familiar with do.

13 MR. CARPENTER: Okay. Thank you.

14 Just one question. I was looking at the
15 most recent scope information from the Department of
16 Commerce and where they're discussing the exclusions,
17 they say that sawblades with diamonds directly
18 attached to the core with a resin or electroplated
19 bond which thereby do not contain a diamond segment
20 are not included within the scope of the
21 investigations. My question there is do those
22 products compete to any great extent with the products
23 that you manufacture that are within the scope of the
24 investigation? They have diamonds attached to the
25 core, but they don't have diamond segments per se.

1 How substitutable are those?

2 MR. PALOVOCHIK: Steve Palovochik. I'll try
3 to answer it as best as I can interpret the data and
4 I've worked with the Department of Commerce on some of
5 this information in the past. I believe what they're
6 referring to are products that are used in industrial
7 applications, for instance, in cutting silicon and
8 germanium wafers, that type of thing, cutting glass,
9 but not in typically the type of applications that
10 we're discussing here. Not necessarily totally
11 exclusive, but I think pretty much so.

12 MR. CARPENTER: Do any of the companies in
13 the U.S. industry manufacture those types of blades?

14 MR. BURNETT: Bruce Burnett with Diamond B.
15 Even though some of the plated products are used with
16 the same customers, both the resinoid and the plated
17 are a totally different manufacturing process. As far
18 as I'm aware, none of the typical U.S. producers that
19 are in this petition manufacture any of that product.

20 MR. PALOVOCHIK: Steve Palovochik. None of
21 the ones in this petition, but there are manufacturers
22 in the U.S. that do manufacture these products.

23 MR. CARPENTER: All right.

24 MR. RIZNER: Mr. Carpenter? Ken Rizner from
25 Hyde. We do manufacture the cores for that industry.

1 That is not these guys here. But Hyde manufacture the
2 steel pieces that then become those blades that you're
3 speaking of.

4 MR. CARPENTER: I see.

5 MR. RIZNER: It affects me.

6 MR. CARPENTER: Thank you.

7 I believe that's all the questions I have.
8 I think Ms. Hughes has another question on cumulation.

9 MS. HUGHES: I know Mr. Pickard had
10 addressed cumulation in his opening statement and said
11 why he thought it was proper to cumulate the two
12 countries, but I'm not sure I asked him the follow-up
13 question, which is to make sure in the post-conference
14 brief he addresses all the factors the commission
15 looks at. I know you had talked to some degree about
16 reasonable overlap of competition, but we want to make
17 sure we understand what you think about all the other
18 factors.

19 MR. PICKARD: Absolutely. Not a problem.

20 Thanks.

21 MS. HUGHES: Thank you.

22 MR. CARPENTER: Mr. Corkran has a follow-up
23 questions.

24 MR. CORKRAN: Thank you.

25 Actually, I have a follow-up question that

1 comes directly out of the scope language and it's the
2 exact same passage that Mr. Carpenter was citing
3 earlier about sawblades with diamonds directly
4 attached to the core and which do not contain a
5 diamond segment.

6 This may be a very basic question, but
7 please bear with me. How does this differ from a
8 continuous sawblade, when we were making those
9 distinctions earlier, continuous versus segment?

10 MR. BURNETT: Continuous rim blade, most
11 people's knowledge is that the core is put in the
12 powdered metals with the diamonds put around it as one
13 continuous segment and cold pressed and then it's
14 furnace centered, so that section is actually a
15 separate portion of the core, but it's attached during
16 the centering process; where on say a plated blade,
17 the diamonds are actually placed onto the core,
18 usually with nickel plating, so they're not an
19 individual segment that's just attached to the core.
20 Continuous rim is just one continuous segment attacked
21 to the core.

22 MR. PALOVOCHIK: Steve Palovochik. There's
23 another process that's used as well which I would
24 refer to as vacuum braising where a diamond is mixed
25 with basically a braise alloy and a single layer

1 diamond tool can be generated in that fashion. There
2 are products that are in existence that are imported
3 and manufactured locally, domestically, that are used,
4 typically, in the stone industry.

5 One of the major applications would be
6 people putting in granite countertops, granite or
7 marble countertops. A lot of the drills that are
8 being used are single layer attached directly to the
9 steel. The same thing can be done with a sawblade.
10 It could be electroplated or it could be vacuum
11 braised. More people are going to vacuum braising
12 because it is actually a lower cost process than
13 electroplated. I won't get into why, but it is.

14 MR. CORKRAN: Okay. Thank you very much.

15 MR. CARPENTER: Okay. Again, thank you very
16 much to this panel for your testimony and your patient
17 response to all of our questions.

18 Thank you, Mr. Pickard, for assembling such
19 a good group of witnesses for us. We really
20 appreciate hearing from you. You've been in the
21 industry for a long time. We haven't had a product
22 quite like this before and it's good to have people
23 here who can answer all of our questions. Thank you
24 very much for coming.

25 At this point, we'll take a short recess

1 until about 12:40 on the clock in the back and then
2 we'll begin the Respondents' presentation.

3 Thank you.

4 (Whereupon, a recess was taken from
5 12:31 p.m. until 12:43 p.m.)

6 MR. CARPENTER: Mr. Griffith, please proceed
7 whenever you're ready.

8 MR. GRIFFITH: Thank you. I would say good
9 morning, but I'll say good afternoon. My name is
10 Spencer Griffith of the law firm Akin Gump, appearing
11 here today on behalf of the Korean Respondents, Ehwa,
12 Hyosung, and Shinhan. Also with me are David Park,
13 Lisa Ross and Jarrod Goldfeder of Akin Gump.

14 The petitioners have not presented a case of
15 material injury or causation to you. My law firm
16 sometimes files petitions and we know that petitioners
17 try to set out on the face of the petition evidence
18 supporting the ITC's injury analysis. We were frankly
19 puzzled in this case by the lack of any meaningful
20 evidence of injury on the face of the petition. But,
21 you know what? We're no longer puzzled. It appears
22 there simply is no evidence of injury in this case and
23 those petitioners that did bother to show up today
24 have still failed to establish injury.

25 If the commission does feel the need to look

1 at causation, there is none here. We have a
2 distinguished panel of industry experts that are more
3 than taking up this table here today to explain why
4 any competition between imports and domestic
5 production is very attenuated at best and why those
6 imports therefore cannot be the cause of any injury
7 the domestic producers may be suffering.

8 Our panel today consists of company
9 officials representing the Korean industry, the
10 Chinese industry, and U.S. producers.

11 We will first hear from Ms. Christine Kim,
12 an official with Ehwa Diamond, who will discuss
13 Korea's long and stable presence in the U.S. market
14 and the fact that Korean producers largely created the
15 market for diamond sawblades in the small contractor
16 and do-it-yourself markets.

17 We will also hear from Roger Lewis, a
18 company official with years of experience in the
19 industry, and both Ms. Kim and Mr. Lewis will explain
20 why imports from Korea largely do not compete with
21 U.S. producers.

22 Mr. John Corcoran, a U.S. reseller of
23 sawblades, is also available for questions.

24 We will next hear from officials from the
25 Chinese industry, including an important U.S.

1 customer. These officials will further discuss the
2 segmentation of the market and explain why imports
3 from China focus primarily in the smaller centered
4 blades sold to small contractors and do-it-yourself
5 homeowners and, for the most part, again, do not
6 compete with U.S. producers.

7 In addition, representatives from two
8 important U.S. companies that produce and market
9 sawblades, Saint-Gobain and MK Diamond, will further
10 explain how the U.S. diamond sawblade market is in
11 fact broken up into segregated segments, both by
12 product type and channels of distribution. They again
13 will explain why subject imports do not compete
14 directly for the most part with U.S. Postal Service
15 U.S. producers.

16 You will also hear testimony, as I mentioned
17 earlier, that this case is more about protecting
18 Petitioners' imports than it is protecting their U.S.
19 production.

20 Finally, Dan Klett of Capital Trade will
21 take a step back and examine the economic and
22 questionnaire response data in the record.
23 Unfortunately much of that questionnaire response data
24 is obviously proprietary and cannot be discussed in
25 this hearing. However, even the publicly available

1 information confirms that imports are not the cause of
2 any injury that U.S. producers may be suffering.

3 Let me make one final comment and then we'll
4 get started with our panel.

5 Petitioners have come to the commission
6 seeking the extraordinary remedy of the imposition of
7 duties, but they have often failed to supply you with
8 the complete questionnaire responses that you need and
9 on a timely basis. Both respondents and the
10 commission have been hampered by the petitioners'
11 apparent lack of cooperation. This is not a situation
12 like the commission sometimes sees, say, in
13 agriculture cases, wheat, cattle, et cetera, where the
14 vast number of U.S. producers complicates your data
15 gathering exercise. This is an industry with a
16 relatively small number of producers. They have
17 control of the data, they have access to it and any
18 inferences that the commission may need to draw
19 against the failure to supply data on a timely basis
20 we think would be fully justified.

21 Our first witness will be Ms. Kim from Ehwa
22 Diamond.

23 MS. KIM: Good afternoon. My name is
24 Christine Kim and I am the Director of Planning and
25 Management at Ehwa Diamond Industrial Company. Thank

1 you for the opportunity to speak here today.

2 My family has been a part of the diamond
3 tool industry for 30 years, beginning in 1975 when my
4 father founded Ehwa Diamond in Korea. My father
5 subsequently moved to the United States and, in 1984,
6 he established General Tool in California, which is
7 where I grew up. General Tool began manufacturing
8 diamond blades in California in 1990 and it continues
9 to do so today.

10 I began working at General Tool in 1992 in
11 sales and marketing and I moved to Korea in 2002 to
12 work for Ehwa Diamond.

13 As with other Korean producers, Ehwa has had
14 a long-term presence in the U.S. diamond blade
15 industry and has contributed significantly to its
16 overall growth. For example, Ehwa was one of the
17 first companies to invest in a laser welding
18 technology and to meet a new growing demand for dry
19 application diamond blades. Before the development of
20 laser welding technology in the mid 1980s, all diamond
21 blades were manufactured through a soldering process
22 for wet applications, requiring a water source to cool
23 the blades from overheating. The laser welding
24 technology opened the door for a new market for dry
25 application diamond blades.

1 As an early adopter of this technology, Ehwa
2 helped fuel the growth of this market segment by
3 meeting the increasing demand for high quality laser
4 welded blades. Since the beginning, Ehwa has been one
5 of the largest producers worldwide of general purpose
6 laser welded blades.

7 Ehwa also led the rapid growth of the
8 continuous rim tile and turbo blades in the U.S.
9 industry. By working with the equipment producers
10 such as MK Diamond, we developed a capability to
11 produce high quality tile and turbo grades which
12 replaced other technologies such as conventional
13 abrasives. This segment grew rapidly as users
14 discovered the benefits of better technology in
15 diamond tools.

16 Ehwa was also the first diamond blade
17 company to partner with power tool manufacturers to
18 create a new market for do-it-yourself products. In
19 the early 1990s, we began to realize that there might
20 be new, untapped markets for diamond blades. We met
21 with power tool companies such as Black & Decker and
22 we collaborated with them for more than a year to
23 develop products that could eventually be sold in big
24 box retail establishments such as Home Depot.

25 Working with these companies, we established

1 a new market and a new channel of distribution for
2 diamond blades which remains one of our largest and
3 most important markets to date.

4 To our knowledge, the U.S. manufacturers did
5 not actively pursue this emerging market and they
6 chose instead to focus on their existing business of
7 supplying application engineered product for the
8 professional end users.

9 Over the past 30 years, we have focused our
10 resources to become competitive as a manufacturer and
11 a better supplier to our customers. For example, Ehwa
12 continues to invest heavily in research and
13 development to streamline and automate our production
14 processes. One of our key competitive advantages is
15 that almost all of our production equipment has been
16 customized in-house, which has resulted in a much more
17 efficient production system.

18 By contrast, many producers use a generic
19 production line with off-the-shelf equipment such as
20 the industry standard laser welding machines from Dr.
21 Fritch. Our investment in research has also provided
22 our customers with a continuing stream of new
23 products.

24 Far from injuring the U.S. industry, Korean
25 imports have contributed to growing and developing new

1 market segments and thus creating and supplying new
2 demand that did not exist before. Much of our focus
3 remains in serving power tool manufacturers and other
4 branded resellers, which is the market segment that we
5 have made considerable investment to develop. The
6 same is true of other Korean producers.

7 As I mentioned before, Ehwa has been a
8 long-time participant in the U.S. market. Our export
9 volumes to the U.S. market have remained stable over
10 the last several years, which I believe has been true
11 of Korean imports overall, and I do not anticipate any
12 significant changes in exports to the U.S. by Korean
13 producers in the future.

14 The U.S. diamond blade market is a mature
15 industry and Korean producers are not new entrants.
16 We have been here for decades. Moreover, the
17 overwhelming majority of U.S. production is focused in
18 professional use blades, which are typically custom
19 engineered for the task at hand, requiring substantial
20 familiarity and experience with the location and type
21 of material being cut and are often ordered on an
22 extremely short turnaround basis. These conditions
23 make it very difficult for imports to enter this
24 segment of the market.

25 Our own approach has been to become a U.S.

1 producer in California in order to serve the market
2 demands for customized product designs in speed and
3 delivery.

4 Thank you.

5 MR. LEWIS: Good afternoon. My name is
6 Roger Lewis and I'm the president of Diteq
7 Corporation. I wanted to start by thanking the
8 commission staff for giving me the opportunity to
9 speak here today.

10 By way of background, I have been involved
11 in the industry for close to 30 years. I started as a
12 marketing specialist at General Electric Industrial
13 Diamond in 1978 and from there I went to work for
14 Target Products, who in 1983 was one of the largest
15 U.S. manufacturers of diamond tools. My first
16 position there, I was a manager of engineering, and
17 then as a manager of North American sales.

18 In 1989, Target was acquired by a Belgian
19 company called Diamant Boart, After this acquisition,
20 I moved to South Carolina to run Diamant Boart's
21 production facility for diamond tools.

22 In 1994, I became president of the North
23 American operations for Diamant Boart, a position
24 I held with Diamant Boart until Diamant Boart was
25 acquired by Electrolux in 2002.

1 Since leaving Diamant Boart, I have served
2 as president of Diteq Corporation, which is an
3 affiliate of the Korean diamond tool manufacturer Shin
4 Han Diamond Industrial Company.

5 This afternoon, I would like to briefly talk
6 about three issues: diamond blades in general, the
7 U.S. construction diamond blade industry, and the role
8 of imports in this market.

9 As an initial matter, diamond blades cover a
10 wide range of products. There are literally thousands
11 of different product variation. Blades vary based on
12 the physical attributes of the blade, the physical
13 attributes of the diamond section and the method of
14 joining the core to the diamond section, such as laser
15 welding, soldering or centering. All of these factors
16 affect the application, grade and price of the blade

17 As a general matter, diamond blades sold in
18 the U.S. can be segregated into two broad categories:
19 professional use blades that are engineered for
20 specific applications and general use blades.

21 Professional use blades are generally wet,
22 segmented blades with diameters that are often greater
23 than 20 inches. Because such applications typically
24 require an extremely quick turnaround, often within 24
25 hours, as well as detailed knowledge of the location

1 and hardness of the material being cut, for example,
2 the aggregate in Houston, Texas is much harder than
3 most places around the country, U.S. manufacturers
4 have had always significant production and sales
5 advantages for these types of blades. And, indeed,
6 most U.S. production is concentrated in these blades.

7 I estimate that these blades, which are
8 generally sold directly to professional end users for
9 road and large commercial construction application,
10 account for 70 to 75 percent of the U.S. industry's
11 production by value.

12 There is minimal competition between these
13 blades and imported blades because imports do not have
14 the ability to meet the customized needs of the local
15 markets for professional users.

16 I estimate that only about 5 percent of
17 imports from Korea and less than 1 percent of Chinese
18 imports are sold to this market.

19 General use blades include both continuous
20 and dry segmented blades which are only sold to
21 contractors and do-it-yourselfers. I estimate that
22 this market accounts for 25 to 30 percent of U.S.
23 producers' production and 95 percent or more of the
24 subject import sales.

25 Even in this market, however, there are a

1 number of key distinctions between U.S. and imported
2 blades. First, a significant portion of imported
3 blades are continuous rim blades with diameters of 10
4 inches or less. In contrast, there is little U.S.
5 production of such blades.

6 Second, even among dry segmented blades,
7 I believe that over 95 percent of U.S. production is
8 of premium grades or better, whereas imports are more
9 evenly distributed among the economy, standard and
10 premium grades. Often, U.S. producers themselves
11 largely serve the economy and standard markets with
12 imports.

13 Moreover, imported blades within these size
14 ranges are typically sold to U.S. diamond blade
15 manufacturers themselves or OEMs, original equipment
16 manufacturers, which are branded resellers or power
17 tool manufacturers, whereas U.S. production is
18 generally sold direct to distributors.

19 It is also important to note that the
20 professional use and general use market segments are
21 distinguished by the factors that affect demand for
22 sawblades. Demand for sawblades sold to professional
23 end users is heavily affected by activity in the road
24 construction and large commercial construction markets
25 which have been relatively flat over the last three

1 years.

2 In contrast, demand for general use saw
3 blades is affected by factors such as residential home
4 improvement activity and smaller construction projects
5 handled by small contractors. Activity in these areas
6 has been increasing over the past three years.

7 Even within these two broad categories of
8 blades, that is, professional and general use, there
9 are numerous product variations and no single U.S.
10 producer manufactures a full range of diamond blades.
11 Rather, U.S. producers have generally focused most of
12 their U.S. production on professional use blades and
13 fill out the product line through imports.

14 Petitioners are complaining large part that
15 imports from China and Korea are competing with the
16 blades that petitioners import.

17 U.S. producers have undergone numerous
18 consolidations over the years, such that the largest
19 U.S. producers are all currently part of foreign-owned
20 multi-national conglomerates with various production
21 facilities around the world: Diamond Products,
22 Target, Norton and Sanders Saw have all been purchased
23 by foreign entities.

24 Through such consolidations, U.S. producers
25 have been able to focus their U.S. production on

1 professional use blades while securing a steady source
2 of imports to fill out their product lines. This
3 focus on professional use blades was a conscious
4 decision made by the U.S. producers. Given limited
5 capital and limited capacity to produce the full range
6 of products, U.S. producers chose to focus their U.S.
7 production on the professional use blades which
8 require customization and quick turnaround.

9 This was a specific business decision made
10 by Target, my former employer, in the early 1990s
11 while I was in charge of Target's North American
12 production facility. At that time, Target was
13 struggling in its efforts to produce the full line of
14 blades. We made a decision to import general purpose
15 blades that were of smaller diameters.

16 Imports have been an important part of the
17 U.S. diamond blade industry for decades. Korean
18 imports have been in the U.S. market since the early
19 1980s and Chinese imports since the early 1990s.
20 Since the mid 1980s, the Koreans worked to develop new
21 channels of distribution for diamond blades. One of
22 the channels that developed was the power tool and
23 branded resale markets also known as the OEM market.
24 At that time, U.S. producers were not confident that
25 this would develop into a significant market and chose

1 to stay with their old established channels of
2 distribution. They were also concerned with
3 maintaining their own brand name rather than selling
4 to another company that would simply resell the
5 product under its own name.

6 To this day, U.S. producers have a very
7 limited presence within the OEM market, whereas it
8 represents one of the most significant channels of
9 distribution for imported merchandise. Imports remain
10 an important and vital part of the U.S. diamond blades
11 industry. Without imports, a full line of diamond
12 blades would not be available in the United States.

13 Thank you again for your time.

14 MR. GRIFFITH: We will now hear from the
15 witnesses for the Chinese Respondents.

16 MS. LEVINSON: Good afternoon. I am Lizbeth
17 Levinson with the law firm of Garvey Schubert. To my
18 right is Mr. Paul Shen, the president of Gang Yan
19 Diamond Products located in La Verne, California.

20 Mr. Shen has prepared a statement, but
21 because English is not his first language, he has
22 asked me to read the statement for him.

23 Good morning, members of the commission
24 staff. My name is Paul Shen. I am the president of
25 Gang Yan Diamond Products, one of the largest

1 importers of diamond sawblades from China. I have
2 been the president of Gang Yan since the company's
3 inception in 1997. In this role, I have become
4 personally familiar with the production, marketing and
5 distribution of diamond sawblades in the United
6 States.

7 I also have a Ph.D. in metallurgy and am
8 knowledgeable about the production process for these
9 products.

10 Gang Yan imports and sells mostly centered
11 blades, both with continuous and segmented rims. Our
12 primary customers are U.S. producers, retail outlets
13 and OEMs who are serving the do-it-yourself market.

14 We sell about 30 to 40 percent of our blades
15 to U.S. producers, including to the petitioners
16 themselves. In the DIY market, we compete for sales
17 primarily with other importers of Chinese produced
18 sawblades. We rarely compete with domestic suppliers.
19 We are supplying the U.S. producers, not competing
20 with them. This is because Gang Yan and the other
21 importers of sawblades from China operate in an
22 entirely different segment of the sawblade market than
23 that of the domestic suppliers, as I will explain.

24 The majority of diamond sawblades being
25 produced in China today are centered, smaller blades,

1 many less than 10 inches. They are not produced in
2 any significant quantities by U.S. producers. These
3 blades, which you can buy at retail outlets like Home
4 Depot or Lowe's, are intended for occasional use by
5 customers engaged in do-it-yourself activities.
6 Typical uses for these blades are a patio project
7 where you may cut brick or concrete or bathroom or
8 kitchen renovation where you would cut tile.

9 The domestic sawblade producers have
10 demonstrated little interest in serving this low
11 margin segment. In fact, prior to our entry into this
12 market, this product was simply not available and
13 these tools were not sold for DIY. Instead, the
14 domestic producers have always focused on the larger,
15 high end, high margin professional market. This
16 professional market requires larger, heavy duty blades
17 suitable for large scale projects such as highway,
18 airport and commercial buildings. The smaller, low
19 quality blades that the Chinese produce, while perfect
20 for the DIY market, are simply not capable of
21 performing under the rigors of intense, everyday
22 professional use.

23 In short, the Chinese suppliers have focused
24 their marketing and sales activities on supplying the
25 consumer DIY market, while the U.S. suppliers have

1 concentrated their efforts on supplying the
2 professional market. As a result, there is very
3 little competition between the two.

4 Rather than injuring the domestic producers,
5 Chinese producers have actually benefitted the
6 domestic producers by developing a new consumer market
7 for them that the U.S. producers would never have
8 developed otherwise. They left this task to the
9 Chinese who seized the opportunity to specialize in an
10 area in which the U.S. suppliers were distinctly
11 absent.

12 Today, the U.S. suppliers are buying from
13 companies like ourselves in order to offer a complete
14 range of products. They are also directly importing
15 the smaller centered blades from China themselves.

16 Simply stated, domestic producers and China
17 importers serve different and distinct market
18 segments. Members of the domestic industry who have
19 never competed in the DIY market are unlikely to enter
20 the DIY market at any time in the future. As a
21 result, even if large antidumping duties were imposed,
22 the void left by the Chinese would be filled by other
23 Asian countries that produce blades suitable for DIY,
24 like Thailand, India and Vietnam. The domestic
25 industry would still not pursue this market.

1 I thank you for this opportunity to appear
2 before you and welcome the opportunity to respond to
3 your questions.

4 MR. SAILER: Good morning, Mr. Carpenter and
5 commission staff. My name is Frank Sailer of Lafave &
6 Sailer, representing Bosun. To give the commission
7 staff and the commission the benefit of a different
8 flavor, we have brought along Mr. Clifford Sallis,
9 who, I think in a preliminary stage, gives you an
10 unusual perspective that we were able to get a
11 purchaser, a customer to testify today.

12 Mr. Sallis?

13 MR. SALLIS: Good afternoon, Mr. Chairman
14 and members of the commission staff. My name is
15 Clifford Sallis and I am the president of Lackmond
16 Products, Inc., located in Kennesaw, Georgia.

17 Lackmond is an original equipment
18 manufacturer or OEM of professional tools for
19 grinding, drilling and sawing. I have been involved
20 in the diamond sawblade business for over 25 years.
21 Prior to starting Lackmond in 1994, I was a district
22 manager and regional sales manager for Felker, a
23 company in the Target group. I was assistant sales
24 manager for MK Diamond, I was also with Pearl
25 Abrasives as sales manager. Pearl Abrasives

1 represents Sankyo Diamond, a Japanese diamond sawblade
2 manufacturer. I was also the sales manager of Dixie
3 Diamond, one of the petitioners here.

4 As a result, I have experience in this
5 industry from several different perspectives and I
6 hope that I can help you understand the market better
7 with my statement today.

8 As your questions earlier this morning
9 suggest, you have come to understand over the last
10 month that diamond sawblades are an extremely diverse
11 and complicated product that are sold in several
12 markets to completely different end users. There are
13 large parts of the U.S. market for diamond sawblades
14 where there is virtually no overlap between imports
15 from China and Korea and sales of domestically
16 produced sawblades.

17 To understand this, you have to recognize
18 that there are effectively three distinct markets for
19 diamond sawblades in the U.S.: the professional
20 segment, the general use segment, generally devoted to
21 construction and rehabilitation contractors, and then
22 the third, continuous rim segment, largely devoted to
23 tile and stone cutting applications.

24 Because of the lack of comparative overlap
25 between imports from Korea and China and sales of U.S.

1 produced blades by the domestic industry in this
2 market segment, I am at a loss to understand how
3 petitioners have decided to blame imports for any
4 source for whatever their problems may be.

5 The top end of the market is the
6 professional segment. This segment is occupied by the
7 professional cutting and sawing contractors working on
8 large road, highway, major construction projects such
9 as airports. Most sawblades sold in this segment are
10 14 inches and larger and are laser welded or braised.

11 Center blades simply do not have the
12 strength and structural integrity for sustained
13 application in these types of projects.

14 This is far and away the largest segment of
15 the U.S. market that occupies the petitioners'
16 attention. This is the segment where they sell their
17 product.

18 The general use segment involves general
19 construction and rehab projects that are performed by
20 masons, concrete contractors, hardscape contractors,
21 plumbing contractors, HVAC contractors, roofing
22 contractors and many other types of contractors.

23 The large majority of this segment is
24 serviced by laser welded diamond blades and to a
25 lesser extent by centered blades in the range of 4 to

1 20 inches. Centered sawblades in this market are
2 generally continuous turbo blades.

3 The third segment involves centered
4 continuous blades for use in tile and stone cutting.
5 Segmented blades would chip a tile and so do not
6 compete with the continuous blades in this segmented
7 market.

8 In my experience, the domestic industry does
9 not produce tile blades to any significant extent and
10 has made no effort in recent years to expand in this
11 market. I am hesitant to say that there is no U.S.
12 production of tile blades, but if there is such
13 production, I do not know about it and I have not
14 encountered a U.S. producer that has offered to sell
15 domestically produced continuous blades over the last
16 11 years.

17 If there is such production, I would sure
18 like to know who in the U.S. produces these products
19 and how I can get a continuous and reliable supply.

20 Moreover, there is the very little domestic
21 production of blades of 10 inches or less. Many of
22 these blades in the general use segment of the market
23 fall into this category. Therefore, while there is
24 some overlap in the general use segment, the
25 competition between the domestic industry and imports

1 in this segment is necessarily limited to the fact
2 that the domestic industry does not produce many
3 blades in the 4 to 10-inch size range.

4 In my experience, the domestic industry has
5 concentrated its production and sales in the top end
6 professional segment of the market. In fact, the U.S.
7 companies are the ones that chose not to participate
8 in the DIY products market and move their sourcing
9 offshore.

10 While there have been some imports of the
11 Chinese blades in the professional segment, I believe
12 that the Chinese penetration of this segment has been
13 extremely limited.

14 One of the largest growing methods of
15 distribution is in the do-it-yourself or DIY market.
16 U.S. producers have shown almost no interest in this
17 market segment and have devoted virtually no effort to
18 enter into what has easily become the fastest growing
19 market segment in the U.S. Big box stores like Lowe's
20 and Home Depot have become the place for this growth,
21 selling mostly 4 to 10-inch centered blades and are
22 not appropriate or sought out by professional
23 contractors.

24 Centered sawblades are of lower quality than
25 laser welded segmented blades. These laser welded

1 blades are stronger, more reliable and have lower
2 failure rates and expectations in the market for
3 centered sawblades are lower. Thus, with very little
4 expectation, centered sawblades do not compete head to
5 head with laser welded sawblades. Additionally,
6 I would point out that centered sawblades cannot be
7 produced on the same production lines as laser welded
8 sawblades.

9 In sum, there is only limited overlap
10 between products principally marketed by the U.S.
11 sawblade producers and those marketed by the Chinese
12 suppliers. Moreover, there is very little overlap in
13 the market segments in which the U.S. sawblade
14 producers sell the bulk of their product as compared
15 to the market segments that the Chinese have focused
16 their efforts on.

17 I am quite frankly baffled by the notion that
18 what appears to me to be a healthy and profitable
19 industry has chosen to blame import competition for
20 some perceived damage that is not apparent in the
21 market. It is particularly ironic to me that
22 foreign-owned companies selling Chinese, Korean, Thai
23 and other foreign sourced sawblades in order to have a
24 full line of products in the U.S. are blaming those
25 imports for their problems. This case just has no

1 sense.

2 Thank you and I would like to take your
3 questions when you're ready.

4 MR. GRIFFITH: Thank you. We will now hear
5 from two U.S. producers that both produce and market
6 sawblades.

7 MR. FIGUEROA: My name is Paul Figueroa and
8 I am counsel to MK Diamond. Their company was
9 mentioned several times during petitioners'
10 presentation. MK Diamond is in a very unique position
11 in the market as a domestic producer and reseller of
12 domestic and imported diamond blades.

13 Brian Delahaut, the VP of MK Diamond, is
14 here with us to present his testimony.

15 MR. DELAHAUT: Thank you.

16 Mr. Carpenter and commission staff, my name
17 is Brian Delahaut. I am the vice president and son of
18 the owner of MK Diamond Products, a family-owned
19 California-based manufacturing company that has been
20 manufacturing construction products since 1868.
21 I have grown up in this industry and have worked for
22 MK Diamond for over 15 years.

23 It is a pleasure to testify today as a
24 manufacturer opposed to the petition and a company
25 that produces and resells imported and domestic

1 diamond sawblades here in the United States. I have
2 served my country recently in Iraq as a Marine officer
3 with the belief that America and competition have been
4 at the cornerstone of our success as a global economic
5 leader.

6 The petitioners would like you to believe
7 that they have been harmed by the Korean and Chinese
8 manufactured products. However, this has not been the
9 case. The Koreans, followed by the Chinese, in the
10 past 20 years have in fact produced products that have
11 contributed to the growth and the widespread use of
12 diamond sawblades by small contractors and by
13 do-it-yourselfers. These products and the continued
14 efforts of both the Chinese and Korean manufacturers
15 have created and expanded a cottage industry into an
16 important growing critical base of products for the
17 small contractor market and DIY.

18 When the Koreans entered the U.S.
19 marketplace in the early 1980s, the use of small
20 diameter sawblades was only just emerging. The
21 Koreans brought to the U.S. marketplace a solution to
22 abrasive blades. These blades included centered tile
23 blades, dry cutting laser welded segmented blades,
24 turbo and continuous rim blades. They marketed these
25 products to established brand names like MK Diamond.

1 The petitioners concentrated their
2 manufacturing, marketing and sales efforts towards the
3 professional sawing and contractor market which today
4 I believe makes up 75 percent of their overall
5 business. In fact, many of the petitioning companies
6 also embraced the Korean and Chinese imports early on
7 instead of investing in the production lines to
8 produce these new products as their marketing strategy
9 to round out their product offerings.

10 Petitioners chose not to participate in the
11 new and emerging DIY markets and remained primarily
12 focused on the professional contractor market and, as
13 a result, lost the opportunity to enter these market
14 channels. Now they are asking the government to step
15 in and provide them with relief so that they can
16 participate in these channels by continuing to sell
17 their non-subject imports.

18 The petitioners' true competitive advantage
19 in the U.S. market is focused on responsive, tailored
20 and effective product that can be manufactured and
21 transported within short periods of time to specific
22 specifications of their customers.

23 A review of the aggregate hardness map for
24 the United States in Diamond Products Catalog will
25 give you an idea of the complexity of local

1 professional requirements for diamond sawblades. By
2 contrast, the Korean and Chinese manufacturers simply
3 do not have this capability. Their manufacturing lead
4 times and long supply lines have prevented them from
5 being competitive with U.S. manufacturers in the
6 professional market.

7 Both Korean and Chinese manufacturers are
8 geared to high volumes and repetitive products that
9 they can sell through OEMs and not to the markets that
10 the petitioners generally service.

11 In fact, in my opinion, professional
12 products represent a very small fraction of the Korean
13 and Chinese overall business to U.S. OEM customers.

14 The diamond blades that the petitioners
15 manufacture are either laser welded, braised or a
16 combination of both. While the method of attaching
17 the segment is identical to the U.S., Korean and
18 Chinese produced blades, the real difference lies in
19 the bonds and diamond concentrations as well as the
20 steel cores.

21 The U.S. products are produced in limited
22 quantity to specific customer needs as defined by the
23 hardness of the material being cut and they use very
24 exacting manufacturing processes with very high
25 quality laser cut and heat treated steel cores.

1 The Korean and Chinese diamond blades are
2 generally produced with lower concentrations of
3 diamond using stamped steel cores. The blades
4 produced by the petitioners are specifically premium
5 to supreme in quality, whereas the Koreans and Chinese
6 generally produce blades from economy through premium
7 grades.

8 MK Diamond Products in the early '80s
9 identified and focused our manufacturing, marketing
10 and sales of equipment and diamond sawblades to
11 companies such as Home Depot, Amazon.com and Grainger
12 and scores of distributors throughout America. We
13 service the mason, tile, concrete contractors as well
14 as the do-it-yourselfers. do-it-yourselfers have
15 significantly embraced diamond sawblades as a
16 necessary tool for light construction in and around
17 their homes and represent over 23 percent of MK
18 Diamond's small diameter diamond sawblades sold each
19 year.

20 MK Diamond has elected to work with the
21 Koreans and to some extent the Chinese to develop
22 proprietary blades for small contractors and
23 do-it-yourself markets because the domestics just
24 don't make these kinds of blades.

25 Over the last 15 years, the Koreans have

1 simply become the benchmark for quality performance in
2 the DIY and small contractor market. Several of the
3 more popular lines of manufactured laser welded dry
4 diamond blades, centered and continuous rim blades
5 produced by the Koreans for MK Diamond Products
6 represent a level of technical expertise and
7 engineering not found in the U.S. In addition, the
8 designs and products produced by the Koreans are
9 proprietary to MK Diamond and protected under U.S.
10 patent and trademark laws.

11 MK Diamond's primary product focus is
12 continuous rim diamond sawblades, which are not made
13 in the U.S. and represent a majority of the diamond
14 sawblades sold by MK Diamond. In fact, over
15 63 percent of all diamond sawblades sold by MK Diamond
16 are continuous rim. These blades are branded and sold
17 for use on right angle grinders and circular saws. Of
18 these blades, over 78 percent of all sawblades sold by
19 MK Diamond are in sizes 4 through 14-inch in diameter.

20 Our national brand is extremely important to
21 customers and distributors and is therefore a
22 determinant of the price that the consumers are
23 willing to pay. Also, our brand carries a guarantee
24 that consumers recognize and have come to expect.

25 Distributors need to offer these products to

1 fill out their product lines and to satisfy customer
2 demands. At the present time, only foreign source
3 produced products are produced for these specific
4 brands.

5 Petitioners have never had a strong presence
6 in the national chains and small distributor markets.
7 Demand has strongly and steadily been growing over the
8 last 15 years as small contractors and
9 do-it-yourselfers continue to find more uses for these
10 products. The domestics have not benefitted from this
11 growth because these are markets that they do not
12 generally serve.

13 U.S. producers have been slow to find new
14 markets for their premium diamond sawblades and to
15 adopt technical improvements. Each of the petitioners
16 serve a very specialized segment of the diamond
17 sawblade market, which traditionally has had peaks and
18 valleys that have lasted over one to two years.
19 However, the federal dollars for road construction
20 which represents \$181 billion even though approved in
21 2001 has not yet been allocated and this single event
22 is having a significant effect on the petitioners' top
23 and bottom line.

24 It is difficult for me to understand how the
25 petitioners have claimed that they have not been able

1 to invest in new technology or capital equipment.
2 I have firsthand knowledge as a customer of several of
3 petitioners that they have spent millions of dollars
4 in anticipation of business coming from the federal
5 highway jobs. Diamond B, for example, has spent over
6 \$3 million in new diamond sawblade technology and
7 equipment in the last four years. Unfortunately, this
8 equipment is being under-utilized due to the lack of
9 federal monies for highway construction. Diamond B's
10 market is strictly to the professional sawing and
11 highway contractors.

12 In addition, Diamond Products, a petitioner,
13 has spent millions of dollars moving a significant
14 majority of its current manufacturing to Thailand,
15 which is outside of the scope of the two countries
16 identified by the petitioners as dumping. Their hope
17 is that the petition will result in higher duties for
18 the Koreans and Chinese, leaving them virtually duty
19 free to have an even greater competitive advantage
20 over all OEMs that currently purchase from Korea and
21 China.

22 It is important to note that all U.S.
23 producers complement their product line with foreign
24 sourced products including Korea and China. In other
25 words, Korean imports have replaced domestic resales

1 of Korean products. Displacement of Korean products
2 by other Korean products cannot be considered injury.

3 Allowing this petition to move forward does
4 little to protect the domestic industry. The real
5 beneficiaries, however, will be those countries who
6 import from non-subject countries such as Thailand,
7 Japan and India. I doubt that the U.S. trade laws
8 were intended to protect one importing country over
9 another.

10 Thank you.

11 MR. NIXON: Good afternoon, Mr. Carpenter
12 and commission staff and thank you for the opportunity
13 of addressing you here today. My name is Doug Nixon.
14 I am the general manager of the Construction Products
15 Business at Saint-Gobain Abrasives.

16 Saint-Gobain Abrasives is the largest
17 manufacturer of abrasives in North American and the
18 world and I have been employed by both Saint-Gobain
19 and its predecessor, Norton Company, for 35 years.

20 Saint-Gobain is a full line manufacturer of
21 abrasives, including diamond blades. We employ 3500
22 people in the United States and its combined sister
23 companies have over 22,000 employees here in this
24 country.

25 The first thing I want to say is I really

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1 don't understand why this petition was filed. From my
2 perspective, the diamond sawblade business is getting
3 better, not worse. 2004 was a good year for
4 Saint-Gobain and 2005 is shaping up to be another good
5 year.

6 I would urge the commission not to be
7 confused by the petitioners presenting themselves as
8 all mom and pop U.S. operations. The lead Petitioner,
9 Diamond Products, is owned by the Tirolet [phonetic]
10 Group, which is in turn owned by the Savorski Group, a
11 \$2 billion operation, global operation, based in
12 Austria.

13 What I really want to talk about today is
14 the role of imports in our business. Saint-Gobain
15 manufactures some products in the U.S. and imports
16 others. At our U.S. facility, we make laser welded
17 and soldered diamond blades. The majority of these
18 products are for the professional construction
19 industry. That is, the construction companies that do
20 large road and airport projects or other similar
21 infrastructure construction.

22 The majority of the products imported from
23 China and Korea are centered or continuous rim diamond
24 blades. These products are critical to rounding out
25 our portfolio, but we do not have U.S. manufacturing

1 capability for the centered blades. In fact, I don't
2 think any U.S. producer has meaningful centered
3 manufacturing capability.

4 In our research before adding this line in
5 the mid '90s, we were unable to identify any U.S.
6 sources for this product and hence developed some
7 alternatives in China and Korea. The Chinese sources
8 continue to be in place today.

9 Contrary to the petitioners' position that
10 growth in diamond blade imports has undermined
11 domestic pricing, the fact is that the bulk of the
12 growth in imports has been in these products that, for
13 the most part, are not manufactured in North America
14 by the petitioners or, for that matter, any other
15 company in North America.

16 For the sake of efficiency, Saint-Gobain
17 like nearly every producer in the industry imports
18 some products. The decisions about what to make
19 domestically and what to import are based on efforts
20 to use our capacity in the most efficient manner
21 possible. At Saint-Gobain, we focus our domestic
22 production on the professional construction market and
23 import smaller diameter centered blades. The bulk of
24 the petitioners are also focused on producing for the
25 professional construction market.

1 I know this market well and I can tell you
2 that imports are not and likely will never be a
3 serious player in the industry. One of the reasons we
4 focus our domestic capacity on the professional
5 construction market is its significant support
6 services are critical to sales in this industry, as is
7 quick delivery time.

8 Neither of these are possible with imports.
9 Successful sales require job site presence backed by
10 24/7 support, which again would be difficult to do on
11 an import basis.

12 Imports are not a major factor in the
13 professional construction market. The smaller
14 centered blades are neither large enough nor durable
15 enough to be in the construction market. The imports
16 are sold in the retail and rental markets.

17 The demand for diamond blades in this market
18 arose out of a demand by tradesmen and handymen alike
19 for products that would last longer and cut faster
20 than traditional abrasive cut off wheels that had been
21 available to them up until that time. The Chinese and
22 Korean imports of centered blades do not compete with
23 domestically produced diamond products but with
24 commodity grade abrasive products.

25 Innovative retailers such as Home Depot and

1 other big box stores began demanding diamond blades as
2 a more durable and effective alternative to abrasive
3 cut off wheels. As a result, Saint-Gobain and many of
4 the petitioners became suppliers of these products to
5 this channel. In order to do this, we became importers
6 of these blades from Korea and China.

7 Imports are not a factor in determining the
8 price of our U.S. product. In the professional
9 construction market, the price leaders are the U.S.
10 producers. Imports are insignificant in that market
11 and do not impact the prices. In the retail market,
12 where most of the imports are competing, prices are
13 determined by the retailers who know that customers
14 will choose non-diamond alternatives such as abrasive
15 cut off wheels if prices get too high.

16 I started by saying I didn't know why the
17 petition was filed, but the truth is I have a
18 suspicion. If duties are imposed, our major
19 competitor and the lead petitioner, Diamond Products,
20 would continue to have easy access to centered
21 products from their significant manufacturing base in
22 Thailand. In fact, the convenient absence of Thailand
23 from the list of countries targeted by the petitioners
24 makes this action look a lot more like an effort to
25 win market share for Diamond Products' Thailand

1 affiliate than an effort to protect U.S. production
2 and U.S. jobs.

3 There are three things I want to tell you
4 about the duties sought by petitioners:

5 First, if the ITC allows duties to be
6 imposed on diamond blades from China and Korea, it
7 would not protect U.S. production or U.S. jobs, but
8 would give Diamond Products a competitive advantage in
9 the marketplace.

10 Second, duties will harm Saint-Gobain and
11 its domestic production. If we cannot import blades
12 to round out our product line, we will likely lose
13 sales of U.S. production and have to cut employment.

14 Third, if duties are imposed on Chinese and
15 Korean imports, production will not shift to the U.S.
16 For the most part, the diamond blades imported from
17 China and Korea are not produced in the United States
18 and have never been a major part of U.S. production.
19 Thus, the result of tariffs will be to shift the
20 purchase of imported diamond blades from China and
21 Korea to Thailand and elsewhere. The reality is that
22 other foreign sources will be found for these products
23 and the situation in the domestic industry will remain
24 unchanged.

25 For these reasons, we are in strong

1 opposition to this action.

2 MR. KLETT: Good afternoon. My name is
3 Daniel Klett, an economist with Capital Trade, Inc.,
4 testifying on behalf of Korean Respondents.

5 There are four causation issues I will
6 discuss:

7 First, the nature of the market for diamond
8 sawblades and the implications for the commission's
9 causation analysis;

10 Second, what are the demand drivers for
11 sawblades and how they have changed over the POI for
12 different parts of the market;

13 Third, the pricing data collected by the
14 commission and its significance to the commission's
15 causation analysis; and

16 Fourth, what are the average unit value
17 comparisons and what they mean for causation.

18 Before I testify on these issues, I want to
19 emphasize that the commission need not even really
20 address causation. The data are confidential, but
21 I can say my review of the data shows that in the
22 aggregate the U.S. industry does not even meet the
23 material injury threshold, much less whether
24 competition from subject imports caused material
25 injury.

1 Diamond sawblades is not a generic fungible
2 commodity sold through only one or two channels of
3 distribution. There are many different types of
4 products sold through many different channels. Thus,
5 a critical causation issue for this investigation is
6 the extent to which domestic and imported products are
7 comparable products being sold through the same
8 channels and to the same customers.

9 The previous witnesses explained in depth
10 how the U.S. market is segmented and I won't repeat
11 those points, but I want to give an example of what
12 this means. If you review Diamond Products' website,
13 you will find that even for a specific diameter
14 diamond sawblade such as a 14-inch diameter blade list
15 prices range from \$134 per blade for its economy Star
16 Blue high speed dry blade to \$2366 per blade for it's
17 mega-premium wet blade for cured concrete. For other
18 common sizes, there are also wide price range gaps.

19 You will see similar distinctions based on
20 saw type and grade for other U.S. producers as well.

21 These wide price ranges reflect the
22 differences in diamond sawblades that were described
23 earlier. Petitioners would have you believe that
24 subject imports compete aggressively with U.S.
25 producers across the full spectrum that subject

1 imports compete.

2 Fortunately, the commission staff has
3 collected shipment data based on diamond sawblade and
4 general types and by channels of distribution to
5 enable us to evaluate this claim.

6 While the details are confidential, I can
7 tell you that the data support our witness testimony.
8 A much higher share of subject imports are continuous
9 rim blades under 10 inches in diameter, a much greater
10 share of these imports are to OEMs, power tool
11 manufacturers and branded resellers and the big box
12 retailers, where the buyer often is the
13 non-professional do-it-yourself customer or smaller
14 independent contractor.

15 By contrast, a higher share of U.S. produced
16 sawblades are laser welded segmented blades over 14
17 inches in diameter. These larger blades are much more
18 costly and are favored by cutting professionals in the
19 large commercial construction and road construction
20 and repair business.

21 In assessing the factors affecting diamond
22 sawblade demand, the commission must look at different
23 parts of the overall construction market and this was
24 a point raised by Mr. Thomsen in his earlier questions
25 to petitioners' witnesses.

1 As shown in a chart that I have distributed
2 and you should have before you, during the period of
3 investigation, the road, infrastructure and commercial
4 building construction market, that part of the market
5 most important to U.S. producers, is flat or
6 declining. The home improvement market, where imports
7 are concentrated, was growing. For these reasons,
8 when you are reviewing market share trends, the
9 commission cannot assume that any increase in subject
10 import market share displaced U.S. shipments. Rather,
11 this most likely reflects stronger demand in the
12 market segments where imported sawblades are
13 concentrated.

14 The detailed pricing specifications for
15 which data were collected reflect those developed by
16 the commission staff in consultation with respondents.
17 The focus was on sales to distributors because this is
18 where overlap between U.S. and subject imported
19 sawblades was most likely to exist.

20 When reviewing the price data for purposes
21 of its causation analysis, the commission should
22 consider the following:

23 First, even for sales to distributors,
24 differences in the types of sawblades sold and how
25 they are sold will limit competition. For example,

1 U.S. producers sell to distributors under their own
2 well-established brand names, whereas imports
3 generally are branded by a third party or by the
4 distributors to whom the importers sell.

5 Second, given the major differences between
6 custom-made and general use products, the price
7 differences that you may see are not surprising. In
8 fact, the price differentials for some of the product
9 specifications are so large this likely reflects lack
10 of direct competition between U.S. and imported
11 sawblades, not competitive underselling.

12 Third, some U.S. producers do not appear to
13 have correctly reported data for the specific channel
14 of distribution for which the pricing data were
15 requested. For example, some reported price data for
16 a channel where they reported no sales to that same
17 channel in response to the trade data for question
18 2-9.

19 Fourth, even if the pricing comparisons do
20 show underselling on a nominal basis, this alone is
21 not sufficient to demonstrate that underselling is
22 commercially significant. The commission also looks
23 at the types and patterns and relationships that would
24 support a finding that such underselling actually
25 contributed to depressed or suppressed prices. My

1 review of the data indicates that no such patterns
2 exist.

3 The last issue I want to address relates to
4 the average unit value comparisons for the larger
5 universe of products for which pricing data were not
6 collected. The eight pricing products for which data
7 were collected represent a very small share by value
8 of subject imports over the POI. The average unit
9 value for the residual non-pricing products for U.S.
10 producers was significantly higher than for subject
11 imports, so much so that it is clear that a large
12 share of subject imports compete in a completely
13 different market than do U.S. producers.

14 Thank you.

15 MR. GRIFFITH: That concludes our panel's
16 affirmative testimony and we would be pleased to
17 answer any questions the chairman or the staff may
18 have.

19 I should also note that my colleague,
20 Mr. David Park will assist me in responding to any
21 questions the staff may have concerning the Korean
22 respondents.

23 MR. CARPENTER: Thank you very much for your
24 testimony, everyone. We appreciate it.

25 We'll begin the questions with Betsy Haines,

1 the investigator.

2 MS. HAINES: Betsy Haines, Office of
3 Investigations.

4 Thank you for the testimony.

5 I'm curious, is there any industry-wide data
6 available on the industry in Korea or China? Are
7 there any official statistics gathered on that end
8 that you might be able to provide in your brief? You
9 can look into it.

10 MS. KIM: I'm sorry, your question is
11 regarding industry data for Korea and China?

12 MS. HAINES: Yes. Whether there's anything
13 collected in Korea, either by the government or the
14 industry itself.

15 MR. GRIFFITH: We'll look into it and if we
16 find anything, we'll put it in our post-conference
17 brief.

18 MS. LEVINSON: And we'll look into it on the
19 Chinese side.

20 MS. HAINES: Thank you.

21 MR. GRIFFITH: I should say that we
22 contacted the Chamber of Commerce in China to attempt
23 to determine whether or not there was a good answer to
24 that question and I believe, we'll check some more,
25 but I believe that the answer is they did not have

1 such information available.

2 MS. HAINES: Okay. Also in your brief, if
3 you could let us know the top producers, see if I have
4 any major holes in our foreign producer data, if there
5 are any large producers that we haven't heard from
6 that you are aware of and also how large the industry
7 is, in particular, in China, how large you think the
8 industry is, but also in Korea.

9 I wanted to ask the attorneys your opinion
10 about the HTS category, how much of a basket category
11 you believe it to be and whether you think in
12 comparison to our questionnaire data, importer data.

13 MALE VOICE: As we briefly discussed before
14 as well, I think the HTS category itself, we do
15 believe that it is a basket category. We are
16 continuing to look at it and we'll address it further
17 in our post-conference brief, but our initial thinking
18 is that perhaps the import data will probably be more
19 accurate, the collected data through the questionnaire
20 responses.

21 MS. HAINES: Okay.

22 MALE VOICE: On the Chinese side, we agree
23 that the questionnaire data appears to be the more
24 accurate and we think that there is actually data on
25 the record that demonstrates that. We'll address that

1 in our brief.

2 MS. HAINES: Okay. All right. Thank you.

3 That's all I have.

4 MR. CARPENTER: Could I just make a request
5 that because we have so many people at the panel it
6 would help the court reporter if you identify yourself
7 before each response. Thank you.

8 Ms. Hughes?

9 MS. HUGHES: Okay. My first question has to
10 do with the product itself as well as the like
11 product. I'm hearing about the various types of
12 blades, there's the wet and the dry. Although the
13 petitioners said that the dry could be used as wet or
14 vice versa and the other shouldn't and there's a
15 professional, general use, continuous rim blades,
16 there's centered versus laser welded, so I need to
17 know -- and you can tell me now to the extent that you
18 can -- whether you think that the commission should
19 find that these are separate domestic like products or
20 perhaps they're just conditions of competition, that
21 would attenuate competition or something along those
22 lines.

23 MR. PARK: David Park. For purposes of the
24 preliminary determination we are not harking for a
25 separate like product, and we'll address this in

1 further detail in our post-conference brief.

2 MS. HUGHES: So you would go through the
3 factors the Commission looks at and if you could
4 address in particular Petitioner's assertion that the
5 semi-finished analysis should be used at least in
6 part. We'd appreciate that.

7 MR. PARK: We'll do that.

8 MS. HUGHES: Thank you.

9 Do you believe that the makers of the parts,
10 the cores, should be considered part of the domestic
11 industry?

12 MR. PARK: Again, for purposes of the
13 preliminary determination we will be challenging that.

14 MS. HUGHES: Again, if you could go through
15 the reasons why you would agree with that and certain
16 caveat it for the purposes of the preliminary
17 determination, Mr. Park. Thank you.

18 I have the sense that it sounds like almost
19 everybody has a related party, every domestic producer
20 must have a related party connected to it, but maybe I
21 have a wrong impression here. Maybe there are other
22 importers or something that -- I heard the Thais
23 mentioned. They're obviously not Korean or Chinese.

24 So to the extent that there are related
25 parties here, could you tell me whether you believe

1 they should be excluded from the domestic industry?
2 You'd probably just want to leave that for the post-
3 conference brief as well. That would be fine.

4 Along those --

5 MR. GREENWALD: For the record, the notion
6 that Saint-Gobain would be excluded as a related party
7 provision statute is entirely without merit and we'll
8 go into the details, but it's an effort really on the
9 part of Petitioners to try and skew the data, not to
10 address substantive serious issues.

11 MS. HUGHES: Okay, thank you.

12 What would those issues be, Mr. Greenwale?

13 MR. GREENWALD: The issues would be the
14 degree to which the imports shield domestic production
15 from competition which you heard today is accurately.
16 That's the domestic part of Saint-Gobain's operation,
17 who is very much like the domestic part of the
18 Petitioners' operations. That is designed to serve
19 primarily the construction, professional market, and
20 that the imports fill out a product line in exactly
21 the same way as that, for example, Diamond Products
22 imports fill out its product line.

23 MS. HUGHES: To the extent you have any more
24 information on that, I would ask all counsel the same,
25 if you could put that in your post-conference brief it

1 would be helpful.

2 Mr. Lewis had testified that there have been
3 numerous consolidations among the domestic industry in
4 terms of foreign entities purchasing domestic
5 producers. Are we talking about the Korean or Chinese
6 entities purchasing domestic producers?

7 MR. LEWIS: Roger Lewis.

8 No, the consolidations really have been
9 european companies buying domestic producers. It
10 started with probably Cushing Cut in 1987, I think,
11 being bought by the Longyear Corporation from South
12 Africa, and Target being bought by the Diamaut Boart
13 Group of Belgium, Diamond Products bought by the
14 Terrill Dworfsky Group in about '90, '92 period. The
15 Norton Company being bought by the Saint-Gobain Group
16 in 1990. Then subsequent, I can go through the
17 litany. Target bought the Felker Company which we
18 heard mentioned earlier in about 1985 because I was on
19 that acquisition team. I'm quite familiar with that
20 one. So there has been consolidation from the mid '80s
21 through now. Target was subsequently sold again in
22 '89 and then rebought again in '02. Each time it was
23 a European company. There has been nothing with the
24 Asians buying market.

25 MS. HUGHES: Thank you.

1 Obviously construct, the price of the
2 construction industry, that is an important, perhaps
3 the most important condition of competition here. To
4 the extent that you believe there are others, we'd
5 like to know what you believe. You can put that in
6 the post-conference brief as well.

7 MR. KLETT: This is Dan Klett. We will do
8 so.

9 MS. HUGHES: Thank you.

10 Mr. Sallis, I am delighted you are here
11 because I have often wished I had a chance to ask
12 purchasers questions.

13 Could you give me an assessment of what the
14 quality of the Korean and Chinese imports are with
15 respect to each other, as well as with respect to the
16 United States? Obviously where there is competition.

17 MR. SALLIS: The competition between the
18 U.S. producers and then the Korean and the Chinese
19 producers is extremely limited because of the types of
20 products that they're sold through the distribution
21 process chain.

22 Years ago the domestic industry just turned
23 its back and moved towards the larger production of
24 the highways and the higher profit items and has left
25 the smaller products, the harder to make the four inch

1 through 14 inch type products to the importers.

2 I have been dealing with domestic and, I buy
3 domestic and I also buy Chinese and Korean products.
4 The things that go into play, the products comparisons
5 and the qualities, it's such a wide variety. We hear
6 talk in here today of premium or standard. It's
7 almost like talking the difference between chocolate
8 and vanilla. It comes down to a lot in preference.
9 Those preferences are set by us and our buying
10 requirements, whether it would be by delivery, quality
11 or price. Those three concepts drive how we purchase.
12 We're able to fulfill those domestically for some of
13 the more professional product. But when it comes to
14 filling it for the DIY market, the do it yourself
15 market, your general contractors, those products are
16 just really not available for purchase through the
17 United States. So we have to rely on the import
18 products.

19 MS. HUGHES: Which is most important,
20 delivery, quality or price?

21 MR. SALLIS: Well, you really can't put an
22 importance to either one of those. If you've got a
23 very low price and very good quality but you can't get
24 it delivered the pricing does you no difference. Vice
25 versa, if you've got a very fast delivery but the

1 pricing is very comparable and the quality is not
2 there, it still does us no difference. So we have to
3 have a good combination of all three to make it work
4 in the marketplace.

5 MS. HUGHES: Do you gain that by experience
6 with the various producers or distributors or
7 whatever? It seems to me somebody might promise they
8 can have you something in a week or two and just don't
9 deliver on it and quality's fine, as you said, and the
10 pricing might be good but they just don't deliver, or
11 maybe that doesn't happen.

12 MR. SALLIS: Ms. Hughes, it really falls to
13 the point that there are a lot of promises and
14 qualities and things, but you have to have the
15 experience to be able to trust the producers. We also
16 do our own physical testing, checking the products,
17 making sure that it's designed to our specifications.

18 MS. HUGHES: But you don't have a
19 certification process per se?

20 MR. SALLIS: No, the certification process
21 that we go through is making sure that the diamond
22 concentration, the content and the grade are to our
23 specifications which we recommend.

24 MS. HUGHES: Is this an expensive test or
25 is it very simple, not too time consuming?

1 MR. SALLIS: It's not a real expensive test,
2 the things that we go through. And it's the same type
3 of testing that the domestic producers go through to
4 test their own products.

5 MS. HUGHES: Do you continuously deal with
6 the same producers? You have relationships with them
7 and so they've got a good reputation for delivering a
8 quality product at a good price and you just deal with
9 them time and time again?

10 MR. SALLIS: I'm dealing with people in here
11 today on both sides of this petition that we've been
12 dealing with since I was with Lackmond, started
13 Lackmond 11 years ago. But before Lackmond, all the
14 way back to the Felker days, and then on through to
15 the other petitioner of Dixie Diamond.

16 I go back with 15, 16, 18 years of
17 experience with these foreign producer and there is a
18 trust and I still buy today product from those
19 producers that I bought 15 years ago.

20 MS. HUGHES: Do you find any specific
21 advantages since you're dealing with producers on both
22 sides, to one side or the other? Delivery might be an
23 advantage with the Americans, I don't know.

24 MR. SALLIS: Other than the products
25 strictly are not available for purchase through the

1 domestic producers. I have requirements that just
2 physically cannot be filled by the domestic suppliers.

3 MS. HUGHES: Do they ever offer to make it
4 for you, what you're not currently getting from them?

5 MR. SALLIS: As I stated in my brief, in 11
6 years Lackmond has never been solicited by a domestic
7 producer to produce the do it yourself, the lower
8 ended, the continuous rim turbo-type products that era
9 a very large part of our business.

10 Lackmond does not sell to the professional
11 market. Our business is strictly through distribution
12 and through your large box type stores.

13 MS. HUGHES: Do any other of the Respondents
14 have relationships with purchasers such as Mr. Sallis
15 and could shed light on whether there is such an
16 exclusion of the DIY market as you're calling it to
17 the professional market? Certainly Petitioners said
18 there is reasonable overlap and competition. I'm
19 hearing exactly the opposite here. I've just got the
20 one purchaser. I know this is hearsay evidence sort
21 of, but it would be helpful if anybody has any
22 knowledge of this sort.

23 Not just conjecture.

24 MR. CORCORAN: I'm John Corcoran and Cliff
25 and I are actually competitors. We're both resellers.

1 I do work on a part-time basis with Ehwa, so I don't
2 want to assume that there's no prejudice here.

3 I have two primary suppliers. One is a U.S.
4 producer and the other is a Korean producer, in this
5 case Ehwa and General Tool.

6 We tend, as Cliff does, to sell through
7 distribution only. We do not sell direct. WE do not
8 sell to the professional cutting contract to market.

9 The amount of purchases from the U.S. side
10 are really confined to special products of one sort or
11 another where a job is very unique, a special core
12 length bit or something like that. Otherwise the
13 products are purchased from General Tool for resale
14 through our distribution channel.

15 As Cliff has said, there's very very little
16 opportunity to purchase many of these products from
17 domestic suppliers. There is a modest amount of
18 overlap, but it is really very very modest. Mostly --

19 MS. HUGHES: With respect to?

20 MR. CORCORAN: In the middle of the range,
21 in the 12 and 14 inch diameters we do see some
22 overlap. There have been some opportunities on
23 occasion to purchase some products, but usually the
24 quality/price relationship is not as attractive as it
25 is from my Korean source.

1 MS. HUGHES: Okay.

2 MR. SALLIS: Ms. Hughes, if I may also
3 address, as you asked earlier, the supply side is
4 extremely important to us. As an OEM reseller our
5 supply is something that we have to play very
6 consistently.

7 Domestic producers in my history have a
8 tendency to have their production get tied up by a
9 large highway contract come through or something like
10 that. where we may have an order in with a particular
11 U.S. producer, and if a large job comes through for a
12 large demand, we have a tendency on our side as an OEM
13 purchaser from them that our business will get slipped
14 to the side and their main forte business would take
15 place of our supply which would impart put us in
16 jeopardy because we won't be able to supply our
17 product to our people.

18 MS. HUGHES: Okay.

19 Mr. Nixon, you had said that in the event
20 that duties are imposed Saint-Goban would not be able
21 to import to round out its product line. Why would
22 that be? Because it would be too expensive in view of
23 the duties?

24 MR. NIXON: Exactly. The price point being
25 what it is in the marketplace, the proposed duty

1 levels would be very prohibitive.

2 MS. HUGHES: But you have a facility here
3 that manufactures them?

4 MR. NIXON: WE have a facility here in
5 California that produces for the construction market
6 specifically, but the markets served in the DIY and
7 rental channel are not fully supplied from that site
8 so I need other products to round out that offering.

9 MS. HUGHES: Could they be supplied from
10 that site?

11 MR. NIXON: Not the sintered product. As I
12 said in the brief, I don't have capabilities for
13 sintered production in the U.S..

14 MS. HUGHES: But in terms of size and other
15 specifications, if you will.

16 MR. NIXON: Of the laser welded segment of
17 the product, yes.

18 MS. HUGHES: That could be used when the
19 sintered product is used, no?

20 MR. NIXON: I'm sorry, say again.

21 MS. HUGHES: Could the laser welded
22 segmented product be used in applications where the
23 sintered product is used?

24 MR. NIXON: There are very few applications
25 where there's an overlap between sintered and

1 segmented product for the reason of durability and
2 capability of bald, so we don't really see that as an
3 option.

4 MS. HUGHES: Okay.

5 I'm not sure if I asked about cumulation.
6 Assuming I did not, if you could please address in
7 your post-conference brief what you believe, all
8 counsel please, whether they should be cumulated and
9 go through the factors the Commission looks at
10 generally. Thanks.

11 And do the same with respect to the threat
12 of material injury finding as well.

13 That's the end of my questions. Thank you.

14 MR. CARPENTER: Mr. Thomsen?

15 MR. THOMSEN: Good afternoon. Thank you all
16 for being here.

17 Just one quick question I had for you. What
18 is a turbo blade?

19 MR. LEWIS: Could you repeat, was it turbo
20 blade?

21 MR. THOMSEN: Yeah, I've heard that term
22 tossed around but --

23 MR. LEWIS: It is a segment with serrations
24 in it that we've named turbo over the years because
25 it's a nice snazzy name.

1 MR. THOMSEN: Is it a segmented blade or is
2 it a segment of the market?

3 MR. LEWIS: There is a segmented turbo and
4 there are continuous turbo, and there are wavy bodied
5 turbo, there are many different types of blades. They
6 can have a continuous rim and a turbo shaped segment
7 on it. You can make a single segment and then laser
8 weld it to a blade that's a turbo shaped segment.

9 MS. KIM: this is Christine Kim. If I can
10 just add, I think the vast majority of what's called
11 turbo blades in the U.S. industry are a continuous rim
12 blade.

13 MR. THOMSEN: In what market are they sold
14 into? Are they sold into the DIY market, are they
15 professional blades?

16 MR. KIM: This is J. Kim from General Tools.

17 For purpose of this hearing we are referring
18 to turbo blade as sintered products. I think earlier
19 in Ms. Haines referred to them as continuous
20 capsulated products. they're the same, and they're
21 marketed through the DIY channels. So turbo blades
22 are all sintered -- mostly.

23 MR. THOMSEN: Thank you very much.

24 Speaking of the DIY market, I asked the
25 Petitioners earlier about the growth in the DIY

1 market, if there would be a way for them to give me
2 some sort of quantification of that. Would the graph
3 that Mr. Klett had, that you put in, is that the best
4 way to measure the growth of the DIY market, or are
5 there, maybe other people could give their
6 experiences, what they believe the growth rate is on
7 the DIY market.

8 MR. KLETT: I can just say first of all with
9 respect to this graph that the DIY, what I plotted
10 here was private residential improvements. The data
11 from which these graphs were derived actually has much
12 more detail in terms of the construction markets, in
13 terms of private versus public and then for private
14 construction, all sorts of different demarcations. So
15 I'll try to refine this for purposes of the post-
16 conference brief in terms of in addition to private
17 residential improvements other categories that may
18 reflect demand for saw blades in the DIY market.

19 MR. NIXON: Doug Nixon, Saint-Gobain.

20 I would just add that there are really two
21 factors driving growth in the DIY. The biggest one is
22 actually the big box stores themselves, and they're
23 expanding, as an example, the Home Depot adds roughly
24 150 to 200 stores a year and they literally create
25 demand where they land. So that's a market, you're

1 just compelled every Saturday to go over there and buy
2 something so that pushes that kind of product out the
3 door.

4 Secondly, there's an actual growth of
5 diamond blades replacing abrasive blades which has
6 been very steep and has ramped up over the last four
7 or five years. But I would say to a much greater
8 extent today, the push is really from the market
9 itself. The growth of Lowe's, the growth of Home
10 Depot. It's tremendous.

11 MR. THOMSEN: On that point actually, what
12 are abrasive blades made of?

13 MR. NIXON: Abrasive blades are made out of
14 typically products that are used in this same
15 application, are made out of man-made abrasive and
16 organic resins. So they can do the same job but their
17 life is a fraction of a diamond product. Either
18 sintered or segmented.

19 MR. THOMSEN: Thank you.

20 For the importers that are here, would you
21 be able to break down what proportion of your sales go
22 to the OEM, road construction, general construction,
23 rental, and then the retail big box market, all the
24 different markets segments that we've heard from, in
25 the post-conference brief?

1 MR. PARK: I'll make sure that we have that.

2 MR. THOMSEN: Thank you, Mr. Park.

3 The importers that are here, do any of you
4 import any 20 inch blades or 18 inch blades, 16 inch
5 blades?

6 MR. SHEN: Paul Shen.

7 Yeah. Most of the blades imported small
8 size. After 14 inch size, for larger size very very
9 few.

10 MR. THOMSEN: Is that growing? Have you
11 imported them before?

12 MR. SHEN: No, is not our market. But for
13 the larger size blades you need high quality and fast
14 delivery and service. Is not easy for importer to do.

15 MR. THOMSEN: Do you not keep any --

16 MR. SHEN: We just focus on the small size
17 blade, fewer quantity, the producer OEM. Is more
18 easily. For big size, very different for other.

19 MR. THOMSEN: Thank you, Mr. Shen.

20 MR. KIM: This is J. Kim from General Tools.

21 We import mostly up to 14. Anything above,
22 there are some exceptions, but we find it more
23 economical to produce it in the U.S.. That's why we
24 have U.S. production.

25 MR. THOMSEN: So you produce the larger ones

1 but you import the smaller?

2 MR. KIM: That's correct.

3 MR. THOMSEN: Do you import any of the 20
4 inch or larger? And if you do, under what conditions
5 would you do that? What would be a reason for
6 importing them rather than producing them?

7 MR. KIM: I'm not aware of importing
8 anything larger than 20 inches. There may be
9 exceptions of one or two blades in the last two years,
10 but that would have been special circumstances.
11 Perhaps our production equipment was down or
12 something. But I am not personally aware of imports
13 of anything larger than 20 inches.

14 MR. THOMSEN: Thank you, Mr. Kim.

15 One other question that I had noticed is
16 that Petitioners had spoke earlier today to the fact
17 that there is intense competition between China and
18 Korea and among the different suppliers and
19 distributors of Chinese and Korean diamond saw blades
20 in the DIY market. I just wanted to get your general
21 impressions on whether that is a correct
22 characterization in your opinion.

23 MR. SHEN: Paul Shen from Gang Yan.

24 My understanding that competition between
25 Korea supply and Chinese small blades in DIY market,

1 but generally looser, not for special market.

2 MR. THOMSEN: In the DIY market are you
3 noticing this intense competition driving down prices
4 in the DIY market?

5 MR. SHEN: The pricing of diamond blades
6 whole market bring down. There is couple reasons.
7 Price going down significantly. Raw material price
8 going down. Is major reason for all diamond blades
9 price going up for whole market, even for domestic
10 producer. Diamond price going down in quite a few
11 years.

12 MR. THOMSEN: What materials are going down
13 in prices?

14 MR. SHEN: For diamond blades, they are --

15 MR. THOMSEN: The diamonds themselves?

16 MR. SHEN: Yes. Diamond price down, make
17 all price going down. This is my understanding, my
18 reason for marketing price going down, for -- Not
19 only for importer pricing, even for domestic producer
20 pricing also going down.

21 MR. CORCORAN: I would probably not classify
22 that competition is intense between the Koreans and
23 Japanese. Certainly if I'm at a trade show I have
24 visits from people like Paul Shen who come to say
25 please come and buy my product. But I really don't

1 view it as intense. I would support, having been in
2 this industry for 40 years, Dr. Shen's contention that
3 at least one of the significant drivers here is that
4 the cost of diamonds as a raw material has been coming
5 down and continues to come down. That has been true
6 since I've been in the industry.

7 MS. KIM: This is Christine Kim.

8 There is competition of course in the DIY
9 sector, but I'd like to point out that it's not a new
10 circumstance in this industry. The competition has
11 been there for a long time.

12 MR. THOMSEN: Thank you.

13 Also in a similar vein we heard testimony
14 earlier that Europe doesn't sell much to the U.S.
15 because the prices are very low. Do you agree with
16 this or is it for some other reason, like foreign
17 ownership or European ownership of domestic companies
18 that they'd rather supply from the United States
19 rather than shipping it from Europe?

20 MR. NIXON: Doug Nixon, Saint-Goban.

21 I source product. WE have plants in Europe
22 and I do bring product in from Europe. Probably the
23 biggest deterrent at the moment for other European
24 manufacturers in Europe to get into the U.S. market is
25 not so much the domestic price level but the

1 euro/dollar rate has pretty much shut them out over
2 the last three years. Whereas before that it was more
3 of a level playing field. But you've seen 30 percent
4 climb in the euro over that same period of time and
5 that's pretty much closed the door.

6 MR. THOMSEN: Mr. Delahaut, I saw you
7 nodding your head. Are you agreeing?

8 MR. DELAHAUT: Brian Delahaut, yes, I agree
9 with Mr. Nixon on that premise. The euro is really
10 driving European products. It's not being sold in the
11 United States.

12 MR. LEWIS: Mr. Thomsen, can I address that
13 from a --

14 MR. THOMSEN: Absolutely.

15 MR. LEWIS: -- perspective.

16 When I was President of Operations for
17 Diamant Boart worldwide, we would move production
18 depending on the exchange rate. We brought in a lot of
19 product from Europe to the U.S.. In the middle '90s
20 we brought in a lot from Belgium, from Portugal, from
21 Spain and from Greece. Then as the exchange rate went
22 the other way -- In those days one dollar was equal to
23 like 1.25 euros. Now it's the opposite direction so
24 you had to change your production around.

25 MR. THOMSEN: I'd like to talk about the Buy

1 American provision that we'd asked the Petitioners
2 about. For those of you that do sell the larger
3 blades, have you noticed any Buy American provision
4 blocking you from being able to sell imported blades?

5 MR. DELAHAUT: We sell a lot to states,
6 counties, and we have not seen that. In fact they are
7 more concentrated on your employer mix or employee mix
8 as a determinant of whether you get an additional
9 discount of consideration with regards to a state bid
10 or a local bid.

11 MR. THOMSEN: Thank you.

12 MR. LEWIS: Mr. Thomsen? Roger Lewis.

13 MR. THOMSEN: Yes.

14 MR. LEWIS: From a state point of view we've
15 seen, you get a benefit if you're in that state. You
16 may get a five percent on a bid or something like
17 that. But not anything for Buy American.

18 MR. THOMSEN: If you're producing in the
19 state or --

20 MR. LEWIS: If your business resides in that
21 state and you're a taxpayer of that state. That's for
22 the state of Missouri. I can speak for that as a
23 fact.

24 MR. THOMSEN: Thank you, Mr. Lewis.

25 I have a couple of questions for Mr. Sallis

1 also. Actually, Mr. Delahaut may be able to answer
2 this also. I want to know a little bit more about the
3 quality of Chinese and Korean blades from a purchaser
4 perspective or from a distributor perspective. What
5 has been happening to the quality of those blades over
6 the last few years or just in general even over the
7 last ten years. Has the quality been increasing? Not
8 at all, a little, a lot?

9 MR. DELAHAUT: First let me say, Mr.
10 Thomsen, that the Chinese blades have been improving
11 in their quality over the last couple of years. MK
12 Diamond buys blades from both the Koreans and the
13 Chinese, but all of the blades that we buy are
14 proprietary to us. They are specifically designed to
15 our specifications. So it's hard for me to look at
16 the entire product range and say whether they have
17 higher quality or not. I know the products that we
18 buy that meet our specifications have the quality that
19 we specify.

20 MR. THOMSEN: Thank you.

21 MR. CORCORAN: Let me respond.

22 MR. THOMSEN: Absolutely.

23 MR. CORCORAN: They are not proprietary in
24 my case, and I really can't comment effectively
25 relative to the quality of the Chinese product but

1 I've been a purchaser of Korean product for a very
2 long time now and I'd like to make two comments. One
3 is the quality is consistent and the quality has
4 improved in the sense that new products are constantly
5 being developed which are aimed at market
6 requirements. So often just as Brian does, we'll
7 identify a market requirement, we'll pass that
8 information along, ask for a product to be developed,
9 and then find that that product works very very well
10 in the marketplace. The quality is good and
11 consistent.

12 I'd like to also sort of throw in the point
13 that the factory in Korea that we deal with is an ISO
14 certified factory and has been now for, I think this
15 is the second round of ISO certification and it's sort
16 of nine or ten years. Something in that vicinity. So
17 we're dealing with a producer that does meet world
18 standards, international standards and is a leading
19 producer on a worldwide basis. So predictably then,
20 the quality of the product is good and very
21 consistent.

22 MR. THOMSEN: Mr. Sallis?

23 MR. SALLIS: I have to agree with what Brian
24 and John have just said. I've been dealing with the
25 Korean market since basically when they started coming

1 into the United States and have done business with the
2 Chinese since they've come in.

3 The Chinese market is a little behind the
4 Korean market in some respects just because of the
5 maturity of their markets, but between the two they're
6 extremely close in today's market. Product quality,
7 delivery, everything just now comes down to sometimes
8 preferences of where we want to put it.

9 MR. THOMSEN: And do you ever run tests to
10 test out say a domestic blade versus a Korean blade
11 versus a Chinese blade for a specific medium? Say
12 you've got an order that's going to be used in Texas.
13 Do you ever test out one or the other blade to see
14 what would work best and try and distribute those
15 blades because of some sort of positive test results?

16 MR. SALLIS: Yes, we do. After 25 years of
17 experience the aggregates haven't changed. It's just
18 the technologies have changed. We've got products
19 today that we didn't have available to us 20 years ago
20 so the things that we're able to do today in the
21 marketplace is much different than we were able to do
22 in years past.

23 We do test, we know the capability of the
24 products that we put out on the marketplace, where
25 they will perform.

1 It's a very good question when you asked
2 about that because there's blades that you would put
3 into the Houston market that just would not be able to
4 work in other markets. We have to know this by our
5 market experience and through our testing of the
6 products that we put out on the market.

7 MR. THOMSEN: Is there a way that you could
8 submit for the record of course confidentially the
9 results of some of those tests comparing domestic,
10 Chinese, Korean blades?

11 MR. SALLIS: We can see what we can do,
12 Craig. It's something that's very hard and it's very
13 subjective. Because when you come down to performance
14 as a product, you may have a contractor that his labor
15 rates are high and one of his, what he wants to do on
16 that job is get on and get off in a quick manner;
17 whereas you will put a blade into that particular
18 situation that cuts fast but doesn't last that long.
19 Then you may have another contractor in another area
20 that goes into a job site and he's real tight on his
21 bid so he needs to make the cost of his diamond blades
22 as close to where he bid it as he could. So in those
23 types of things we would design, put a blade in there
24 that would give him a very long life; whereas the
25 speed of cut might not be quite as fast. So it has a

1 lot to do with the requirements that come from the
2 marketplace itself. It's very hard to say product A
3 compared to product B because there are so many
4 different markets that go into that. It's just
5 extremely hard to do.

6 MR. THOMSEN: Okay. Thank you.

7 MR. DELAHAUT: Sometimes the best test that
8 we have is the end user, and we end up giving it to an
9 end user. If we get a positive response or we what we
10 call a wow factor, then we know that product is going
11 to meet the requirements of probably 90 percent of our
12 customers. We go through a lot of formalized testing.
13 But even there you can't test all the different
14 variables associated with cutting. So by giving it to
15 a customer and getting -- and we have a lot of trusted
16 agents as we call them. WE get a lot of good feedback
17 back that allows us to basically categorize or
18 determine quality levels and also pricing based on
19 what that customer feedback is.

20 MR. THOMSEN: Thank you. That's very
21 helpful.

22 My final question for the panel is another
23 question that I was trying to get at beforehand, what
24 we had heard from the Petitioners, about the
25 difference between premium blades or ultra blades or

1 top of the line blades. I just wanted to get your
2 opinions about whether premium glades are the same
3 across manufacturers, across different countries of
4 supply, or whether there is a great difference between
5 a premium blade made in China versus a premium blade
6 made in Korea versus a premium blade made by diamond
7 products versus a premium blade made by Dixie Diamond.

8 MR. CORCORAN: I'll take the first shot at
9 it. This is John Corcoran.

10 I think as the Petitioners identified, and I
11 think it may have been Mr. Garrison, there is no
12 industry standard so as a result the names that are
13 applied tend to be a question of how much flare you
14 might have had the day that you named the product.

15 There are differences in every one, and I
16 think as Bruce testified in Diamond B's case there
17 were six ranges. That's fairly typical, three to six
18 ranges of quality.

19 Most of the differences can be traced back
20 to the raw materials that were put in. If you have a
21 higher diamond cost arrived at through either better
22 or more diamonds, more diamonds or a concentration of
23 diamonds or a taller segment height, that's really
24 what determines where the blade ends up falling in
25 terms of the product range for any individual

1 supplier. Unfortunately, as I said, there are no
2 standards. We do have a variety of different names
3 and we're not consistent amongst manufacturers.

4 MR. SHEN: The premium is only name.
5 Different company, same name but different quality
6 blade. For example, for diamond products, higher duty
7 blades we call supreme probably. OEC company,
8 overseas like Chinese manufacture, they didn't know
9 what the quality is for product. They feeling, their
10 product better than higher duty, actually far away.
11 Even companies from domestic producers, same thing.
12 Is just a name, not you can make a comparison on
13 quality. Premium quality, supreme, I don't think so.

14 MS. LEVINSON: This is Liz Levinson. I just
15 want to make a point about the questionnaires because
16 I did find that many of the clients were having
17 difficult with the pricing data because the
18 questionnaires asked for premium products and nobody
19 knew exactly what that was. And people had different
20 impressions of what that was. I think the result is
21 you may see pricing data all over the place, but in
22 part because of the definitional problem.

23 MR. SHEN: Another thing is, think about
24 application. For example, premium quality, supreme
25 quality, just name. Sometimes people say this,

1 purpose of blade. This category, premier quality,
2 standards quality. Another section is professional
3 blade, also called premier and supreme, also
4 different.

5 I'll give an example. For -- blades, for 14
6 inch blade maybe cost, maybe cost \$50, \$40, but for
7 professional blades, even standard, it would cost
8 \$200. If only single name, not big size.

9 MR. THOMSEN: Thank you, and thank you for
10 all your answers. I will give it over to the next --

11 MR. CARPENTER: Mr. Ascienzo?

12 MR. ASCIENZO: This is initially addressed
13 at Mr. Shen and I guess Ms. Levinson, but everybody
14 can answer also.

15 You talked about the driving factor of
16 prices. I think you said one of the driving factors,
17 a big factor for prices going down was raw materials
18 going down and in particular diamonds. If you could
19 quantify that somehow either now, but probably in your
20 post-conference brief, how much diamonds have gone
21 down. And maybe it's also the cobalt or everything
22 else because the basic steel I'm sure has gone up for
23 the cores.

24 MS. LEVINSON: We'd be happy to do that.

25 MR. ASCIENZO: Thank you very much.

1 I'll start with Mr. Sallis on but everybody
2 else can talk about this also. I want to make sure on
3 the lasering versus the sintering of the segments to
4 the cores, it sounds as if for the DIY blades, the
5 smaller blades, it sounds like the segments are
6 sintered to the cores, is that right

7 MR. SALLIS: Yes sir, it is. On the smaller
8 diameter blades, ten inch and below, the majority of
9 that product is, when we talk about a turbo blade, is
10 a sintered product, a tile blade, again is a sintered
11 product.

12 You have in those smaller diameters you also
13 have a laser willy product too. There's a difference
14 of products in that point. In the majority of the
15 products that we're talking about in that DIY type
16 market is a sintered product. It's a continuous rim.
17 Sintered. Turbo style. Capsulated on the rims.

18 MR. ASCIENZO: Are the segments sintered on
19 because they have to be because of the size or
20 whatever? Could they also be lasered?

21 MR. SALLIS: In that type of process which I
22 would maybe pass on to a couple of the manufacturers
23 here, but it is a different type of process to make
24 the continuous type products, and those are not used
25 to do a laser process.

1 MR. CORCORAN: Perhaps I can help a little
2 bit here.

3 In the smaller diameters the plurality of
4 the product that is sold that meets the customer's
5 needs is sintered and more specifically, it's
6 continuous rim. Whether that's a smooth continuous rim
7 or a wavy continuous rim, turbo style That happens to
8 fit the application. That does not preclude that some
9 applications use a segmental product. So a small
10 diameter product is sometimes segmented and laser
11 welded.

12 It is application dependent. It just turns
13 out in the low horsepower end of things ,and typically
14 for the handheld tools, the turbo or continuous rim
15 products fit that application better in most cases
16 then segmental. So the difference between sintered
17 and laser welded really is application dependent and
18 it so happens the small sizes do better with sintered.
19 I don't know if that helps.

20 MR. ASCIENZO: Yeah, it kind of does. What I
21 should have said up front, it just sounds to me, and I
22 don't really know that much about this, that lasering
23 would be more expensive than sintering.

24 MR. CORCORAN: Yes. That's correct.

25 MR. ASCIENZO: Okay.

1 MR. CORCORAN: But again, the cost factor is
2 not necessarily the reason that the sintered product
3 is chosen. It is application driven. So a lot of the
4 small diameter product is cutting thin relatively
5 fragile material. Tile, for example, and using a
6 segmental product on tile will result in a piece of
7 tile that's chipped and unacceptable for use.

8 MR. ASCIENZO: When you do your production
9 line, let's say you're going to build a line today and
10 I guess you'd have to decide up front this is going to
11 be a sinter line versus a laser line. Could you
12 quantify what that would cost? Would they cost more
13 for bigger diameters, smaller -- And you can get back
14 to me and --

15 MR. CORCORAN: I think we'd probably have to
16 do that separately, but that can be done. And to an
17 extent it also depends on do we want to make a few
18 hundred or several hundred thousand. Because it's an
19 issue around automation. So it's a somewhat more
20 complex answer.

21 MR. ASCIENZO: Okay.

22 Mr. Nixon I believe, sir. I don't want to
23 misquote Petitioners but I believe they described your
24 U.S. operations today as importing the cores and then
25 importing the segments and then mating them, for lack

1 of a better word. I forget their exact term. Is that
2 correct or do you do your now segment work here at
3 your facility?

4 MR. NIXON: Yeah. We produce all the
5 segments in our plant in California. That definition
6 was most inaccurate.

7 MR. ASCIENZO: Thank you. That's the end of
8 my questions.

9 MR. CARPENTER: Mr. Mata?

10 MR. MATA: I have a question for Mr. Paul
11 Shen. Are sintered or soldered welding blades used
12 on cut applications? And what is the effect also of
13 dry cut applications? Making use of sintered or
14 soldered blades?

15 MS. LEVINSON: Could you repeat the question
16 please?

17 MR. MATA: Are sintered or soldered welding
18 blades used on what cut applications?

19 MR. SHEN: Sintered bald you can use
20 starlight cutting or wave cutting.

21 MR. MATA: Both.

22 MR. SHEN: Yes.

23 MR. MATA: I have no further questions.

24 MR. CARPENTER: Mr. Corcoran?

25 MR. CORCORAN: Maybe we should clarify that

1 a little bit. When we talk about the sintered blades
2 they can, as Dr. Shen says, can be used in both
3 applications. Most of the sintered blades are
4 continuous rim and are quite often used wet. Again,
5 because of the application that they're used in.
6 They're used most often with water. I'm not sure what
7 the context is you were thinking of, but I don't want
8 to mislead you.

9 MR. KIM: This is J. Kim from General Tools.

10 I just want to add, just to clarify the
11 difference between wet application for professional
12 contractors versus wet tile cutting applications.

13 Power blades are used on tile saws to cut
14 ceramic tiles and porcelain tiles wet because of the
15 power requirements and because of the clean edges that
16 it requires. That is completely different than the
17 requirements for large 65 horsepower equipment using,
18 cutting roads, cutting asphalt and concrete and using
19 wet. They're both wet but they're two entirely
20 different blades and not to be confused.

21 MR. CORKRAN: I'd like to thank everybody
22 for your testimony today. It's been very enlightening
23 and very helpful. Most of my questions are more of a
24 nature of trying to clean up a few loose ends.

25 Maybe Mr. Nixon start with you because

1 there's just a question about your operations. You
2 testified that you produce your own segments. Do you
3 also produce your own cores? Or if not, do you source
4 them domestically or non-domestically?

5 MR. NIXON: We source -- First of all we
6 make, as I described our production here in North
7 America it's dedicated to the construction channel for
8 the most part. It's not 100 percent, but it's a very
9 large percentage, and we produce almost, well I would
10 say of all the segments where, we purchase cores both
11 here and North America, some in Europe and we've also
12 imported some from Asia.

13 MR. CORKRAN: Do we have anybody here, I
14 think one of the earlier questions was going toward
15 operations by an assembler. I don't know that they
16 were necessarily referring to Saint-Gobain's
17 operations. But does anybody else here represent
18 assembling only operations where you're sourcing both
19 the segments and the cores?

20 MR. LEWIS: Roger Lewis. Shen Han assembles
21 in the U.S.. They bring in segments and then they
22 assemble them with cores or with core bits and they do
23 source cores both from the local and bring in from
24 Korea.

25 MR. KIM: We also bring in segments and

1 purchase cores locally in effect and assemble as well.
2 We have both operations. We have operations where we
3 only assemble and then we have operations where we
4 manufacture the segments and fully produce.

5 MR. CORKRAN: In that case I'd like to
6 follow up with the same question that I asked domestic
7 producers. Setting aside the very important fact that
8 some of your operations do produce segments.

9 Are there distinctions in your assembly
10 operation and the way in which you undertake those
11 operations from your operations that actually produce
12 the segments and made them to the cores" Or do they
13 operate in much the same distinctions between --

14 MS. HAINES: In terms of the production
15 steps that take place, after you've produced a segment
16 are there any distinctions between your stand-alone
17 assembly operations and your operations that produce
18 the segment and then made them with the core.

19 MR. CORKRAN: In terms of the production
20 steps that take place, after you've produced a segment
21 are there any distinctions between your stand-alone
22 assembly operations and your operations that produce
23 the segment and then mate them with the core.

24 MR. KIM: For our operation the fundamental
25 techniques are the same but the equipment used are

1 different because on our operation for full production
2 where we make a segment are geared more towards
3 professional products. They're smaller lot orders,
4 many different sizes and set for production.

5 Our assembly operation is geared towards
6 medium sized production lines where we produce three
7 lines at a time, so they're more automated. But
8 fundamental processes are the same. We both laser
9 weld both products and finish them here.

10 MR. CORKRAN: Thank you. Those were very
11 helpful.

12 One of the other things I wanted to tie up
13 was the domestic producers testified this morning that
14 in their view they were being pushed out of certain
15 markets or groups of customers and they were
16 particular focusing on events in the last year to two
17 years. I'm not looking for agreement on causation but
18 do you agree or disagree with the notion that there
19 has been a greater, that imports have encountered
20 domestic product to a greater degree in the past two
21 years in the U.S. marketplace?

22 MR. KLETT: I can just summarize without
23 going into detail based on the data. You have
24 detailed information on sales by channels of
25 distribution which the extent that was going on you'd

1 expect to see changes during the POI in those, and I'm
2 not sure that supports their position.

3 I think also just generally, to have been
4 pushed out of a market you had to have been in that
5 market in a significant way in the first place and
6 although Diamond B may have been in the continuous
7 market at some point in the past, and I think your
8 question about you need to look at the time line was
9 very relevant. That is that number one, how
10 significant was their presence in that market at any
11 point in the past. At least my conversations with our
12 witnesses indicate it was very small. And to the
13 extent there was any pushing out from that part of the
14 market when they happened to have been in that market,
15 it was well before the POI in terms of any significant
16 effect. Maybe some of the industry witnesses can
17 elaborate on that from their own experience.

18 MR. LEWIS: Roger Lewis.

19 I may elaborate from Target and Felker's
20 experience. Target was started in 1952 and was
21 probably until the middle '90s the largest diamond
22 tool producer in the United States. It bought Felker
23 in 1985. We bought Felker initially to have a better
24 entre into the tile market which is continuous rim
25 blades which Felker was producing then, and also

1 Target was producing in our New York plant.

2 We consolidated those operations to the
3 Kansas City facility in the '87, '88 period and then
4 decided after looking at the technology of the
5 sintering process which was about, I think the
6 youngest equipment was older than I was at the time.
7 It was probably '40s vintage. We said if we're going
8 to stay in this we're either going to have to invest
9 heavily which will take away investment from our
10 segmental processes, or we have to go out and find a
11 good reliable source. Back in the late '80s, early
12 '90s I started looking and ran into people like J. Wu
13 Kim and a guy named Wei Si Park who was with Shin Han
14 Diamond. We decided they had better processes than we
15 had because in sintering too, understand there are two
16 different types of sintering. There's free sintering
17 which is what the U.S. has had where you take a
18 stamped steel core, you put it in a mold, you pour
19 powders around it -- think of making a popsicle, okay?
20 Then you cold press it so that steel center is maybe
21 gets about 70 percent density, the powders will stay
22 on that core. You stack a whole bunch of them up, put
23 them in your oven and let them back overnight at 1800
24 degrees or so for maybe 18 hours. Then you pull them
25 out. You can make lots of blades at one time.

1 The Koreans with that, your limited in the
2 type of bonds you can do so that means you're limited
3 to how well your blade will perform.

4 The Koreans formed a process where they
5 press and heat at the same time. I call it warm
6 pressing. It's not pure hot pressing like you make
7 individual segments but it's called warm pressing. We
8 never had that technology in the United States.
9 Because of that technology their blades for tile,
10 especially the Ehwa blades have been the world
11 standard since the late '80, early '90s. They've
12 performed better than the ones that we could do. So
13 we made the decision, let's buy out instead of the
14 mate there and we'll take our investment toward the
15 segmental side of things.

16 MR. GREENWALD: Mr. Corkran if I can put in
17 a word here, John Greenwald.

18 I listened to your question that you asked
19 of Petitioners, when were they pushed out, and I
20 don't think you got an answer. I thought that was the
21 right question. I think all the evidence before you
22 suggest that if indeed there's any merit to that, it
23 was long before the period of investigation. The one
24 to two year comment I think was in another context,
25 either in a sort of insignificant presence or

1 alternatively what they claim is going on in the
2 professional market where the claim is that they are
3 encountering subject imports.

4 But on this basic point of if they were
5 pushed out when did it occur, I didn't actually hear a
6 response from them and I don't think there's any
7 evidence that occurred any time during the period of
8 investigation if it occurred at all.

9 MR. CORKRAN: Thank you, and to the extent
10 that I misstated the testimony please, i'd like to
11 clarify the question for response in the post-
12 conference briefs.

13 To the extent that there's been, that you
14 had been competing, the domestic industry had been
15 competing in the do it yourself market, if there had
16 been a change in circumstances, a change in the level
17 of competition, at what time, in what time period did
18 you begin to see those changes? And thank you for the
19 clarification.

20 Several times this morning with respect to
21 Ewah there were references to other companies that
22 Ewah has in the United States. Could you describe
23 your U.S. operations perhaps in a little more detail?

24 MS. KIM: We have a company called General
25 Tool in California that imports product from Ewah as

1 well as producing U.S. made diamond blades in
2 California. I believe the Petitioner referred to a
3 company called Diamond Vantage and I think we can
4 clarify all of that in the post-conference submission
5 that explains all the details.

6 MR. CORKRAN: That would be very helpful,
7 thank you.

8 One final question and that goes again to
9 Mr. Nixon. Mr. Nixon, because your company has
10 operations outside the United States that involve
11 producing diamond saw blades, I wonder if you can tell
12 me, when it comes to your production and for that
13 matter importation of diamond saw blades or their
14 components in the United States, at what level are
15 those decisions typically made? Are they made within
16 the context of your U.S. operations? Are they made
17 outside the United States? I'm not asking so much for
18 company performance or absolute levels at this point,
19 just how is that decisionmaking process made?

20 MR. NIXON: Well, it's a French company and
21 therefore it's a matrix management kind of decision
22 that happens so it's not easily understood typically.
23 But it's basically, I'm responsible for the region, so
24 North America, and that's the principle input for
25 those decisions. Then we have a global operation with

1 plants in Europe and in Asia and we involve that team
2 as well in that decision process.

3 So we look at our total capabilities
4 globally and make decisions on where is it best for us
5 to put our investments and where do we source the
6 products for the various markets.

7 MR. CORKRAN: Thank you very much for all of
8 your responses. I have no further questions.

9 MR. CARPENTER: I just have a couple of
10 questions. The first is somewhat a variation on Mr.
11 Corkran's question about timing, and I'll address it
12 to Mr. Lewis because, I believe, in your testimony you
13 said that U.S. producers made a conscious decision to
14 focus on professional blades, and, again, my question
15 was, at what point in time did that occur? Was that
16 in the last two or three years? Was it five years
17 ago? 10 years ago? If you could give us some idea.

18 MR. LEWIS: Roger Lewis. For the companies
19 I was associated with, Target, we made that decision
20 in the early nineties to focus on that end of it with
21 our investment and to buy out the under-10-inch-
22 diameter blades.

23 MR. CARPENTER: Okay. Were you speaking at
24 that point with respect to your own company's
25 experience, or were you talking about the U.S.

1 industry as a whole?

2 MR. LEWIS: I can only speak of my own
3 company's experience at that time.

4 MR. CARPENTER: Okay. Thank you.

5 MR. CORCORAN: If I could respond to that, I
6 was Mr. Lewis's major competitor at that point in time
7 and had the job Mr. Nixon now has. We made a similar
8 decision at about the same time.

9 MR. CARPENTER: Thank you.

10 MR. CORCORAN: And that was about 1985.
11 Sorry. I'm John Corcoran. Sorry.

12 MR. CARPENTER: Thank you. Just a general
13 question. Petitioners, early on, said that they felt
14 that demand for this particular product had increased
15 over the POI. Clearly, there has been a lot of
16 testimony about demand in the DIY segment increasing
17 over the POI.

18 Mr. Klett, I'll start with you. Looking at
19 your chart, it would seem that at least the private
20 residential construction had increased somewhat,
21 whereas professional construction looks fairly flat
22 over the 2002-to-2004 time period. Do you have a view
23 as to whether demand for this product is increasing
24 for the market as a whole?

25 MR. KLETT: Well, we'll have to look at the

1 actual data in terms of the apparent consumption, but
2 I think that in terms of what is driving demand for
3 these products, these are pretty good indicators with
4 respect to what is driving demand for the smaller-
5 diameter blades in the DIY, which would be home
6 improvement and small contractor, which would be the
7 green line, and for the professional use market, those
8 are going to be more heavily concentrated, if not
9 exclusively, in the road construction and large office
10 building markets, and the blue line reflects
11 expenditures in those markets.

12 Is there going to be a one-to-one
13 correlation? Probably not, but in terms of just
14 general trends, I think these are pretty good
15 indicators. If you see differences in consumption of
16 domestic product versus imports, it could very well be
17 explained by these distinctions as reflected in this
18 chart.

19 MR. CARPENTER: Okay. And one final
20 question for Mr. Klett because of your experience on
21 many different cases like this and not like this. I
22 do have a question about consumption and market shares
23 as to whether you have any advice as to whether it's
24 more appropriate or more meaningful to look at
25 consumption and market shares in terms of value or

1 quantity?

2 MR. KLETT: In this case, I think I can say
3 with a strong degree of conviction that looking at
4 market shares in terms of value is really the way to
5 go. Given the wide difference in the price range for
6 the different sawblades, looking at market shares in
7 terms of units, I think, would be very distortive.

8 MR. CARPENTER: Certainly, because of
9 product-mix issues, quantity becomes a problem. Do
10 you see any problem with value in terms of there was
11 some discussion about raw materials perhaps decreasing
12 over the period? Do you think that's an issue that
13 might be --

14 MR. KLETT: Oftentimes, when you're looking
15 at market shares in terms of value, there is a
16 potential distortion that if prices have gone down
17 more for one product versus the other, that could
18 affect value-based market shares. But I think an
19 important issue in this case for looking at market
20 shares, especially when you're looking at market
21 shares on an aggregate basis, is that the lower value
22 of the subject imports in general is not reflective of
23 their being lower priced on a competitive basis but
24 the fact that they are competing in completely
25 different segments of the market. When you have unit

1 value distinctions or differences on the order of
2 factors of 10, just as a hypothetical, to me, that
3 indicates the products are really different rather
4 than competing on a competitive price basis.

5 MR. CARPENTER: Thank you, Mr. Klett.

6 Since I didn't ask that question of
7 Petitioners, I do want to give you an opportunity to
8 address that question in your post-conference brief as
9 to what you feel is the more reliable indicator of
10 consumption of market shares, quantity or value.

11 I believe Ms. Hughes has a follow-up
12 question.

13 MS. HUGHES: I got the impression from the
14 testimony given by, I believe, just one of
15 Petitioners' witnesses that they don't use natural
16 diamonds as much as the manufactured diamonds. If
17 I've got that wrong, Mr. Pickard, please indicate so
18 in your post-conference brief. But from Respondents,
19 I hear only about the natural diamonds. Do you use
20 the manufactured diamonds at all?

21 MR. LEWIS: Roger Lewis. These are all
22 manufactured diamonds.

23 MS. HUGHES: They are. Okay.

24 MS. KIM: Ehwa's products are produced with
25 100 percent synthetic or man-made diamonds.

1 MS. HUGHES: And the Korean and the Chinese
2 products? Same thing. I would imagine this is
3 because they are cheaper than the natural diamonds.
4 Okay. Thank you.

5 MR. CORCORAN: I have to comment on that.
6 Natural is a crushed material. It's irregular in
7 shape. A manufactured diamond is made into a single
8 crystal. It's actually higher quality. It isn't
9 because it's cheaper, although that is an influence.

10 MS. HUGHES: So it would be better for a
11 particular application.

12 MR. CORCORAN: Yes. Exactly. The reason we
13 don't use natural anymore predominantly is because the
14 synthetic materials are superior in any one
15 application.

16 MS. HUGHES: I see. Thank you.

17 Where are you getting the diamonds?

18 MR. CORCORAN: The largest suppliers, at
19 least for UR, is General Electric.

20 MS. HUGHES: Thank you.

21 MR. CORCORAN: Sorry. Doug has corrected
22 me. GE is no longer GE. It's Diamond Innovations,
23 and in our case, the alternative used to be DeBeers,
24 and it is now Element 6, for the record. John
25 Corcoran.

1 MS. HUGHES: Thank you. That concludes my
2 questions.

3 MR. CARPENTER: Well, we want to thank this
4 panel also for coming here today. I'm sure, for many
5 of you, it's a long distance. We really appreciate
6 your expertise that you were willing to share with us.
7 You've been very patient with our questions and have
8 given us some very thoughtful answers. Again, thank
9 you.

10 At this point, we'll take another brief
11 break until a few minutes before 3 o'clock, and then
12 we'll have closing statements from both sides,
13 beginning with the Petitioners.

14 (Whereupon, at 2:48 p.m., a brief recess was
15 taken.)

16 MR. CARPENTER: Could we resume the
17 conference now, please? Mr. Pickard, whenever you're
18 ready.

19 CLOSING STATEMENT BY COUNSEL FOR PETITIONERS

20 MR. PICKARD: Hello. I'm Daniel Pickard of
21 Wiley Rein & Fielding. I would like to start off,
22 again, by thanking the staff. This has been a long
23 conference, and I appreciate very much your time and
24 your attention in regard to this matter.

25 I plan on keeping my comments brief, but the

1 first thing I would like to do is tell you about my
2 involvement in this case. And contrary to some of the
3 assertions that were made today, my involvement in
4 this case started shortly after Precision Disk went
5 out of business. Precision Disk was one of the core
6 manufacturers, and they went out of business due to
7 subject imports, and they were very vocal about it and
8 spoke to the press regarding the fact that they had to
9 close this business down.

10 Shortly thereafter, I had discussions with
11 the remaining core producers and other companies who
12 had left the sawblade core industry, and they had
13 indicated that they were being killed by reason of
14 imports and that people were importing finished blades
15 at less than the cost of their cores, and their sale
16 prices were going down, and their sales volumes were
17 going down.

18 But I was encouraged to talk to their
19 customers, the finished diamond sawblade
20 manufacturers, because they suggested, the core
21 people, that the finished sawblade guys were
22 absolutely getting killed by the imports from China
23 and Korea because that's where the most head-to-head
24 competition took place.

25 After some fairly lengthy conversations with

1 these U.S. producers, I heard the same story over and
2 over again, that they were competing against prices
3 that were just irrationally low by the Koreans and the
4 Chinese and that their sales prices and, consequently,
5 the effect on their revenues were just collapsing, and
6 that's why we're here today.

7 So it's been suggested that there is no
8 reasonable indication of injury in this case under the
9 American Lamb standard. As to the first issue under
10 the Commission's traditional analysis, whether the
11 volume of imports has increased, there appears to be
12 no doubt. If you look at the HTS schedule, or if you
13 would choose to look at the questionnaire data, you'll
14 see a large increase by imports. If you choose to
15 look at imports by unit or by value, you'll see a
16 large increase by imports. If you look at imports by
17 absolute numbers, or you want to look at their market
18 share, there is a significant increase in subject
19 imports from China and Korea.

20 The next traditional question regards price
21 depression. Respondents have suggested that there is
22 no competition between the United States product and
23 those that they bring in. The Commission has
24 collected fairly extensive pricing data on eight
25 products that were done which don't reflect

1 suggestions by the Petitioners but which resulted from
2 consultations with the Respondents, and the pricing
3 data for these eight products consistently show, in
4 the vast majority of comparisons, underselling by
5 subject imports in comparison with the domestically
6 produced price, and these are in very specific,
7 apples-to-apples comparisons across the broad range of
8 products that are offered in this industry.

9 The underselling and the price depression
10 caused by subject imports is not just seen in the
11 pricing data; it's reflected in the questionnaire
12 responses, it's reflected in the affidavits that have
13 been submitted in the petition by customers who talked
14 about the price reductions that they forced out of
15 domestic producers due to subject imports, and the
16 evidence of price suppression and price depressions is
17 further supported by the testimony you heard today.

18 It was stated earlier that there is no
19 evidence of injury to this industry. The testimony
20 today, just in part, indicated low capacity
21 utilization on behalf of domestic producers due to
22 subject imports, lost jobs due to subject imports,
23 lost profits due to subject imports, decreased sales
24 prices, decreased revenues, increasing inventories due
25 to subject imports, lost customers, lost product

1 lines, and an inability to invest in the future. This
2 is material injury by any stretch of the imagination.
3 It was also suggested that there is no causal
4 connection between these injuries and subject imports
5 because there is an allegation that they are two
6 distinct industries.

7 I would strongly counsel the Commission
8 staff to obtain the product catalogs and the price
9 sheets that are offered by the large Chinese and
10 Korean producers, and you will see that they have 20-
11 inch, 24-inch, 30-inch -- they offer, and they compete
12 head to head across the board with U.S. producers.
13 The injury might have started on the smaller
14 diameters, but it's happening every day, and it's
15 moving up the product range.

16 I would suggest -- I think there had been a
17 question of confusion regarding the definition of the
18 domestic industry -- I would suggest that there are
19 entities in the United States who mostly import or
20 exclusively import their segments and merely weld them
21 onto cores. I would suggest that those operations are
22 not significant enough to be deemed true U.S.
23 producers. There are other companies, like Saint-
24 Gobain and Electrolux, who undoubtedly have U.S.
25 production here, but by reason of their relationships

1 with foreign producers in the subject countries,
2 should be appropriately excluded under the related-
3 party provision.

4 Regardless of how the domestic industry is
5 defined, this is an industry that has been injured by
6 subject imports, and it's being injured every day.
7 We're here today to ask for the help of the
8 Commission. I hope you're able to give it. Thank
9 you.

10 MR. CARPENTER: Thank you, Mr. Pickard.

11 Mr. Griffith? Mr. Greenwald?

12 CLOSING STATEMENT BY COUNSEL FOR RESPONDENTS

13 MR. GREENWALD: John Greenwald from Wilmer,
14 Cutler, Pickering, Hale & Dorr, counsel to Saint-
15 Gobain.

16 I'm glad that Mr. Pickard started off his
17 summation talking about injury because it's really
18 where I want to start off as well, and I want to take
19 you back to his opening statement where he discussed
20 the injury that he found that he called material, if
21 you include, as you must by law, Electrolux and Saint-
22 Gobain into the mix. He said there is injury because
23 there is a reduction in capacity utilization, there is
24 injury because employment has declined, and there is
25 injury because prices have declined.

1 Now, the first and obvious question to you
2 is, what is missing from that story? Are businesses
3 really about capacity utilization, employment, and
4 what happens to prices, or are they about how the
5 industry as a whole is doing, and we're talking here
6 about the industry as a whole? If, as I believe, the
7 industry is not only doing well as a whole but, in
8 fact, is doing very well as a whole, then this case
9 should go no further, and it is very significant that
10 Petitioners chose rather to base their closing
11 statement on injury on anecdote, on testimony by
12 Petitioners that, frankly, do not even begin to
13 represent the U.S. industry as a whole.

14 So as a threshold matter, you should not and
15 need not go beyond the base question, "Is there injury
16 enough to continue this case?" because the answer is
17 clearly no. If you do go beyond that, you then get
18 into the questions of causation, and, to me, the best
19 part of the hearing was an exchange between the staff
20 -- I think it was, particularly, Mr. Corkran and Mr.
21 Carpenter -- and Petitioners about the essence of the
22 Petitioners' testimony, which confirmed segmentation
23 of the market, which confirmed the sectors in which
24 Petitioners participate and the sectors in which they
25 do not participate.

1 The staff has it right in terms of how this
2 market is structured and segmented, and that leads
3 right into the heart of the causation issues.

4 MR. GRIFFITH: Spence Griffith from Akin
5 Gump, and I'll finish up our concluding remarks here.

6 Usually at these hearings, I listen to
7 Petitioners, and during their presentation I'm jotting
8 down notes about what I want to respond to in my
9 closing statement. I didn't need to do that so much
10 today. I only have a few comments that I think are
11 worth spending time on, given their presentation.

12 First of all, I think we need to recognize
13 that this panel you heard this morning from
14 Petitioners is not representative of the U.S.
15 industry. Diamond Products was not there; nor were
16 other large U.S. producers there. I urge the staff,
17 for example, to compare the production volume of those
18 Petitioners who were here today versus total industry
19 production standards.

20 I was in a recent hearing in the Canadian
21 Swine case in which two of the commissioners were
22 quite upset that the leading petitioner was not at the
23 hearing, did not bother to come to the hearing, and
24 should the Commission draw any inferences from the
25 petitioner's absence from the hearing. I, again, ask

1 the Commission to look at that issue afresh in light
2 of these circumstances.

3 Secondly, I would like to address this
4 theory that I think is very important of being pushed
5 out of the market, and what's important here as well
6 is the context. Petitioners, in their petition and
7 when they presented their testimony this morning, told
8 you that they competed across the entire spectrum. A
9 sawblade was a sawblade, as I said in my opening, was
10 their view, and they competed with imports across the
11 spectrum. It was only in response to Mr. Corkran's
12 questions did they begin to change their story. They
13 now say they do not compete across the spectrum, but
14 their new theory is they have been "pushed out," to
15 use their terms, of the do-it-yourself segment of the
16 market.

17 Now, this is, I think, in my opinion, a
18 critical change in their story. They are now claiming
19 to be pushed out of the do-it-yourself segment. Four
20 responses that I have to this new theory, which I only
21 heard for the first time this afternoon in response to
22 your questions.

23 Number one, if they were pushed out of the
24 market, changes in their participation in channels of
25 distribution would reflect that. You have information

1 for the POI in their channels-of-distribution sales,
2 and I urge the staff to review that.

3 Secondly, as Dan Klett noted in his
4 testimony, the Korean producers developed the do-it-
5 yourself market. How can you be pushed out of
6 something you were never in? The U.S. producers have
7 never been in that segment of the market.

8 The third issue, and related, is one of
9 timing. You heard testimony from multiple sources
10 today that the U.S. producers walked away from that
11 segment of the market. Mr. Sallis, a purchaser,
12 testified that they walked away from that segment of
13 the market. Mr. Dixon, a producer, testified that the
14 U.S. producers didn't even have the capability to
15 produce the sintered blades necessary in that segment
16 of the market. Mr. Lewis and Mr. Corcoran both
17 testified that the two companies they worked for, U.S.
18 producers, in the mid-1990's walked away from that
19 segment of the market. This was not something that
20 happened in response to increased volume of subject
21 imports.

22 Finally, the Petitioners told you, in
23 response to your questions, that they could produce
24 the sintered blades necessary for the do-it-yourself
25 market, but, again, you've heard testimony from Mr.

1 Dixon that that is not the case. There is not
2 commercially significant production capability at this
3 time for the sintered blades necessary to participate
4 in that segment of the market.

5 Finally, Mr. Lewis testified to you that
6 it's perfectly economically rational for U.S.
7 producers to focus on the professional sector of the
8 market and to import other blades to fill out their
9 market line. It is a perfectly economically rational
10 business proposition that many of the U.S. producers
11 have done, including Petitioners, as well as the U.S.
12 producer Respondents here before you.

13 My final point relates to threat, and,
14 again, on threat, we heard today, for the first time,
15 by the way, that the Petitioners view a threat in this
16 case as, well, the subject imports might, at some
17 point in the future, be starting to compete with the
18 U.S. producers in the professional sector of the
19 market.

20 A couple of responses: There is no
21 substantial record evidence that that has taken place.
22 The Petitioners cannot simply come in and tell you
23 that they think that, at some point in the future,
24 subject imports might start competing in that sector
25 of the market. There is not meaningful competition at

1 this point.

2 Mr. Pickard spoke of catalogs. The issue is
3 not what's in a catalog; the issue is what's in the
4 import data. You are not seeing in your import data
5 commercially significant imports of 30-inch Chinese
6 sawblades.

7 Secondly, as you heard from both panels this
8 morning, imports cannot meaningfully compete in the
9 professional sector of the market. Petitioners
10 trumpeted the fact, with which we agree, that the
11 professional sector of the market requires detailed
12 local knowledge of local market conditions, something
13 a producer in Missouri or California will have,
14 something a producer in Seoul or Shin Han will not.

15 Finally, General Tool testified to you that
16 for these reasons, because of the high barriers to
17 entry, the importers who want to sell any blades in
18 the professional sector of the market have to produce
19 those blades here. Remember, Mr. Kim told you that
20 their only sales of the large-diameter blades are
21 blades that they have produced here in the United
22 States.

23 That concludes our presentation. Once
24 again, we are very appreciative of your patience with
25 us and with the other witnesses, and, again, we thank

1 you for your time.

2 MR. CARPENTER: Thank you, gentlemen.
3 Before concluding, thank you all for coming, and let
4 me mention a few dates to keep in mind.

5 The deadline for the submission of
6 corrections to the transcript is Monday, June 20. The
7 deadline for briefs in the investigation has been
8 extended to Tuesday, June 21. If briefs contain
9 business-proprietary information, a public version is
10 due on June 22. The Commission has not yet scheduled
11 its vote on the investigation, but we will notify you
12 when it does.

13 Thank you all for coming. This conference
14 is adjourned.

15 (Whereupon, at 3:15 p.m., the preliminary
16 conference was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Diamond Sawblades and Parts
INVESTIGATION NO.: 731-TA-1092-1093
HEARING DATE: June 15, 2005
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

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

DATE: June 15, 2005

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

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

SIGNED: Carlos Gamez
Signature of Proofreader

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

SIGNED: Christina Chesney
Signature of Court Reporter