

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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In the Matter of:                    ) Investigation Nos.:  
  ) 701-TA-467 and  
NARROW WOVEN RIBBONS            ) 731-TA-1164-1165  
FROM CHINA AND TAIWAN            ) (Preliminary)

REVISED AND CORRECTED COPY

Pages: 1 through 239  
Place: Washington, D.C.  
Date: July 30, 2009

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Thursday,  
 July 30, 2009

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

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., at the United States International Trade Commission, JOHN ASCIENZO, Acting Director of Investigations, presiding.

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OWEN DEESE, Senior Industrial Engineer, Berwick  
Offray, LLC  
BRUCE KERR, Vice President-Procurement, Berwick  
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1 (No response.)

2 MR. ASCIENZO: If not, Mr. Dorris, please  
3 come forward for your opening statement.

4 MR. DORRIS: Thank you, Mr. Ascienzo and  
5 Commission staff. Good morning. I am Greg Dorris  
6 with the law firm of Pepper Hamilton, counsel to  
7 Petitioners, Petitioner Berwick Offray and its wholly  
8 owned subsidiary, Lion Ribbon Company.

9 These antidumping and countervailing duty  
10 investigations concern imports from China and Taiwan  
11 of narrow woven ribbons with woven selvage, something  
12 we will refer to today in shorthand as NWR. Many of  
13 you may be very familiar with this product and not  
14 even know it.

15 You likely see it all around you practically  
16 every day, but most often take it for granted, not  
17 realizing what a complex product it really is in so  
18 many ways, both in its production and the variety in  
19 which it is produced and sold. It looks simple and  
20 beautiful, but it is useful and often functional, and  
21 no successful wedding would be without it.

22 You likely are familiar with the petition by  
23 now and understand that NWR comes in many different  
24 types and styles and that the like product in this  
25 case includes all NWR, but not its lesser, far distant

1       cousin, cut edge ribbons.

2               The witnesses here today will explain to you  
3       the different types and styles, how they are produced,  
4       how they are used, how they are the same and how they  
5       are different from other products.

6               Our first witness is Scott Shea, President  
7       of Berwick Offray, who will give you a big picture  
8       view of the NWR industry, the history of that and his  
9       company. He also will briefly describe the impact of  
10      the unfairly traded imports from China and Taiwan on  
11      his business.

12              Mr. Shea will be followed by Owen Deese. He  
13      is an Industrial Engineer at Berwick Offray with over  
14      45 years of experience in the textile industry. Mr.  
15      Deese will explain the production process of the  
16      different types and styles of NWR, including warping  
17      and yarn dyeing, needle loom and shuttle loom weaving  
18      and ribbon dyeing, printing and blocking. He also  
19      will discuss how different NWR production is from cut  
20      edge production.

21              Julie Pajic will be up next. She is the  
22      head of Marketing and Sales for Berwick Offray. She  
23      will discuss what exactly NWR is, as well as what it  
24      is not, and how and to whom it is sold in the United  
25      States. She also will discuss the significant

1 negative impact caused by the unfairly traded imports  
2 from China and Taiwan on the U.S. sales of the U.S.  
3 industry.

4 Our opening presenting will be concluded by  
5 Bruce Kerr, who is the Vice President of Procurement  
6 in Berwick Offray. Mr. Kerr is well versed in the  
7 global marketplace for ribbons and specifically NWR.  
8 He will provide insight on the production and  
9 production capacity for NWR in China and Taiwan. He  
10 will discuss how these unfairly traded imports are  
11 increasing and why.

12 One other point. Also with us today to  
13 assist these four witnesses to answer any questions  
14 you may have is Don Girard, the Design Engineer for  
15 Berwick Offray.

16 The testimony of all these witnesses today  
17 will show that NWR import prices continue to spiral  
18 downward in order to capture increasing U.S. market  
19 share, that China NWR imports have increased at  
20 unfairly low prices since the quota lifted in January  
21 2009 and that Taiwan's NWR imports have been and  
22 continue to be dumped into the United States as Taiwan  
23 competes with China for U.S. market share.

24 Their testimony will further show that the  
25 domestic industry cannot compete at these unfairly low

1 and dumped prices even as the domestic industry has  
2 improved in efficiency and reduced its cost of  
3 production as much as it possibly can. The domestic  
4 industry simply cannot afford to produce NWR at the  
5 very low subsidized and dumped prices of the Chinese  
6 and Taiwanese imports.

7 In short, the U.S. producers are being  
8 forced to reduce their production and lay off their  
9 skilled employees. Their future is not at all  
10 promising should the unfairly traded Chinese and  
11 Taiwanese imports be allowed to go unchecked.

12 We expect, therefore, that you will learn  
13 from this presentation and our responses to any  
14 questions that you might have regarding it that this  
15 industry producing NWR is materially injured and is  
16 threatened with additional material injury by the  
17 dumped and subsidized imports from China and the  
18 dumped imports from Taiwan.

19 Certainly the information you hear today  
20 will corroborate the petition, the questionnaire  
21 responses and the other data that you will collect for  
22 the record showing a reasonable indication that the  
23 U.S. industry is materially injured and threatened  
24 with further material injury by reason of these  
25 unfairly traded imports.

1           Perhaps most importantly, you should come to  
2 understand what these witnesses here today know  
3 already: This U.S. industry, albeit small, will  
4 continue to suffer material injury and have an  
5 uncertain future without the protection afforded from  
6 antidumping and countervailing duty orders.

7           It is this truth that should remain  
8 uppermost in your minds in analyzing the facts in this  
9 case that clearly support an affirmative preliminary  
10 determination. Thank you.

11           MR. ASCIENZO: Thank you, sir.

12           Ms. Jacobs?

13           MS. JACOBS: Good morning. My name is  
14 Brenda Jacobs with Sidley Austin, and I represent a  
15 coalition of ribbon retailers opposed to the petition  
16 filed by Berwick Offray.

17           The retailers in this coalition are Costco  
18 Wholesale Corporation, Hobby Lobby Stores, Jo-Ann  
19 Stores, Michaels Stores and Target. These companies  
20 are among the largest ribbon purchasers in the United  
21 States, and therefore they have a great deal of  
22 insight to the unique conditions of the narrow woven  
23 ribbon industry. I'll use the term NWR.

24           Put simply, the Petitioner has failed to  
25 establish that there is a reasonable indication that

1 the NWR industry in the United States is materially  
2 injured or threatened with material industry by reason  
3 of the subject imports. Even at this preliminary  
4 stage of the investigation, it is clear that the  
5 Petitioner has obscured the key conditions at work in  
6 the U.S. market for NWR, conditions which indicate  
7 that the Petitioner is not injured by reason of the  
8 subject imports.

9 The first of these key conditions is the  
10 reevaluation of the use of middle men for imports of  
11 NWR manufactured in Taiwan and China. Petitioner  
12 claims that the sales of its products are being  
13 replaced by subject imports. However, in many  
14 instances the products that are being replaced are not  
15 products manufactured in the United States by U.S.  
16 workers.

17 Rather, Petitioner has for years served as a  
18 middle man for the NWR imports sold in the U.S.  
19 market. When U.S. retailers, including Jo-Ann,  
20 Michaels and Hobby Lobby, have turned to the  
21 Petitioner for their NWR needs, Petitioner has  
22 regularly fulfilled these needs by sourcing NWR from  
23 manufacturers in Taiwan and China.

24 When Petitioner's role as middle man for  
25 subject imports is understood, it becomes clear that

1 Petitioner's alleged lost sales are not instances of  
2 subject imports replacing domestic merchandise.  
3 Rather, these lost sales demonstrate that U.S.  
4 retailers have made two key determinations:

5 First, they have determined that it is more  
6 cost effective to deal directly with the NWR  
7 manufacturers in Taiwan and China than to pay  
8 Petitioner's markup for exactly the same products.

9 Second, they have determined that unless a  
10 middle man provides sufficient value to justify the  
11 additional markup it is worth the investment in direct  
12 importing.

13 The decision by U.S. retailers to eliminate  
14 the middle man on sales of subject imports does not  
15 equate to material injury or threat of material injury  
16 to the domestic industry. This is a decision by  
17 retailers that cannot be attributed to subject imports  
18 when it is actually due to a service as middle man  
19 issue.

20 The second of the key conditions indicating  
21 that the Petitioner is not injured by reason of the  
22 subject imports gets at the reason for Petitioner's  
23 own well-established strategy of importing NWR from  
24 Taiwan and China. Namely, Petitioner, like the U.S.  
25 retailers here today, no doubt realized years ago that

1 the NWR industry is a fashion business that values  
2 innovation. NWR products with trendy designs sell  
3 better to consumers than NWR products with standard or  
4 basic designs.

5 In the experience of retailers like Hobby  
6 Lobby, Petitioner simply does not have the in-house  
7 design capabilities to develop innovative designs that  
8 tap into current color and pattern trends. As a  
9 result, Petitioner must turn to other sources of  
10 supply for innovative NWR products, including subject  
11 imports.

12 In this respect, this investigation presents  
13 many of the same facts that led the Commission to a  
14 final negative determination in its 1992 investigation  
15 of Sweaters From Hong Kong, Korea and Taiwan. There  
16 the Commission found that subject imports were not  
17 materially injuring the domestic sweater industry in  
18 large part because the domestic industry could not  
19 supply the intricate or fancier products that were  
20 desired by purchasers who were more concerned with  
21 design aesthetic than price.

22 As in the Sweaters investigation, domestic  
23 production cannot meet the design requirements of the  
24 fashion focused NWR purchasers. Subject imports are  
25 needed to fill the gap left by the domestic industry

1 in the fashion-based NWR product market.

2 For these reasons, we urge the Commission to  
3 make a negative determination. We recognize negative  
4 determinations are uncommon in the preliminary stage  
5 of an investigation, but we submit that the unusual  
6 conditions just described warrant such a result here  
7 and we look forward to discussing these conditions  
8 further with you today. Thank you.

9 MR. ASCIENZO: Thank you very much.

10 Mr. Dorris?

11 MR. SHEA: Good morning, Mr. Ascienzo.

12 MR. ASCIENZO: Sorry. Before we start, I  
13 just want to remind everybody once again for the court  
14 reporter please identify yourselves before you speak  
15 at least the first time and probably when we do the  
16 rounds of questions. Thank you very much.

17 MR. SHEA: I am Scott Shea, President of  
18 Berwick Offray and its subsidiary, Lion Ribbon. Good  
19 morning to you, Mr. Ascienzo and the Commission staff.

20 I've been president now for almost four  
21 years, since October 2005. For four years prior to  
22 that, or from January 2001, I served as Senior Vice  
23 President, Manufacturing and Distribution, of Berwick.  
24 I've served in a similar capacity with Offray and Lion  
25 since March of 2002.

1           For almost eight years prior to that,  
2 starting in May, 1994, I served Berwick in various  
3 capacities, including Vice President of Manufacturing  
4 and Distribution. All of that experience in total  
5 represents 15 years for me personally in the business  
6 of making ribbons, including seven years with the  
7 narrow woven ribbons at issue here today.

8           To give you a very brief history of our  
9 company, which all of us here at the table are very  
10 proud, what was then known as Berwick Industries was  
11 founded in 1945 in Berwick, Pennsylvania. In March  
12 2002, Berwick Industries acquired substantially all of  
13 the business and assets of the segments of C.M. Offray  
14 & Sons that manufactured and sold narrow woven ribbons  
15 as their primary product line.

16           At the time of this acquisition is when we  
17 changed our company name to Berwick Offray,  
18 consciously keeping the highly recognized Offray brand  
19 name as part of the company name. Offray had also  
20 been in the ribbon business a very long time, founded  
21 in 1876.

22           At the time we acquired Offray, we believed  
23 that Offray was the largest domestic manufacturer of  
24 narrow woven ribbons. Today, Berwick Offray is still  
25 the largest domestic manufacturer of narrow woven

1 ribbons and one of the few remaining.

2 As part of this acquisition in 2002, we also  
3 acquired Lion Ribbon, which was and still is a well-  
4 known brand name and had been acquired by C.M. Offray  
5 & Sons in 1989. Lion Ribbon has been around nearly as  
6 long as Offray, having been founded and started up in  
7 New York City in 1906.

8 I say that we are very proud of our company  
9 not only because of our great ribbon products and the  
10 dedicated and talented people that design and make it,  
11 but also because of our long history and storied  
12 traditions.

13 As you likely know are aware from the  
14 petition and recent plant tours, one of our narrow  
15 woven ribbon plants is located in Hagerstown,  
16 Maryland. Offray moved their manufacturing facilities  
17 from their original mill in Patterson, New Jersey, to  
18 Hagerstown, Maryland, in 1922 where they were known  
19 locally as the Maryland Ribbon Company.

20 Offray ribbon has played a major role in  
21 breast cancer awareness -- you're all familiar with  
22 the pink ribbon -- Mothers Against Drunk Driving  
23 campaign, AIDS awareness and most recently autism  
24 awareness.

25 Offray ribbon has been used as the ribbon to

1        adorn the Olympic medals given out in the 1980 Winter  
2        Olympics in Lake Placid, the 1984 Summer Olympics in  
3        Los Angeles, the 1988 Winter Olympics in Calgary, and  
4        the 1996 Summer Olympics in Atlanta.

5                Offray ribbon has adorned table settings in  
6        the White House. Red, white and blue Offray ribbon  
7        has been produced so that our citizens could show  
8        their patriotic support after 9-11, and Offray yellow  
9        ribbon has been produced in support of our troops in  
10       Desert Storm, in the Gulf War and in the Iraqi  
11       conflict.

12               Today Berwick Offray, including its  
13       subsidiaries, employs over 400 people in the United  
14       States at five different locations supporting its  
15       narrow woven ribbon business. The narrow woven ribbon  
16       is woven at our plant in Leesville, South Carolina,  
17       and then dyed, printed, converted, what we call  
18       spooling and blocking, and distributed from our  
19       Hagerstown, Maryland, plant.

20               Our home office for administrative  
21       operations is in Berwick, Pennsylvania, and we have  
22       additional sales and marketing offices in Budd Lake,  
23       Jersey. Additionally, we have a distribution  
24       warehouse in El Paso, Texas, and this distribution  
25       facility supports our maquiladora operations in

1 Juarez, Mexico, where we convert a portion of the  
2 narrow woven ribbons produced in our U.S. facilities.  
3 In addition, the Juarez facility supports other  
4 categories unrelated to narrow woven ribbons.

5 Frankly, we are here today to try and save  
6 the proud heritage that I've just described and the  
7 jobs associated with it. As you likely know, the  
8 general textile industry in the United States has  
9 withered away, as most world production has moved  
10 offshore to Asia or other countries. Those textile  
11 producers that remain such as us are under siege from  
12 imports from China and Taiwan.

13 We are an efficient and well-run producer of  
14 narrow woven ribbons, but we find there is not a level  
15 playing field for us to compete with the ever growing  
16 volumes of dumped and subsidized Chinese and Taiwanese  
17 narrow woven ribbon imports.

18 The domestic narrow woven ribbon industry  
19 has been injured. We and other domestic narrow woven  
20 ribbon producers have lost and continue to lose sales  
21 to these unfairly low-priced Chinese and Taiwanese  
22 narrow woven ribbon imports. We can no longer afford  
23 to lose sales to the very low subsidized and dumped  
24 prices of the Chinese and Taiwanese imports. We've  
25 improved our plant efficiencies and cut costs to the

1 bone.

2 We and other domestic narrow woven ribbon  
3 producers have been forced to shut down factories and  
4 to reduce our production and lay off our skilled  
5 employees for those plants still operating, most of  
6 whom face bleak prospects in using their unique skills  
7 with the other few remaining U.S. textile companies.

8 It is for these compelling reasons that we  
9 respectfully ask that this Commission in its  
10 preliminary investigation make an affirmative finding  
11 that there is at least a reasonable indication that  
12 Berwick Offray and the other remaining producers in  
13 the U.S. narrow woven ribbon industry are materially  
14 injured and threatened with further material injury  
15 because of these unfairly traded imports from China  
16 and Taiwan.

17 On behalf of Berwick Offray I thank you for  
18 your time and for this opportunity to present our  
19 case.

20 Owen Deese will now explain to you with much  
21 more technical expertise than I can how narrow woven  
22 ribbon is produced. Owen?

23 MR. DEESE: My name is Owen Deese. I  
24 currently am Senior Industrial Engineer for Berwick  
25 Offray and have been in a similar position for the

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1 past 22 years. Overall, I have over 45 years'  
2 experience in the textile industry.

3 As an industrial engineer, I know how to  
4 make things, including various types of ribbons such  
5 as the narrow woven ribbon products at issue today.  
6 What I'd like to do is explain to you in hopefully  
7 simple terms how our ribbon is made, walking you  
8 through the various stages of the production process,  
9 which is standard throughout the U.S., China and  
10 Taiwan, as you will hear later from Bruce.

11 First, before we get to those stages, let me  
12 just say that making ribbons is a mature technology  
13 and has been going on for centuries. In the United  
14 States, needle looms were introduced 40 some years  
15 ago, and most manufacturers have been using the  
16 shuttleless needle looms to produce narrow woven  
17 ribbons.

18 Prior to the introduction of needle looms,  
19 shuttle looms were used. Some shuttle looms are still  
20 in use today and can make similar ribbons, but the  
21 shuttle process is slower and requires an additional  
22 step to wind filling yarn onto the shuttle bobbin. In  
23 any event, what I'm going to discuss today is the  
24 needle loom process that we, Berwick Offray, only use  
25 at our plant in Leesville, South Carolina.

1           You need to understand at the outset that  
2           there are multiple steps in the production process  
3           with differences for specific types of ribbon. A  
4           basic distinction is whether the ribbons are yarn dyed  
5           or non yarn dyed. Yarn dyed ribbons involve an  
6           additional process at the beginning of production in  
7           which raw, undyed yarns are dyed. These resulting  
8           dyed yarns are then used to produce ribbons.

9           Yarn dyed yarns are typically used to  
10          produce fancies, such as ribbons with multiple colored  
11          patterns, including stripes, jacquard patterns, plain  
12          patterns and picots, all types and styles Julie will  
13          talk to you about later this morning.

14          More commonly, ribbons are produced with  
15          greige, the raw, undyed yarns. These resulting  
16          ribbons are then dyed as part of an additional step  
17          towards the end of the production process. Such  
18          ribbons are commonly referred to as greige goods after  
19          they are woven, but before they are dyed.

20          Nearly all ribbons of a solid color are  
21          produced using non yarn dyed yarns. In some  
22          instances, graphics are printed on ribbons after  
23          dyeing using a variety of printing techniques.

24          The basic processes and the production of  
25          narrow woven ribbon are the dyeing of yarns for the

1 yarn dyed ribbon, warping, weaving and roll up, dyeing  
2 of ribbons for non yarn dyed ribbons or finishing for  
3 the yarn dyed ribbons, printing on ribbons and lastly  
4 block, inspection and packing.

5           These processes are performed in sequential  
6 stages and batches, meaning a lot of ribbon is made at  
7 each successive stage. Depending on the particular  
8 manufacturers, some processes may be performed at  
9 different locations or possibly by a different  
10 company. Regardless, each process stage requires a  
11 substantial degree of manual effort to set up and take  
12 down.

13           Ribbon producers begin the production  
14 process with greige yarn. This raw yarn is received  
15 on the yarn producers' cardboard or plastic core and  
16 is commonly referred to as a package. As mentioned  
17 earlier, the process of dyeing of yarns is only  
18 performed for a minority of the ribbon production.

19           The dyeing process imparts color to the  
20 individual yarn rather than the finished ribbon so  
21 that multi-colored patterns can be obtained and also  
22 shrink and heat sets the yarn so the resulting fabric  
23 is shrink resistant in future uses.

24           A few initial steps are required before the  
25 actual dyeing of the yarn is performed. First, the

1 yarn must be transferred from the package on which it  
2 is received to a purn. The purn is then placed on a  
3 twister machine. At the twister, yarn is transferred  
4 from a purn to a dye pack or a dye tube, which is a  
5 spool that is especially designed for the dye  
6 processes.

7           The dye tube is a flexible tube with  
8 openings over the surface to allow the dye to flow in  
9 and out of the tube and through the yarn. Individual  
10 dye tubes are then removed from the twister and  
11 stacked onto a dye stand. On the dye stand the  
12 individual dye tubes are stacked in an interlocking  
13 fashion to form a long tube, which is capped and used  
14 in the dyeing process.

15           The dye stand, consisting of multiple dye  
16 tubes, is then placed into the dye vat. In the dye  
17 vat dyes are pushed and pulled under pressure through  
18 the holes in the dye tubes. In doing so, the dye  
19 passes through the yarn repeatedly in alternating  
20 directions and some portion of the dye is absorbed by  
21 the yarn.

22           Next the dye stand is removed from the dye  
23 vat and placed in a dryer, which uses hot air to  
24 assist in removing all moisture from the yarn. After  
25 the yarns are dry, the dye tube is transferred to a

1 winding operating. Here the yarns are transferred  
2 from dye tubes to cardboard spools and a lubricant is  
3 applied to the yarn during the winding process to  
4 reduce friction and downstream warping in the weaving  
5 processes.

6           Warping is the stage where the yarns, either  
7 greige or dyed, are prepared for weaving. Here yarn  
8 is transferred from packages to a warp beam. A warp  
9 is produced by winding yarns from packages onto the  
10 warp beam. The individual yarns are laid parallel to  
11 one another in sequence, in the sequence necessary for  
12 the finished woven pattern.

13           The yarn packages that are wound onto the  
14 beam could either be the yarn dyed yarn or the greige  
15 yarn. For yarn dyed ribbon, warping is the second  
16 stage in the production process. For the non yarn  
17 dyed ribbon warping is the first stage in the  
18 production process.

19           Through a manual process the individual  
20 packages of yarn are placed on a creel according to  
21 the warping pattern dictated by the final ribbon and  
22 creel is a series of metal racks with pins that hold  
23 the yarn packages. The yarns are directed from the  
24 creel through a series of guides and stop motions,  
25 then finally through a comb onto the warp beam.

1 Hundreds of individual warp yarns, also referred to as  
2 ends, are wrapped onto the warp simultaneously.

3           Once the warp beam is full it is transferred  
4 to the weaving process. After warps are loaded onto a  
5 loom, the ends must either be tied to the previous  
6 warp and pulled over or manually drawn in through the  
7 loom by hand. Weaving is the process in which narrow  
8 woven ribbons are formed from the yards. One or more  
9 warps are loaded into the loom. In the final ribbon,  
10 the warp yarn runs parallel to the length of the  
11 ribbon. The catch cord is also parallel to the length  
12 of the ribbon. The pylon yarn is perpendicular to the  
13 warp yarn.

14           A wire or monofilament can be also woven  
15 into the edges to create a stiff edge on the ribbon.  
16 A weaving pattern is critical to this step and must be  
17 followed to exacting specifications. As the ribbon is  
18 then woven, the ribbons are rolled directly onto bulk  
19 spools. These spools are collected and transferred to  
20 the next department for dyeing, for greige ribbon, or  
21 finishing for yard dyed ribbons.

22           The primary purpose of the dyeing process,  
23 as its name implies, is to impart the final color to  
24 the ribbon. In addition, this process heats the fiber  
25 in the ribbon, thereby removing residual shrinkage

1 from the finished product. Dyeing is only performed  
2 for nine yard dye ribbons as yard dyed ribbons already  
3 reflect the final color.

4 Dyeing is performed through a continuous  
5 process in which multiple ribbons are arranged side by  
6 side, pass through a series of heated tanks containing  
7 waters and chemicals, rollers and an oven. As part of  
8 this process, ribbons are cleaned, dried, dyed, then  
9 washed and dried once more. Heat is provided by a  
10 combination of electricity, steam from a boiler fueled  
11 by natural gas and hot-air ovens fueled by natural  
12 gas.

13 The specific dye formulation is based on the  
14 ribbon's fiber type and desired color. The chemicals  
15 utilized include dispersed dyes, brightening agents,  
16 anti-migration agents, and thickeners. The dye  
17 formula is heated by steam produced from burning  
18 natural gas. The dyed ribbon may be dried by being  
19 wrapped around drums heated by either electricity or  
20 steam, using the proper heating time setting the dye.  
21 Nylon ribbons typically use steam in an insulated  
22 chamber.

23 The finishing process is used on yard dyed  
24 ribbons to eliminate wrinkles and smooth the wrinkles  
25 before the blocking and packing process. This is

1 performed by guiding multiple ribbons through a bath  
2 of hot water, then through a nip roll to squeeze out  
3 excess water, then passing the ribbon over a series of  
4 steam heated dry cans which dry and press the ribbon.  
5 Ribbon properties such as stiffeners can also be  
6 adjusted by adding the appropriate chemicals to the  
7 bath.

8 After dyeing, patterns can be printed on the  
9 ribbon through a number of different processes. They  
10 are: flat-bed screen printing, central impression  
11 flexographic printing, rotary screen printing,  
12 transferred printing which uses heat and pressure to  
13 transfer dyes from another substrate, usually paper,  
14 to the ribbon, or rotary hot stamping which uses a  
15 heated dye to transfer ink or metal leaf that fall  
16 onto the ribbon in many designs and graphics.

17 The woven ribbon undergoes final processing  
18 in the blocking inspection and packing phase. Here  
19 the ribbons are placed on the final spools or cores.  
20 The cores require flanges on each side of the core as  
21 an additional step. Labeling is applied to the final  
22 unit and the units are packed in cartons for shipment.

23 Even though my job is to get our products  
24 made using these processes I have just described, I am  
25 well aware of the cost necessary to make these

1 products. We have taken various measures over the  
2 years to reduce cost and become as efficient as we can  
3 in making our ribbon. Some of these efforts include:  
4 Variances versus standards are reviewed, quality,  
5 cost, labor, overhead, scrap, machine efficiencies,  
6 machine employee utilization, et cetera, on a daily,  
7 weekly, bi-weekly and/or monthly schedule to ensure  
8 continued improvement and on-line assortment building.

9 We have purchased yarn dyeing equipment  
10 enabling us to dye our own yarn and the quantities  
11 needed; automated blocking machines; ribbon dyeing  
12 equipment for small orders; and new screen printers.  
13 Automated roll-up devices for weaving and dyeing  
14 processes were designed and built in-house. We have  
15 installed energy-saving lights; boiler economizer and  
16 steam controls, and flow controls for water  
17 conservation; indirect (overhead) labor reductions,  
18 through job combinations, equipment and method of  
19 improvements.

20 Process improvement teams comprised mostly  
21 of our hourly employees. One of their most recent  
22 accomplishments was the development of a method to  
23 bypass warping for one particular item, thereby  
24 improving cost, quality, scrap and machine efficiency.

25 In-house design and building of multi-

1 automated blocking machines; automatic flanges, and  
2 modifications to existing equipment; in-house design  
3 and building spool-making equipment providing us the  
4 ability to produce the vast majority of our spool  
5 requirements; and lastly, we have reduced staffing to  
6 operate our plants extremely efficiently.

7           Though you can tell we continue our efforts  
8 to improve all facets of our operations on a daily  
9 basis in all of our locations, I sometimes wonder if  
10 any of these efforts matter. As you know from your  
11 site visits, and from our petition, we have  
12 significant unused capacity. All of our equipment is  
13 world class and in good condition and ready to make  
14 ribbon. We easily and relatively quickly could  
15 significantly increase our narrow woven ribbon  
16 production.

17           In closing, while I am not as savvy about  
18 the U.S. market as Julie, I do know that we simply  
19 cannot make some narrow woven ribbons as a profit when  
20 competing with the low prices of the dumped and  
21 subsidized narrow woven ribbon products from China and  
22 Taiwan.

23           As I just described and as stated in the  
24 petition, we have taken numerous actions to make our  
25 manufacturing operations as efficient as possible.

1           I believe with that I am done and will turn  
2 the microphone over to Julie who will explain to you  
3 with more expertise than I have about the types and  
4 styles of NWR and how it is sold in the United States.

5           MS. PAJIC: Julie Pajic, Senior Vice  
6 President, Sales and Marketing, Berwick Offray. Good  
7 morning. Thank you for hearing us today.

8           I've been in my position since April 15th of  
9 2008, but prior to that I've been with the company  
10 since January 9, 1995. Given my extensive experience  
11 with ribbons and particularly narrow woven, I would  
12 like to show you some narrow woven samples and discuss  
13 the various types and styles. But before we explore  
14 the world of narrow wovens, I'd like to take a step  
15 back and look at ribbons from 40,000 feet.

16           There are really two main ribbon groups --  
17 narrow woven and cut-edge ribbons. To confirm what  
18 you are already likely aware from the petition, cut-  
19 edge ribbon is not woven to width and thereby is not  
20 considered a narrow woven ribbon. Cut-edge ribbons  
21 are produced by cutting broad woven fabrics to a set  
22 width that is determined by the specs. The most  
23 obvious visual difference is their edge is not formed  
24 during the weaving process like a narrow woven ribbon.

25           I can attest that the edges are not as

1 strong as an permanent as woven narrow ribbon as just  
2 a simple illustration. When I pull on the edge of the  
3 cut edge ribbon like this, and Mr. Girard will assist  
4 me, on the cut edge, it will easily be removed from  
5 the ribbon. When you pull the edge of a narrow woven  
6 ribbon the edges, since they are woven, cannot be  
7 pulled off.

8           Finishing the edges of the ribbon may help  
9 from prevent fraying, but they are not as durable as  
10 the narrow wovens. They are not as color-fast as the  
11 narrow wovens or as washable as the narrow wovens.

12           Another common physical difference is that a  
13 lot of cut-edge is made with yarns that are not often  
14 used making a narrow woven ribbon. For example,  
15 acetate, acetate is a lower grade yarn that is used to  
16 make a cut-edge ribbon and they have a plastic-like  
17 hand which feels cheaper than a narrow woven. It  
18 feels like paper. Additionally, cut-edge has finish  
19 to keep from fraying and the finish makes it stiff and  
20 not as soft as narrow woven ribbon.

21           This is another differential that we use to  
22 differentiate cut-edge ribbons from narrow woven  
23 ribbons. Typically, cut-edge ribbons are 2.5 inches  
24 or wider, and narrow woven ribbons are predominantly  
25 less than two inches wide. Cut-edge is not well

1 received in a narrow format as it's expensive to  
2 merrow at a narrow width, and the fabric proportion of  
3 the ribbon is small in comparison to the massive edges  
4 sewn onto the ribbon.

5 I do not want to overstate the issue.  
6 However, there is some overlap with width and size  
7 between the cut-edge and the narrow woven ribbons. I  
8 do want to explain though a little bit as to how the  
9 different types of ribbons and their physical contrast  
10 affect the usage and the customer base.

11 Given the physical difference, cut-edge  
12 ribbons are not typically used to embellish apparel  
13 because cut-edge ribbons are not sufficiently durable,  
14 color-fast or washable. It's really intended for a  
15 one-time use and considered somewhat disposable. It is  
16 commonly also used in seasonal decor.

17 For similar reasons, the customer preference  
18 for cut-edge ribbons are not typically used for  
19 keepsake crafting projects or to create hair ties, or  
20 other apparel adornments as sashes because they back  
21 side of a cut-edge ribbon is not as beautiful as the  
22 front.

23 Commonalities do exist between cut-edge and  
24 narrow woven ribbons, and examples would be using a  
25 bow for a floral arrangement or adorning a wrapped

1 package, to decorate a home or an office. But as I  
2 have found the customer will choose either one or the  
3 other because of its unique feel or look. Generally,  
4 even with the unfair low price of narrow woven ribbon,  
5 cut-edge is even priced cheaper.

6 Now that I've described the two main ribbon  
7 types I'd like to focus on the types and styles of  
8 narrow woven ribbons. We have display boards here  
9 that I will use, and if I may, I will use Mr. Girard  
10 as a pointer so he can assist me and I can better  
11 illustrate the different types of ribbons and styles.

12 Let's start with the most popular high  
13 volume type of narrow woven ribbon -- satin. There  
14 are two key types of satin, single-faced satin and  
15 double-faced satin. Single-faced satin is the more  
16 popular of the two.

17 Historically, single-faced satin was used in  
18 a sewed on applications due to having one dull side  
19 and one smooth side. The dull side prevents slippage  
20 or movement and was also not seen so you could sew it  
21 down and you could only see the nice smooth side.  
22 Today, while it is still used for sew down, is also  
23 used extensively for weddings and other parties, for  
24 favors, invitations, flowers, and ceremony  
25 decorations, as well as keepsake crafts and for

1 packaging decorations.

2 Double-faced satin is smooth on both sides,  
3 and is used principally for applications where both  
4 side of the ribbon would be physically appeared. Its  
5 appearance and feel is more luxurious because of this  
6 feature. Usages include both for floral bouquets,  
7 packages, home decoration and other bow-tying  
8 applications such as dress sashes and hair bows; again  
9 specifically because both sides of the ribbon will be  
10 visible when the sashes were displayed.

11 Sheers are another popular high volume  
12 narrow woven ribbon. Sheers have a screen or mesh-  
13 like transparent appearance and are light in feel.  
14 They do not have a lot of body to them unless the  
15 edges are housed with a monofilament or wire. They  
16 are often described as soft and supple, and they are  
17 set apart by other ribbons because of their ability to  
18 adopt to the colors on which they are placed with.  
19 Their pallet is much more forgiving.

20 For example, sheer colors do not need to be  
21 a dead-on match to the bridesmaid dress. You can use  
22 something that would be an accent. Sheers are used  
23 for various applications but are most popular in  
24 decorating a package, finishing a floral bouquet or  
25 their floral arranging applications as well as bridal

1 work because they have a very feminine look and feel.

2 Grosgrain is another popular high volume  
3 narrow woven product. It has a heavier feel, and it  
4 appears red or textured. It is considered to be more  
5 masculine ribbon. The ribs help hold the bow in place  
6 as its surface is not slippery. It is used for  
7 packaging decor, home decorating, crafting, sewing,  
8 hair bows and other apparel embellishments. When a  
9 decorative embellishment is required without a shiny  
10 finish most people tend to use grosgrain.

11 Other types and styles of narrow woven  
12 ribbon are often referred to as "fancies", which are  
13 the same types of ribbon I just described but either  
14 have a yard dyed woven embellishment or an applied  
15 embellishment. As Owen described, yarn dyed just  
16 means that the yarn is dyed prior to weaving such that  
17 the embellishments are woven into a design at the time  
18 in which they are in the weaving process. Applied  
19 embellishments are applied after they are dyed and  
20 finished.

21 There is a great variety of embellishments,  
22 the most common of which is printing, which includes  
23 transfer printing, puff printing, screen printing, and  
24 other typical embellishments can include embroidery or  
25 glitter, small attachments such as sequence or

1 buttons, as far as the imagination.

2 One of the more common yarn dyed woven  
3 embellishments are plaids, which are yarn dyed  
4 patterns consisting of colored bars or stripes  
5 crossing each other at right angles. They are  
6 exceptionally beautiful as the design is visible from  
7 both sides. The historical inspiration for this  
8 pattern is the Scottish Tartan kilt, appropriate for  
9 masculine motif. Their most popular use today is for  
10 Christmas tree and wreath decoration as the designs  
11 lend themselves to the season, but they are also used  
12 for apparel and home decorating and floral, and not  
13 typically used for packaging because of their busy  
14 pattern and they tend to clash with the wrapping  
15 paper.

16 Another common type of yard dye is a  
17 Jacquard which was invented by a gentleman named  
18 Joseph J.M. Jacquard in 1801. It is an intricate type  
19 of weave where the motif or design is woven into the  
20 product. Jacquards are used for sewing apparel,  
21 keepsake craft such as baby blankets and quilts and  
22 home decorating.

23 Thank you, Mr. Girard.

24 Despite the great variety and types and styles of  
25 narrow woven ribbon, we think that it is a commodity-

1 like product. Sure, not a steel pipe or a cement or a  
2 specialty chemical that's made from required spec, but  
3 narrow woven ribbon is sold in many respects like a  
4 commodity product, and price is the main deciding  
5 factor for my customers, and the quality, mix and  
6 types of styles are comparable. We have purchased,  
7 and I have personally seen many of the types and  
8 styles of narrow woven ribbon imported from China and  
9 Taiwan, and I can confirm that the imported narrow  
10 woven ribbon and the narrow woven ribbon made in the  
11 United States is generally comparable in quality, with  
12 the same general types and styles being offered.

13 Certainly when it comes to the basics, such  
14 as single colored, single-face satin, sheers and  
15 grosgrains, we are talking commodity products. I have  
16 heard retailers say directly that a ribbon is a ribbon  
17 is a ribbon, and price is all that matters.

18 I would like to speak a little bit about the  
19 channels of distribution in which we sell our ribbons.  
20 With respect to customers for narrow woven ribbons,  
21 all types and styles are sold through three general  
22 categories:

23 First, while we do not sell directly to the  
24 individual consumer, we sell directly to the retailers  
25 that do. These retailers could be Big Box or

1 specialty crafts.

2           Second, we sell to what's called the  
3 industrial end user. These are companies like candy  
4 companies or florists that use it in their end-use  
5 product to decorate that final product.

6           And the third general category we sell to is  
7 the wholesaler or distributor who in turn sell the  
8 product to a retailer or an industrial end user. A  
9 wholesaler may stock the product for sale in its  
10 warehouse while a distributor typically will take an  
11 order and sell it directly to that customer. Prices  
12 among the various channels of distribution do vary,  
13 but the general category of customers based on  
14 competitive conditions are similar. Regardless of the  
15 customer category, we are competing with unfairly low-  
16 priced imports from both China and Taiwan for each and  
17 everyone of them.

18           In terms of how we sell, we may sell off the  
19 shelf from stock and from our warehouse, a custom  
20 order design where the customer may specifically tell  
21 us exactly what they want on their ribbon. We may  
22 also sell through a catalogue or one of our sales  
23 agents, and we also sell to replenish the stock plan-  
24 o-grams, which is the space at retail in which we are  
25 the primary vendor in that space.

1           In many cases the imports are being sold at  
2 prices well below our costs to make comparable narrow  
3 woven ribbon products. Given these unfair low prices  
4 we have at times had to make the hard choice and  
5 import some narrow woven ribbons rather than produce  
6 them here in the United States.

7           As the head of marketing and sales of  
8 Berwick Offray, I am painfully aware of how unfairly  
9 traded imports from China and Taiwan have eroded  
10 prices, especially since the quota on Chinese ribbons  
11 was lifted in January of 2009. The Chinese and  
12 Taiwanese seem to be fighting with each other for U.S.  
13 market share. Since then prices have dropped  
14 considerably and narrow woven ribbon sales have  
15 continued to shift to foreign producers.

16           We work hard to maintain our sales volume  
17 and prices but we frequently find that despite price  
18 reductions we lose sales to unfairly traded imports  
19 from China and Taiwan.

20           In closing, what I would like to reiterate  
21 before turning the microphone over to Bruce is that  
22 regardless of the type and style of narrow woven  
23 ribbon, regardless of the category of customer, and  
24 regardless of the form of sale we compete every day in  
25 every way with unfairly traded narrow woven ribbon

1 products imported from China and Taiwan.

2 With that clear it is now Bruce's turn to  
3 speak. Thank you.

4 MR. KERR: Thanks, Julie. Good morning,  
5 everyone. My name is Bruce Kerr. I am Vice President  
6 of Procurement for Berwick Offray, and I have worked  
7 in that position since January of 1993. Prior to that  
8 I spent 12 years working for Inter-Metro Industries, a  
9 subsidiary of Emerson Electric, in a similar capacity.

10 I would like to add a few comments relevant  
11 to Owen's description of the narrow woven ribbon  
12 process. I've been in production plants in China and  
13 Taiwan as well as in other countries and the  
14 production process for narrow woven ribbon is  
15 essentially the same worldwide, as explained by Owen.  
16 I would say that the vast majority of what I have seen  
17 in China, and especially in Taiwan, are needle looms  
18 with a few shuttle looms still in China. I have  
19 observed only a few brands of needle looms in  
20 operation. Most of what I've seen are the Taiwanese  
21 machine brand Kyang Yhe or various Chinese brands  
22 while the minority are Swiss Muellers. The Muellers  
23 are in general considered to be the most efficient in  
24 the world, and are the brand of machine used by  
25 Berwick Offray.

1                   While Kyang Yhe and Chinese machines cost  
2                   less to acquire, they also run slower and are more  
3                   labor intensive.

4                   I have also observed that in general Chinese  
5                   and Taiwanese producers have less efficient processes  
6                   that increase their costs. For instance, they  
7                   typically use a considerably smaller yarn package size  
8                   which leads to more frequent changeovers during  
9                   production. Additionally, they typically warp much  
10                  smaller beam sets, again driving more changeovers.  
11                  Finally, I have observed that inexplicably Chinese and  
12                  Taiwanese producers generally charge the same price  
13                  for dark colors of ribbons as light, despite clear  
14                  differences in the cost of production.

15                  I can also confirm a point that Julie has  
16                  made, which is that the NWR products made in China and  
17                  Taiwan generally are of comparable quality to those  
18                  made in the United States with the same general types  
19                  of styles. It might be argued that given the various  
20                  types and styles all ribbons are unique, but this is  
21                  just simply not true. Any good producer can replicate  
22                  a ribbon type and style fairly easily. So if someone  
23                  likes a particular narrow woven ribbon product they  
24                  saw, they could buy it from a U.S. producer just as  
25                  easily as from a producer in China or Taiwan. It is

1 just not correct to say that narrow woven ribbon is  
2 not a commodity-like product. In particular, the  
3 basics, such as the satins, grosgrains and sheers, are  
4 clearly commodities.

5 Lately, I have observed two separate changes  
6 in what I'll call the trading patterns for imports  
7 into the United States. First, certain retailers are  
8 dramatically shifting from buying from U.S. producers  
9 to buying directly from China and Taiwan. Second,  
10 well organized traders are increasingly purchasing  
11 from different producers in either China or Taiwan, or  
12 even in both countries, a variety of types and styles  
13 of narrow woven ribbon for sale to a single customer.  
14 This means that even if a producer in China or Taiwan  
15 has a limited range of narrow woven ribbon products  
16 those products make up a basket of products that seem  
17 to come from a single supplier selling to a single  
18 U.S. customer. These traders also "cherry pick" the  
19 lowest priced products among the producers, generating  
20 the lowest common denominator dumped/subsidized  
21 product.

22 Separately, I must say that since the  
23 lifting of the quota on Chinese narrow woven ribbon in  
24 January of 2009, there seems to be a reenergizing of  
25 the Chinese industry. Producers proliferate and

1 capacity continues to increase, such as with Zhejong  
2 Sanding who within a few years has increased their  
3 capacity from less than 2,000 to about 8,000 looms,  
4 many times the number of looms we believe exist in all  
5 of the United States.

6 As Taiwan producers recognize the threat to  
7 their U.S. market share from Chinese producers, they,  
8 too, have become energized. As an example, a major  
9 narrow woven ribbon producer opened a new plant in  
10 Taiwan this year. All this new capacity in China and  
11 Taiwan is adding to what already was a tremendous  
12 capacity base, what I would conservatively estimate at  
13 17 to 22 thousand looms in both countries combined.

14 Since 2006, my procurement group has led an  
15 internal Source Analysis Team, or SAT. The job of the  
16 SAT is to evaluate where we should be sourcing the  
17 product we sell. We consider multiple external  
18 suppliers as well as our own manufacturing operations.  
19 All too often we find that narrow woven ribbon from  
20 China or Taiwan can be purchased at prices much below  
21 our cost of production.

22 Well, I am the last of the group, so again  
23 want to thank you for your time and we would be happy  
24 to answer any questions you might have. Thank you.

25 MR. ASCIENZO: Thank you very, very much.

1 That's the end of your affirmative presentation?

2 Thank you very much.

3 We are going to start this morning's  
4 questions with the investigator, Nate Comly.

5 MR. COMLY: My name is Nate, Office of  
6 Investigations. I will try not to ask too many  
7 questions because I am sure my colleagues have a lot.  
8 I won't take up their questions.

9 First of all, I would like to thank the  
10 panel for coming all the way down here, and also thank  
11 you for the plant tour. I know none of you were  
12 actually on the plant tour but my appreciation goes  
13 out.

14 The first question I had I guess goes  
15 towards the importance of color in ribbons, and I know  
16 the dyeing process and I saw that and it looks pretty  
17 complex, at least to me. How important is color to  
18 customers when they order, particularly for custom  
19 orders, and we're looking at wedding dresses, for  
20 example. You talk a lot about wedding, knowing how  
21 important color is in weddings and matching specific  
22 colors, could you address how important is color to  
23 those? And how easily can Berwick and other  
24 producers, particularly in China and Taiwan, reproduce  
25 a specific color?

1           MR. SHEA: I think I would like Julie to  
2 address how critical that is to customers and she can  
3 talk about the work we put behind it, and we can add  
4 what's involved from a process standpoint to match,  
5 and we believe we're best in the world at that, but  
6 I'll let Julie address how critical that is to the  
7 customers.

8           MS. PAJIC: You said colors -- I'm sorry. I  
9 think that color is important to customers. We do  
10 every year increase our color pallet and decrease our  
11 color pallet depending on customer needs and wants.  
12 We have approximately 120 colors in our basic lines,  
13 but all we need is a PMS book, which is a worldwide  
14 piece, and we can match a color as can anyone match a  
15 color of a ribbon that a customer may want, even if  
16 it's custom

17           MR. SHEA: I think from a process standpoint  
18 the yarns that are used and the dyes that are used are  
19 very critical to getting the -- not just the color but  
20 the sheen requirements that the customer has, and this  
21 can be a differentiator, and we have the most talented  
22 dyers, I believe, left in the world. There are not a  
23 lot left in the U.S., and we have a good talented  
24 bunch. We also have some very high and detailed  
25 quality standards with the use of spectrometers to

1 determine the color matches and such. So again, we  
2 think we are as good as anybody at that process.

3 MR. COMLY: This might be proprietary  
4 information, but have you ever turned away an order  
5 say that you could never match a color?

6 MS. PAJIC: We try never to turn away an  
7 order.

8 MR. SHEA: Certainly not -- I can't think of  
9 any reason in my long history with Berwick Offray that  
10 we have turned down an order because of color  
11 requirements.

12 MR. COMLY: How would you address the  
13 Respondent's argument that you're unable to meet the  
14 changing innovation in the fashion segment of the  
15 ribbons?

16 MR. SHEA: I think I would like to start  
17 that and if I could let Julie add to it, but we're  
18 recognized as having the best ribbon design house in  
19 the world, and we would have scores of customers who  
20 would attest to that. We have an extensive and  
21 talented group in Budd Lake, New Jersey, including  
22 graduates of textile design schools. We renew our  
23 designs on an annual basis. We reach outside for  
24 special designs when we believe there is a requirement  
25 that a customer has that might be more along a

1 licensed or branded look, and so we will go to third  
2 parties if required. But this is an area where we are  
3 widely recognized as being the best at in the world.  
4 So it's sort of surprising to me to hear otherwise.

5 Julie, any comments?

6 MS. PAJIC: Yes. We also have a large base  
7 of outside artists that we pull from as well as we are  
8 members of the color marketing groups, several trend  
9 groups, and I think that design is subjective, so  
10 there is always going to be something that we can be  
11 doing in addition to what we're currently doing, and  
12 we do work with our customers directly to customize  
13 designs that meet their needs.

14 MR. COMLY: How large is that segment would  
15 you say, the design, what they call the innovative  
16 fashion segment versus, you know, the standards?

17 MS. PAJIC: Our basic business, which is our  
18 solids, is probably, and I would have to go across my  
19 whole sales base, but it's probably about 80 percent  
20 of the solids. The fancies are the design pieces that  
21 are accenting the solid pallets, and are typically the  
22 smaller portion of the business that's out there,  
23 whether it be at retail or at floral or in any of the  
24 mentionables that has been spoken about in the  
25 distribution channels.

1           MR. SHEA: I think the point that I would  
2 add is we can make any of the fancies that are  
3 required in our various market channels, and that's an  
4 area we have lost share to, but our capabilities,  
5 again, with design and production, there is really not  
6 a fancy we know of that we can't make, and fancy is  
7 the term for the non-solids in our industry.

8           MR. COMLY: Would you say that's the same --  
9 that also goes for the Chinese and the Taiwanese  
10 producers, they can make any fancy out there

11           MR. SHEA: We have capabilities that they  
12 don't, but generally -- I might let Bruce comment, but  
13 fancies as they relate to yarn dyed is certainly a  
14 capability they all have, and printing is another  
15 embellishment that most have capabilities in, so we  
16 have certain unique capabilities, but in general I  
17 would think that they can match most of the  
18 embellishments and print requirements in the fancies.

19           MR. KERR: Yeah, I would certainly agree  
20 that all of our suppliers, the ones that I know have  
21 the ability to do yarn dye or piece dye. They can do  
22 Jacquards, sheers, whatever, the full range of  
23 products that you see here on these boards today. I  
24 would say that any of the suppliers we use today would  
25 be able to do a broad range of NWR fancies.

1           MR. COMLY: Okay. Going on a different  
2 subject. Could you give me a general sense of the  
3 narrow woven ribbon in China and in Taiwan? The  
4 number of producers, is there a large number of  
5 producers? Is there several big producers?

6           MR. KERR: Well, I can't tell you honestly  
7 that I would know how many producers there are in all  
8 of Taiwan or in China. But I would say that my  
9 guesstimate would be for Taiwan, it might be 15 to 20  
10 producers of any scale, and that in China there may be  
11 more than 100 decent-sized companies, and then maybe a  
12 thousand where they have their own weaving loom in  
13 their garage or whatever. So it's really a hard thing  
14 to answer with any accuracy.

15           MR. SHEA: I think you will find in the  
16 petition exhibits where we tried our best to identify  
17 those producers and the number of looms that they have  
18 and their capacity, at least the majors. So we think  
19 we have a good feel for the majors. It's sort of the  
20 smaller guys that are out there that are hard to find  
21 and hard to identify.

22           MR. COMLY: Would you say the majority of  
23 the product coming into the U.S. is from the larger  
24 producers or is it from the smaller guys

25           MR. SHEA: We believe it's from the larger

1 producers. I think Bruce described one process that  
2 is used to compete with us where a trader might use  
3 their connection with various factories, and they  
4 might be involved with some of the smaller producers  
5 that we might not necessarily know of, so that's an  
6 area where they might come into play.

7 MR. COMLY: I know this might be out of  
8 your-- I assume you have some knowledge of this, but  
9 can you describe the ribbon market in China? Is there  
10 a large ribbon market in China? And also I guess on  
11 top of that question would be are the Chinese  
12 producers supply that market? Are they mostly export-  
13 oriented or are they oriented towards the Chinese  
14 market, and is the Chinese market growing?

15 MR. SHEA: I think in terms of probably the  
16 largest application of ribbon being decorative the  
17 sale of ribbon to decorative in China and Taiwan is  
18 relatively small. I think they probably use more as  
19 adornments to items that are being manufactured in  
20 those countries, but in terms of actual usage by the  
21 consumers and the every day person in those countries  
22 it's a luxury and it's not a need-to-have product, and  
23 there is not a lot of purchases associated with the  
24 floral industry like we have in the U.S., and there is  
25 less use of the product for decorative purposes, and

1 seasonal purposes like we have in the U.S.

2 So the market is kind of from a per capita  
3 basis much smaller than it would be in the U.S.

4 MR. COMLY: Thank you. One of the things  
5 you mentioned there was seasonality in the U.S.  
6 market. How important is seasonality to the ribbons  
7 industry, and can you describe when we talk about  
8 seasonality what is that?

9 MS. PAJIC: If you're talking general ribbon  
10 not just narrow woven, there is a seasonality to cut-  
11 edge. But in general narrow woven has what I would  
12 call a pretty unseasonal nature -- sale-through is  
13 what I was trying to say. There are small peaks and  
14 valleys throughout the year. We see maybe a pick up  
15 for Valentine's Day or Mother's Day, perhaps for the  
16 4th of July, but besides that those are what I would  
17 call the normal EKG, the little bumps on the radar  
18 versus for cut-edge I think you would see a large peak  
19 when it came to Christmas season. It's a predominant  
20 use for Christmas.

21 Does that answer your question?

22 MR. COMLY: It does. Thank you. When I  
23 talk about ribbons, I really mean narrow woven  
24 ribbons.

25 MS. PAJIC: Yes.

1           MR. COMLY: I will just ask a bunch of --  
2           one other subject and then I'll let my colleagues take  
3           over. I would like to talk about non-subject  
4           countries. In looking at the import stats, it doesn't  
5           really look like there is very many other non-subject  
6           countries out there except for Mexico. Is that  
7           correct, to your knowledge, that Mexico is really the  
8           only other large non-subject country, and how large is  
9           it

10          MR. SHEA: That's correct. We see in the  
11          data that Taiwan and China represent over 90 percent  
12          of the imported narrow woven ribbon, and Mexico is  
13          probably third and a significantly small percent than  
14          Taiwan and China, so that would be in single digits  
15          for Mexico, and not a lot anywhere else.

16          MR. COMLY: Do you see any increases? I  
17          mean, some of the investigations we have had here you  
18          see movement towards other Asian countries that have  
19          low labor costs such as the Philippines or Vietnam or  
20          Cambodia, things like that. Is that happening in the  
21          narrow woven ribbon business

22          MR. SHEA: I'll make an opening comment.  
23          Maybe Bruce can add something based on his knowledge  
24          of what he has seen. But I think we are starting to  
25          see a little bit of it here and there, so it could be

1 something that grows in the next three to five years,  
2 but at this point there is only a handful of smaller  
3 countries like that with small ribbon operations, but  
4 it could certainly proliferate.

5 MR. KERR: Generally, I would agree with  
6 that. I think what we've told you is sort of a  
7 breakdown of what is now being imported into the  
8 United States, but that doesn't mean that there is not  
9 ribbon producing capacity out there in many other  
10 countries of the world. There is. And so there are  
11 options certainly to bring ribbon in from other  
12 places. It's just that they are not major exporters  
13 today to the United States.

14 MR. COMLY: I guess going off of that  
15 comment, where are the other major narrow woven ribbon  
16 markets in the world, and have you see any -- what  
17 have been the trends in the last three years of the  
18 world market for narrow woven ribbon?

19 MR. SHEA: I think I'll start that and let  
20 Julie add to it. She might be the better one to  
21 answer, but I do know that probably the second largest  
22 market for ribbon would be Europe, and I'll let Julie  
23 address the trend there, but I think the trend is  
24 probably very similar to the U.S. I don't think there  
25 is a lot of difference, and Mexico and Canada would be

1 the other two pretty heavy users of narrow woven  
2 ribbons.

3 MS. PAJIC: Actually, I would agree with  
4 that. In Europe, I think we've seen -- there has been  
5 an influx of Chinese and Taiwanese ribbons in Europe  
6 as well. We do also sell -- some small piece of our  
7 business is sold in Europe, and there is extended  
8 competition in that area, as well as Canada

9 MR. SHEA: I want to make sure I understood  
10 the question. Were you asking about our participation  
11 in other countries or the market itself for those  
12 other countries?

13 MR. COMLY: You can comment on both. I  
14 would assume that you participation is more  
15 proprietary information, but in general

16 MR. SHEA: I was speaking about the market  
17 in general.

18 MR. COMLY: Have you noticed any -- I guess  
19 this might be proprietary so feel free to answer this  
20 in your brief, but have you noticed any price trends?  
21 I mean, you said there was an influx of Chinese and  
22 Taiwanese imports into Europe. Have you noticed price  
23 trends there as well? Has the general market price --  
24 is there a global market price and has that been  
25 affected?

1           MR. SHEA: The price trends are moving  
2 downward everywhere.

3           MR. COMLY: I think that's all my questions  
4 for now.

5           MR. ASCIENZO: Thank you very much.

6           We turn to Mary Jane Alves, the  
7 attorney/advisor.

8           MS. ALVES: Good morning. Mary Jane Alves,  
9 the General Counsel's Office, and thank you to the  
10 panel for coming in. Already you have been extremely  
11 informative. It has been very helpful.

12           I am not going to have that many questions  
13 in terms of domestic-like product. You have done a  
14 great job of explaining a lot of the differences  
15 between the cut-edge and the narrow woven ribbons this  
16 morning. The one question I did have though is in  
17 terms of the prices between the two products. Is it  
18 possible to generalize and tell me what the  
19 differences in terms of prices are between the two?

20           MS. PAJIC: Generally, and it's without --  
21 generally, cut-edge ribbons are less expensive than  
22 narrow woven ribbons. There is one other comment I  
23 will add and it's as relevant as we can make it. If  
24 the consumer likes the narrow woven ribbons, she will  
25 generally choose the narrow woven ribbons if it fits

1 her needs, but what we have seen is that the cut-edge  
2 prices were -- there was a greater differential  
3 between cut-edge pricing and narrow woven pricing in  
4 the past, and now the gap has closed, so she generally  
5 chooses what she likes, and the prices are somewhat  
6 more congruent, but cut-edge is generally still  
7 cheaper

8 MR. SHEA: If I could add that cut-edge is  
9 definitely less costly to produce because the product  
10 is woven in wide form and then cut and the edges can  
11 either be sealed while it is cut with heat, or can  
12 have a trim edge added to it later, but all that  
13 methodology is significantly cheaper than narrow woven  
14 ribbons and therefore the price is lower as a result  
15 of that.

16 MS. ALVES: Thank you. And we will wait and  
17 when we talk to Respondent's panel this afternoon we  
18 can find out more about whether or not they are even  
19 disputing the domestic-like product definition. If  
20 there are additional arguments that they raise in that  
21 context, it would be very helpful if you could address  
22 any additional arguments they make in your  
23 postconference briefs.

24 Also, I know my colleague has already asked  
25 you some questions in terms of the allegations that

1 they made this morning in terms of what you were  
2 referring to as the fancier products. It wasn't clear  
3 to me whether or not they are making the arguments  
4 predominantly on the side of differences in terms of  
5 the weaving as I see it or the finishing or the  
6 printing of the product, and a lot of your discussion  
7 this morning seemed to be towards your capabilities on  
8 the weaving side.

9 Is there any differences in terms of the  
10 printing side; that their fancier capabilities in  
11 Taiwan or China in terms of some of the different  
12 printing aspects?

13 MR. SHEA: No, we believe we have state-of-  
14 the-art printing, whether you're talking flexo or  
15 transfer or screen print, even a new process we've  
16 introduced which is a digital printing ribbon, so that  
17 is something that's not out there, so we believe we're  
18 at the forefront of printing technology as well as  
19 weaving technology.

20 MS. ALVES: Turning now to some of the  
21 players in the domestic market beyond yourselves. In  
22 the petition you assert your believe that William  
23 Wright Company is no longer producing NWR and ceased  
24 doing so sometime around April of 2006. Either now or  
25 in your postconference brief if you could take a look

1 at the timing of their shutdown and what production  
2 activities, if any, they were engaging in during the  
3 period of investigation in terms of whether or not  
4 they were a producer of the domestic-like product and  
5 as such would qualify for including in the domestic  
6 industry.

7 MR. DORRIS: Yes, we will certainly do that.

8 MS. ALVES: One of the other comments made  
9 this morning in the opening comments by Respondent's  
10 counsel was that you yourselves are importers of  
11 subject merchandise from China and/or Taiwan. Can you  
12 confirm that you do in fact import NWR from China  
13 and/or Taiwan

14 MR. SHEA: We do import narrow woven ribbon  
15 from both countries. Imports represent less than 10  
16 percent of our total volume.

17 MS. ALVES: And do you have any corporate  
18 relationships with any exporters or importers of the  
19 subject merchandise from China and/or Taiwan. If this  
20 is confidential, you can comment in your  
21 postconference brief.

22 MR. SHEA: Yes, it's confidential.

23 MR. DORRIS: Maybe if you could rephrase the  
24 question. You think corporate relationships?

25 MS. ALVES: Are there any corporate

1 affiliations, parents to -

2 MR. SHEA: The answer is no.

3 MS. ALVES: Okay. There may be contractual  
4 relationships that you might have but I'm looking at -  
5 - from a statutory perspective if there are  
6 relationships.

7 And are you aware of whether any other  
8 domestic producers are either importing from the  
9 subject countries or have corporate relationships with  
10 the subject countries?

11 MR. SHEA: We believe that other domestic  
12 manufacturers do import some portion as we do, but I  
13 can't comment on what the percent might be, and I'm  
14 not aware of what agreements they might have with  
15 other factories as well in terms of corporate  
16 agreements.

17 MS. ALVES: If you could also address in  
18 your postconference brief the related parties issue  
19 and whether or not any of these domestic producers  
20 should be excluded from the domestic industry as  
21 related parties.

22 Are there other countries that you import  
23 from in addition to China and Taiwan

24 MR. SHEA: Very, very little. I think I'll  
25 let Bruce comment on that.

1           MR. KERR: Yeah, we bring in a little, a  
2 declining amount actually from Japan. We bring  
3 product in from Mexico. We have imported product from  
4 Brazil, a little from India, we bring some product in  
5 from Europe, we have in the past I should say brought  
6 in a little product from France. So it's a big world  
7 out there and there is a lot of capability. It comes  
8 down to cost, design and quality, all those things.

9           MS. ALVES: And you touched on some of the  
10 reasons for importing at the very end of your  
11 statement there. Can you talk about why you might be  
12 importing from one given source or another given  
13 source, if there is any sort of trend there?

14           MR. KERR: Well, I would say that in general  
15 it really comes down to cost. You know, we can  
16 produce virtually any ribbon ourselves, and why  
17 wouldn't we want to produce it ourselves if we could  
18 be competitive? So in general, we are buying less  
19 from Europe than we used to, too expensive; from  
20 Japan, it's too expensive

21           MR. SHEA: I see no trend that is moving  
22 manufacturing or ordering from us to other countries  
23 for any design reasons or capability reasons or  
24 anything else.

25           MR. KERR: I would certainly agree.

1 MS. ALVES: Would you say that there has  
2 been an increase, for example, in your imports from  
3 Taiwan and China in the recent years, or has that been  
4 relatively stable

5 MR. SHEA: I think it has increased  
6 slightly, but it's still less than 10 percent so it's  
7 obviously not significant, but there has been a slight  
8 increase for items that we have been able to get very  
9 cheaply for some of the same reasons, so that has  
10 accounted for some increases, but it's still not major  
11 from a significance standpoint.

12 MR. ASCIENZO: Both in the petition and this  
13 morning you referred to operations that you have in  
14 Mexico. Can you explain what the operations in Mexico  
15 do that's related to the NWR

16 MR. SHEA: The operation in Mexico, which is  
17 a maquiladora, is primarily a converter, a producer  
18 that is woven, dyed and printed in the U.S. So  
19 spooling, converting, which is really another name for  
20 spooling, a large part of our spooling is done there,  
21 and it's done there not because we wanted to do it  
22 there but because it was the only way we found we  
23 could compete with some of these lower prices. So  
24 approximately three to four years ago we took our  
25 spooling and moved it from Hagerstown, Maryland, at

1 the time, to Mexico in order to be able to compete  
2 with these lower priced imports from Taiwan and China,  
3 and that's the primary use of that facility for narrow  
4 woven ribbon. There is a little bit of printing  
5 capability, but very minor.

6 MS. ALVES: Okay. Because I am not familiar  
7 with the industry, and I just want to be sure that I  
8 understand exactly what you mean by spooling. So in  
9 other words, once the ribbon has been woven here and  
10 any embellishments have been added to it, the sort of  
11 the packaging side of the spooling goes on there, is  
12 that what you mean by spooling

13 MR. SHEA: Yes, that's correct. The ribbon  
14 would come from Hagerstown or South Carolina in a  
15 jumbo roll, so there would be a lot of ribbon on a  
16 roll that we would then ship to Mexico, and it would  
17 be unwound from the jumbo roll and wound on the  
18 smaller spools or cores which later have flanges  
19 attached to the finished good.

20 MS. ALVES: Okay. So, for example, the  
21 printing is not taking place there and the dyeing or  
22 anything like that. It's just taking the bulk -

23 MR. SHEA: Absolutely no dyeing. There is a  
24 little bit of transfer printing, but it's probably  
25 less than 5 percent of our total printing is done

1       there.

2                   MR. ASCIENZO:   Okay.   Mr. Dorris, if you  
3       could address in your postconference brief how you  
4       want the Commission to treat these products that were  
5       spooled in Mexico, whether or not to treat them as  
6       shipments of the domestic-like product or as shipments  
7       of imports from Mexico.

8                   MR. DORRIS:   Yes, we've addressed that in  
9       the petition a little but we will expand on it in the  
10      postconference brief.

11                  MS. ALVES:   You've indicated in the petition  
12      that prior to 2008 U.S. imports of NWR were included  
13      in a basket category, HTS-US-5806321090. That included  
14      not only the subject ribbons but also non-subject cut-  
15      edge ribbons and non-subject woven salvage ribbons of  
16      greater width than what is included in the scope of  
17      the petition, and in Table 1 on page 9 of the petition  
18      you summarize the imports entered under that category  
19      between 1999 and 2007.

20                  Could you discuss either now or in your  
21      postconference brief what data source the Commission  
22      should use to measure imports from subject and non-  
23      subject sources?

24                  Some points to consider might be did the  
25      importer questionnaire responses provide adequate

1 coverage? If the Commission cannot rely on importer  
2 questionnaire responses and needs instead to use  
3 official import statistics from Commerce, how can the  
4 Commission evaluate trends over the period of  
5 investigation if imports prior to 2008 were imported  
6 under a basket category?

7 And is there some way to adjust the import  
8 statistics for imports prior to 2008 to yield some  
9 sort of an estimate of imports from subject and non-  
10 subject countries?

11 MR. DORRIS: We will address that in the  
12 postconference brief.

13 MS. ALVES: The petition also emphasizes  
14 volume trends over a longer period of time, but also  
15 talks specifically about increases since 2008. Can  
16 you talk about or differentiate the volume trends  
17 during the period where there was a bilateral  
18 agreement between the United States and China? What  
19 was happening to imports from China during that  
20 period, and was there any difference in the import  
21 trends from Taiwan during that period?

22 MR. DORRIS: We'll also discuss that in our  
23 postconference brief.

24 MS. ALVES: In terms of channels of  
25 distribution, we've talked this morning about

1 wholesalers and distributors, industrial end users and  
2 retailers that sells to consumers, roughly how many  
3 customers are there in the United States and can you  
4 estimate within each of those categories -- I realize  
5 that they are sort of loosely defined categories and  
6 there may be some fluid, but just to give us a sense  
7 of how concentrated the market is or how big one  
8 sector is as compared to another

9 MR. SHEA: I'll start and I'll have Julie  
10 add to it, but we have well over 20,000 customers of  
11 narrow woven ribbon, and it does vary by channel  
12 because one of our channels is floral as an example  
13 which has all the independent florists across the  
14 country that has a number of customers. So the  
15 breakdown by market channel, I'd even consider that  
16 proprietary. But I'm comfortable talking about the  
17 total sum of customers, but I believe it to be  
18 proprietary for us to discuss the breakdown number of  
19 customers by market channels.

20 MS. ALVES: That's fine. And any  
21 elaboration you can put in your postconference brief  
22 would be helpful. Given the composition of the  
23 Respondent's panel, I was just trying -- and I'll ask  
24 them as well -- what the size is of the overall market  
25 and what share each area accounts for.

1                   Those are all the questions I have at this  
2 point. I'll turn it over to my colleagues.

3                   MR. ASCIENZO: Thank you very much. We turn  
4 to Nancy Bryan, the economist.

5                   MS. BRYAN: Good morning. Nancy Bryan from  
6 the Office of Economics. This has been a very  
7 interesting conversation so far. It's an interesting  
8 product. So thank you for your testimony thus far.

9                   I'm going to actually just jump off the  
10 channels of distribution for a minute, and again this  
11 will probably be in your postconference brief, which  
12 is fine, because I know you did mention that the  
13 prices vary between the different channels so if we  
14 could just get sort of an idea of which channel yields  
15 the highest price and maybe which one yields the  
16 lowest prices, if they, in general, track one another  
17 it would be helpful to know.

18                   Okay, then in general I need to ask what you  
19 believe affects demand. Is it general economic  
20 conditions or is there any seasonal nature due to  
21 weddings or Christmas or things like that

22                   MR. SHEA: I'll start. Certainly there has  
23 been a recessionary impact to demand, but we believe  
24 it to be very minor. Being in this business for a  
25 long time, we have been through a lot of recessions,

1 and the ribbon industry, thank goodness, is somewhat  
2 recession proof although this most recent recession  
3 has shown that it's not nothing. We have seen a  
4 slight impact, but generally the product line is  
5 fairly recession proof.

6 We do know, though, that our volume has been  
7 impacted by unfairly traded narrow woven ribbons from  
8 Taiwan and China, and we have specific examples of  
9 sales that we have lost, so we can attribute large  
10 blocks of volume where we have lost share specifically  
11 to unfairly traded product from those countries.

12 MS. PAJIC: I'll just add one more comment  
13 with regard to the recession. Typically we saw after  
14 9/11 and then in this particular recessionary period  
15 that for the most part a big piece of our business was  
16 somewhat unjarred by that because ladies, and we talk  
17 to the ladies because we use ribbon, tend to look for  
18 home projects to do, and ribbon is a part of a lot of  
19 home projects, you know, regardless. It's crafting  
20 projects, it's scrapbooking, it's floral  
21 embellishments, and she tends to want to brighten her  
22 life a little, and ribbon seems to be a perfect  
23 accessory at what I would call a very inexpensive, you  
24 know, \$1.99, \$2.99, \$3.99, \$4.99 price point. So we  
25 tend to see the nesting projects coming in. She's

1 staying home. She is "stay"cationing. She is looking  
2 for things to do, and for the most part during those  
3 time periods we don't necessarily see a drop off in  
4 our sales.

5 MS. BRYAN: Okay, thank you. And could you  
6 address how price sensitive the product is? For  
7 instance, if the price were to decrease, do you  
8 typically then expect higher volumes of sales because  
9 the price is cheaper or is it not really related?

10 MS. PAJIC: I think you need to address that  
11 on a retail level because I think that is what she  
12 sees the most, she is the consumer. I think there is  
13 a price point at which she would say, I'm not going to  
14 buy that, but when you get below that price point, and  
15 that might be a \$3.99 price point, she likes the  
16 product, she is not as price sensitive if it's a dime  
17 more expensive or 20 cents more expensive, or 20 cents  
18 less expensive.

19 We do see some volume movement during ad  
20 times where we do have a particular commodity item  
21 that sells very much on ads, and when those ads run we  
22 do see a small spike in our POS data, but for the most  
23 part there is a certain threshold in retail and once  
24 you're below that she is not really shopping at a 10-  
25 cent 15-cent, 20-cent price.

1 MS. BRYAN: Okay, thank you.

2 Now, I think we've kind of touched on this  
3 earlier, but kind of for the record, for myself, can  
4 you just sort of run down the list of characteristics  
5 that you use to determine the quality of narrow woven  
6 ribbons

7 MR. SHEA: We have a number of  
8 characteristics, and certainly color that we touched  
9 on; sheen design; strength; a lot of it is specific to  
10 use. So if a ribbon is going to be used in apparel,  
11 it has to be washable, and typically polyester is used  
12 to support that. For decorative purposes, it's mostly  
13 design. And again from a customer's standpoint, price  
14 is super important.

15 MS. BRYAN: Okay. And for any of those  
16 quality characteristics, do you have any sense of a  
17 quality difference between your product and the  
18 imports from China and Taiwan, or are they all  
19 comparable in your opinion?

20 MR. SHEA: Unfortunately, we believe that  
21 it's fairly comparable. Where we believe we can  
22 differentiate is with design, but in terms of the  
23 actual physical characteristics of the ribbon, they  
24 have been able to come to a point where there is not  
25 much differentiation between what can be produced in

1 Taiwan and China.

2 MS. BRYAN: Okay, thank you.

3 Could you also address as much as you can in  
4 a public conference how much you actually offer your  
5 price quotas to your customers? Is there a bidding  
6 involved? Is it reverse auctions? Do you just want  
7 to kind of explain how that process happens?

8 MS. PAJIC: It varies, obviously. There are  
9 several ways in which we will provide pricing. Mostly  
10 it's what I will call quoted by program. There are  
11 some cases where there are auctions. There are some  
12 cases in which we would use a price list in which the  
13 customer were to use that price list, and if they were  
14 to purchase more volume they would get a discount off  
15 of a price list. And then there are customized quotes  
16 that they specifically get a quote on that job or on  
17 that particular product or on that program that lasts  
18 for X number of months, and I think if I go beyond  
19 that I may be touching on some confidential  
20 information. So if you need further information, we  
21 can address in our post-conference brief.

22 MS. BRYAN: Okay, sure. I understand. That  
23 would be fine.

24 Also maybe in the postconference brief it  
25 would be helpful to note which method is the most

1 prevalent or if there is a change in trends, that one  
2 is becoming more prevalent than others, that would be  
3 helpful to know.

4 Also, again this might be proprietary, but  
5 when you make your price quotes, your offering, do you  
6 always tell the customer what the country of origin of  
7 the product is?

8 MS. PAJIC: It depends I think is the  
9 answer. At the time we quote the product we usually  
10 know where we're going to make it or buy it because we  
11 have to then pass on a price, but sometimes it  
12 depends. Let me just say one other thing and  
13 elaborate on what Bruce has said.

14 We have an SAT team that's source analysis  
15 that we would buy product, and if we could later find  
16 that it's a lot cheaper to buy overseas, that we might  
17 potentially resource it, and then we would notify the  
18 customer. We would have to notify the customer. That  
19 is one thing we have to do. Does that answer your  
20 question?

21 MS. BRYAN: Yes, that does address it

22 MR. SHEA: If I could add. We don't really  
23 hide it in any way. If a customer asks us where it's  
24 from, we talk about it openly, and the product does  
25 require it to be labeled as such, so it's very

1       apparent to everybody where that product comes from.

2               MS. BRYAN:   Okay.   And in your experience do  
3       customers typically have a preference of country of  
4       origin or do they specifically ask for one over  
5       another?

6               MR. SHEA:   We do have customers that prefer  
7       made in the USA, and thank goodness.   We can address  
8       that, but I would say the majority of customers it's  
9       not that important to.

10              MS. BRYAN:   Okay, thank you.

11              I also wanted to touch briefly about  
12       deliveries and transportation.   How often are  
13       deliveries made to customers?

14              I guess it's going to vary by channel  
15       distribution, but in general, when you have a sales  
16       contract say with a retailer, how often throughout the  
17       year do you make deliveries

18              MR. SHEA:   That also varies by channel, but  
19       in fact we do daily drop/ship to several major  
20       retailers.   We do less than truckload to D.C. or less  
21       than truckload to store for other customers.   We do  
22       full truckloads to D.C. for some customers.   We do UPS  
23       shipments for smaller customers who may buy either  
24       custom products or even standard products at lower  
25       volumes.   So we use most all forms of transportation,

1 and for the narrow woven ribbon business it's fairly  
2 evenly dispersed between small package shipments and  
3 less than truckload shipments and truckload shipments.

4 MS. BRYAN: And are these shipments coming  
5 from your plant in Hagerstown or Leesville, South  
6 Carolina?

7 MR. SHEA: No, we also distribute from El  
8 Paso, Texas, I had mentioned.

9 MS. BRYAN: Okay. Thank you.

10 I also wanted to ask about how the product  
11 is typically sold, if it's in individual spools or if  
12 it's also in packs or assortments of different sizes  
13 and types of ribbons or spools.

14 MS. PAJIC: Once again, that varies but for  
15 the most part our ribbon is sold on a spool to our  
16 customer and in turn -- that's where it also can  
17 vary -- the customer then can sell it to their  
18 ultimate customers on a spool, or they may actually  
19 use it in their end product by pulling off the spool  
20 and tying a bow around something. For the most part  
21 though we sell our ribbons to our customers on a  
22 spool, and then they in turn sell it to their  
23 customers on a spool

24 MR. SHEA: If I could add. The put-out  
25 might vary by channel.

1 MS. PAJIC: Right

2 MR. SHEA: But in most cases it is sold by  
3 the spool.

4 MS. BRYAN: Okay. Great, thank you.

5 Okay, those are all the questions I have for  
6 now. Thank you.

7 MR. ASCIENZO: Thank you very much. We turn  
8 to Mary Klir, the auditor.

9 MS. KLIR: Hello. I would also like to  
10 thank the panel for your testimony, It's been very  
11 helpful. I just have one question for this public  
12 forum, and you may want to address this in your  
13 postconference brief, I'm not sure. If you could  
14 discuss the major capital expenditures for narrow  
15 woven ribbon during the past three years. Is there  
16 anything you can say publicly about that?

17 MR. SHEA: No, we can't. I'd like to do it  
18 postconference because I want to put it in the  
19 framework of that time so I have to sort of go back to  
20 it mentally and think about when we did what.

21 MS. KLIR: Okay, thank you. And when you do  
22 that if you could look at the data you provided in the  
23 questionnaire on capital expenditures and address it  
24 by year or interim period.

25 Okay, thank you very much. That's all I

1 have.

2 MR. ASCIENZO: Thank you very much. We turn  
3 to Andrea Boron, the industry analyst.

4 MS. BORON: Good morning and thanks again  
5 for speaking with us this morning.

6 I have some questions that largely focus on  
7 picking out the nuances between narrow woven and cut-  
8 edge. Specifically, are there any narrow woven  
9 ribbons that can't be replicated in cut-edge form?  
10 And we've seen a lot of shears in cut-edge, and I  
11 imagine it would be pretty difficult to do a picot in  
12 a cut-edge, but I'm not sure with grosgrain and  
13 different texture ribbons what you can have in cut-  
14 edge versus what you can have in narrow woven.

15 MR. SHEA: Cut-edge certainly, in my  
16 opinion, cannot duplicate narrow woven, and that's  
17 because the edges in narrow woven ribbon are sewn in  
18 and that's something that you just can't achieve with  
19 a cut-edge no matter what method is used, whether it's  
20 a merrowed edge. A merrowed edge might be considered  
21 to be sewn in. Sewing machines are used by it can be  
22 easily torn from the side so it's not integrally sewn  
23 in is what I should say, and other methods such as  
24 heat sealing of cut-edge, it really does not have the  
25 look of a narrow woven ribbon edge whatsoever. It's

1 just a pure cut-off. So it's really in appearance --  
2 it's both in appearance and function that cut-edge is  
3 inferior to narrow woven ribbon.

4 MS. BORON: In terms of the broad woven  
5 fabric to construct the cut-edge ribbon, you mentioned  
6 acetate is often used. Are there other fibers and  
7 fabric specifically used in cut-edge

8 MR. SHEA: I think that primarily acetate  
9 and polyester broad goods are used for cut-edge. We  
10 mostly focus on acetate for our floral industry, so we  
11 are not as involved in cut-edge. A lot of that is  
12 imported directly.

13 Bruce, do you know? Are you familiar with  
14 fabric used on the cut-edge, or Julie?

15 Yes, it's mostly either acetate or polyester  
16 broad goods.

17 MS. BORON: In terms of developing plan-o-  
18 grams and marketing at the retail level, is the cut-  
19 edge ribbon set up in the same display as the narrow  
20 woven ribbon or is it typically in the floral section  
21 or in the seasonal displays versus in the standard  
22 year-round section that Michaels are doing?

23 MS. PAJIC: That's a very good question, and  
24 it does vary by particular customer, but typically in  
25 a plan-o-gram you will see a narrow woven ribbon

1 section is primarily narrow woven ribbon, and I can,  
2 without divulging proprietary information, it's  
3 probably like 80 to 85 percent narrow woven. There  
4 may be some cut-edge items in there that addresses  
5 specific consumer needs.

6 On the flip side of that, at Christmas time  
7 you will see primarily cut-edge ribbons sold together  
8 in trays that typically have a small portion of narrow  
9 wovens either in a tray or nearby, but primarily the  
10 focus there is on your cut-edge ribbons. So there is  
11 a bit of a mix. It's probably, like I said, about a  
12 10 to 20 percent mix within that, and it just  
13 addresses that consumer needs for that small portion  
14 of need for that particular business, but for the most  
15 part they are somewhat exclusive. Is that the good  
16 term to use?

17 MS. BORON: I have another question in terms  
18 of an embellishment. I know in a lot of -- my  
19 research I have been doing in terms of getting out to  
20 the retail stores, I've seen a lot of ribbon with  
21 adhesive tape for scrapbooking. Are you producing any  
22 of that scrapbooking ribbon with adhesive lines, or  
23 are you selling to converters in the U.S. that are  
24 making scrapbooking ribbon with adhesive tape

25 MR. SHEA: We have produced and continue to

1 produce ribbon for scrapbooking but we do not sell the  
2 adhesive backed ribbon. That's not in our product  
3 line. We could but that's not something we've yet  
4 participated in.

5 MS. BORON: I have some final questions in  
6 regards to the "Lion Ribbon" brand. Is the Lion  
7 Ribbon produced, any ribbon, cut-edge or narrow woven  
8 in the U.S.?

9 MR. SHEA: Lion Ribbon is really the brand  
10 that goes behind the product, so it's actually the  
11 same product and it's brand is either Offray or Lion.  
12 Lion is the brand highly recognized in the floral  
13 industry and is considered the best ribbon in the  
14 world by florists and wholesale distributors of floral  
15 products. So that's really the differentiation. It's  
16 purely brand.

17 MS. BORON: So Lion Ribbon is again a mix of  
18 domestically produced and internationally resourced

19 MR. SHEA: Yes, to roughly the same  
20 percentages of less than 10 percent of that product  
21 would be imported.

22 MS. BORON: Great. Thank you. I have no  
23 further questions.

24 MR. ASCIENZO: Thank you very much, and now  
25 we turn to the supervisory investigator, Douglas

1 Corkran.

2 MR. CORKRAN: Thank you, and my sincere  
3 thanks to the panel for your presentation today, and  
4 the very useful information that you've already  
5 provided. I have a few follow-up questions to those  
6 already asked by my colleagues, and some of them are  
7 just really in the nature of follow ups.

8 The first question I had has to do with  
9 distribution. You mentioned distribution through  
10 South Carolina, Maryland and Texas. How do you reach  
11 markets that are on the west coast of the United  
12 States or at least fairly distant from your primary  
13 distribution points?

14 MR. SHEA: We ship from all of our  
15 distribution centers to the west coast. We try as  
16 much as possible to put that product in proximity to  
17 the location where we're shipping but many of our  
18 customers are nationwide, so we generally have product  
19 in our D.C.'s that service the entire U.S. and it's  
20 not regionally placed with some exceptions.

21 MR. CORKRAN: Just so that I can be clear,  
22 does that mean that some of your later customers that  
23 do have operations on the west coast have centralized  
24 distribution systems and distribution locations  
25 themselves that you ship to, or do you physically ship

1 your products to the west coast

2 MR. SHEA: I'm trying to -- I'm not sure I  
3 understand the question, but I would answer it  
4 similarly; we do -- any west coast customers that are  
5 specifically west coast, we will try to aggregate  
6 product in El Paso to service that customer, but there  
7 are certain products that we only have located in one  
8 or the other distribution facilities that would ship  
9 to that west coast customer.

10 MR. CORKRAN: Okay. And you had mentioned  
11 as well, but imports made up a portion of your product  
12 line. Are they typically purchased for geographic  
13 reasons? That is, I mean, would you be importing  
14 primarily to provide product to west coast markets or  
15 is are there other issues for why you would import

16 MR. SHEA: I can't think of a case where  
17 we've imported -- there may be one but I can't think  
18 of a case where we've imported due to location, and  
19 the primary reason for us importing is cost, so it's  
20 on items where again we've just had low enough cost  
21 that we couldn't ignore and the competitive pressure  
22 on that item from our customer is such that we had no  
23 choice but to import it to continue to sell that item.

24 MR. CORKRAN: Mr. Deese, this may be a  
25 question for you. You give a very detailed

1 description of the manufacturing process. Can you  
2 trace for me the movement of ribbon through the  
3 various production locations that you have? I mean,  
4 where does it move physically in America as you go  
5 through the various production steps?

6 MR. DEESE: The narrow woven ribbon begin in  
7 South Carolina, and from there it is shipped to  
8 primarily Hagerstown where it is dyed and packaged,  
9 printed or whatever. Then it either goes to the  
10 distribution center in Hagerstown or is shipped in  
11 bulk roll form to the facility in Juarez who does  
12 primarily packaging of that product, specific  
13 products.

14 Does that answer your question/

15 MR. CORKRAN: Just about. I guess the last  
16 step would be distribution. Once processing is  
17 completed in Mexico, is it distributed from the Texas  
18 Distribution center?

19 MR. DEESE: Yes, in El Paso.

20 MR. CORKRAN: My next goes to importation.  
21 I believe the estimate was that imported ribbon  
22 accounts for less than 10 percent of overall narrow  
23 woven ribbon that you supply. Has that been fairly  
24 stable or has that changed over time?

25 And the reason I ask is in the opening

1 statement this morning we heard about detailers who  
2 suggested that they were moving from using your  
3 company essentially as a middleman, as they used the  
4 term, to importing directly. So my question is has  
5 your share of imported product changed much over the  
6 past three, three plus years?

7 MR. SHEA: The percentage of our product  
8 that is imported has increased over recent years and  
9 not dramatically, in single digits, because again the  
10 total is still less than 10, so we've seen some slight  
11 increase, and it's again for the same reasons that I  
12 mentioned where we had to move to a lower cost, lower  
13 priced product in order to compete with what we  
14 believed were unfairly priced product from competitors  
15 in order to maintain business, so we have seen some  
16 slight increase, but still a small percentage of our  
17 business. And certainly we don't ever think of  
18 ourselves as middlemen. That's a new term for us.

19 MR. CORKRAN: Okay. Can I ask if there are  
20 particular characteristics about the product that you  
21 do import? We already established that it wasn't  
22 really for geographic distribution reasons, but what  
23 about physical characteristics such as whether or not  
24 it has wire in the product, or whether or not it's  
25 nylon versus polyester, or whether or not it has

1 embellishments?

2 Are there certain characteristics that are  
3 particular to the imported product that are different  
4 than your domestically produced product

5 MR. SHEA: I don't think specifically so. I  
6 think that again for the same reasons that I just  
7 mentioned, if an item were significantly lower in cost  
8 and we needed that in order to maintain the business,  
9 regardless of the characteristics we would need to do  
10 that or make a decision to do that. But it's not  
11 really driven by ribbon characteristics.

12 MR. CORKRAN: Another question I had which  
13 was more in the nature of clean up was the use of  
14 different terms. This morning we've heard the term  
15 "fancies", we've heard the term "embellishments", and  
16 we've also heard the term "accents". Are those  
17 essentially synonymous? Are they overlapping terms?  
18 How would you characterize the terms fancies, accents  
19 and embellishments

20 MR. SHEA: There might be a little bit  
21 overlap, but they mean something different. Fancies  
22 is sort of an industry term for something other than a  
23 solid ribbon, a stripe, a grosgrain stripe that you  
24 see on the board there, a plaid, a Jacquard, polka-  
25 dot, print would all be considered fancies whereas

1 embellishments are actually more adornments to the  
2 ribbon. So an embellishment could be a ribbon rose,  
3 it could be -- I'm trying to think. Julie?

4 MS. PAJIC: Sequins or glitter.

5 MR. SHEA: Yes, sequins or glitter.

6 MS. PAJIC: Buttons.

7 MR. SHEA: It could be a -- a flocking might  
8 be considered an embellishment where a velvet flock  
9 might be put on in a decorative manner and the ribbon  
10 would be considered embellishment. It's really a  
11 little bit different. Generally, embellishments are  
12 in the category of fancies, but they don't mean the  
13 same thing.

14 MR. CORKRAN: Would it be fair to say that  
15 an embellishment is a subset of fancies? And then  
16 what about the term "accents" that we have also heard  
17 the term used?

18 MS. PAJIC: I think accents and  
19 embellishments are synonymous. I think fancies is  
20 your umbrella over those and they can be synonymous.

21 MR. CORKRAN: From a production standpoint  
22 and from a product characteristic standpoint, can you  
23 talk to me a little bit about differences between  
24 nylon ribbon and polyester ribbon, what the various  
25 benefits or drawbacks might be for either one, and how

1 prevalent one versus the other is in your product  
2 lines

3 MR. SHEA: I think I'll take a stab at this  
4 and let Owen elaborate, but generally in needle looms  
5 they weave similarly so the difference would be in an  
6 application where primarily washability is important  
7 so nylon will shrink when washed and polyester won't.  
8 But for decorative purposes, nylon and polyester are  
9 really equivalent and can be made equivalent if there  
10 are differences. So it's mostly in washability and in  
11 terms of how it processes. Nylon is dyed differently  
12 in different conditions, but it still goes through the  
13 same process and weaved similarly.

14 MR. DEESE: I think he's covered that pretty  
15 good. It dyes a little different, different type  
16 dyeing, but other than that it's the same.

17 MR. CORKRAN: And can you discuss a little  
18 bit the type of ribbons that would be more likely to  
19 have a wire edging in those, and if you see -- to the  
20 extent that you produce such products, where you see  
21 competition?

22 And part of the reason I ask that comes from  
23 looking closely at the official import statistics  
24 which would suggest that Taiwan product is  
25 proportionally much more prevalent in wire edge than

1 product from China.

2 But can you give me a bigger picture of what  
3 products use wire edge to begin with?

4 MS. PAJIC: Typically wire is used to help  
5 the end user shape the product into a bow; helps keep  
6 the body of it, and I had mentioned before, sheers are  
7 probably one that require a mono film edge or a wire  
8 edge so that it does maintain some body while you're  
9 trying to make the ribbon into a bow or a sash. It's  
10 helpful. It's a very floppy ribbon without.

11 Typically it's not used in satins that I  
12 have been exposed to, or grosgrain. Grosgrain has a  
13 full body in and of itself. It does not require the  
14 wire. Actually what I have seen it kind of wrinkles  
15 the ribbon, so I see it predominantly used would be in  
16 sheers.

17 MR. KERR: And I would just add to that. I  
18 would have no idea why there would be a greater  
19 portion of it coming from Taiwan than China. I mean,  
20 the process is the same either way to make the ribbon.  
21 While it may be true that wired NWR may be more  
22 prevalent from Taiwan than China -- I don't dispute  
23 the fact -- but don't see any reason for it.

24 MR. CORKRAN: Thank you. That's a question  
25 I'll ask later on as well, but I wanted to put in

1 context the reason why I was asking about wire edging  
2 here.

3 Oh, I had another question about the various  
4 means by which you make sales. I understand program  
5 sales, sales from price list, obviously customized  
6 quotes I understand. Can you elaborate a little bit  
7 more on the pricing and just the sales mechanism that  
8 you use when you're dealing with auctions, and who the  
9 primary -- who primarily you would be in an auction  
10 situation with? Who would you be selling through  
11 auctions and who would your primary competitors be  
12 when you're in an auction situation

13 MR. SHEA: In the category of narrow woven  
14 ribbon auction is very, very small, and it would be  
15 retail only, mass retail, and without delving into  
16 anything proprietary I'm not sure customers would  
17 appreciate any specifics, but we're talking about a  
18 couple of customers, that's it, that we've done  
19 auctions on narrow woven ribbon. Very, very  
20 infrequent. It's more common in other product  
21 categories.

22 MS. PAJIC: I will also add one thing. You  
23 don't know always who you're competing with before,  
24 during or after the contest. So you're not always  
25 aware of who else is in the bidding process with you.

1 It's confidential.

2 MR. CORKRAN: Okay. So you won't know going  
3 in that there are six companies say that will be  
4 competing --

5 MS. PAJIC: You'll know there is six. You  
6 won't know anything about those six. They will say  
7 there is six, seven, 12, and you'll know when you've  
8 won or whether you were second or third, but you won't  
9 be told any additional information.

10 MR. CORKRAN: When typically do those  
11 auctions take place and if successful, do you supply  
12 essentially over an entire year for those particular  
13 successful auctions?

14 MR. SHEA: It's typically, again, you know,  
15 I can count on one hand how frequent these are for us,  
16 but they're an annual event and typically you'll have  
17 that business for a year. But you will go through  
18 either quarterly or some other refresher to that  
19 program with the customer so it's not the same product  
20 there year round, but you typically will keep that  
21 business for the full year and just freshen it as  
22 certain items sell better and certain items sell less  
23 than others.

24 MR. CORKRAN: Okay, thank you. I'm moving a  
25 little bit off of auctions now, but I am still curious

1       about, for sales probably mostly to the retail level,  
2       but do you package your sales with other products?

3       For example, when you're either responding to an  
4       auction or any other form of sales to larger  
5       customers, are you packaging your narrow woven ribbon  
6       along with other products such as gift wrap or gift  
7       bags or tissue paper, anything like that where you're  
8       trying to sell a coordinated package?

9                 MR. SHEA:  Narrow woven ribbon is generally  
10       sold as its own product category with very few  
11       exceptions.  There might be an occasional kit that  
12       would include various types of items, typically those  
13       don't involve narrow wovens but they involve maybe  
14       polypropylene ribbon instead.  So it's very infrequent  
15       that a narrow woven ribbon would be sold in any other  
16       way than by its individual component other than in  
17       trays, and those trays might contain some element of  
18       cut edge which Julie has already described.  So that's  
19       really the exception as where cut edge would be  
20       combined with narrow woven ribbons.

21                MR. CORKRAN:  How much give and take is  
22       there overall in price negotiations?  I think we've  
23       already discussed if you're in an auction situation,  
24       basically the last one standing is the individual  
25       offering the lowest price, but in other situations are

1     you typically offered the chance to meet lower prices  
2     or do customers let you know that there are other  
3     suppliers in the market offering lower or higher  
4     prices? How would that work with your nonauction  
5     sales?

6             MR. SHEA: Some customers will and some  
7     won't. So there are customers who will say, we have a  
8     price of X and we'll give you an opportunity to match  
9     that, especially if you're an incumbent in the program  
10    so it doesn't involve the headaches of a switch for  
11    the customer if they're able to keep the same product  
12    in there with the same supplier at the lower price.  
13    So there are occasions where we're asked to meet  
14    price, and there are others where we're not given that  
15    chance and we're just sort of blindsided that, we've  
16    found lower priced product and you're out of here. So  
17    it's really both cases.

18            MR. CORKRAN: It seems a little bit, I'm  
19    kind of curious about a situation where it almost  
20    sounds like customers can exert so much pressure on  
21    price. Your company is essentially, from testimony  
22    your company is essentially the dominant domestic  
23    supplier of this product. We talked about the total  
24    number of customers being in, you know, 20,000 in  
25    rough numbers. That would seem to imply that you

1 would have a lot more control over price than your  
2 customers in these negotiations. Are you able to  
3 essentially establish the ground rules in negotiations  
4 and give the opening price and any price escalation  
5 from that or not?

6 MR. SHEA: I would say in by far the  
7 majority of cases, no, we do not have the leverage  
8 necessary to set price and ask a customer to meet it.  
9 So typically that's controlled by the customer. And  
10 even though we're the dominant player in the U.S. when  
11 you add the Taiwanese and Chinese producers, our  
12 dominance goes away. So we lose the leverage of being  
13 able to provide any price demands or price setting,  
14 it's really given to us in most cases.

15 MS. PAJIC: I just want to add one thing,  
16 that obviously even if there were no competition,  
17 which we obviously know that's not the case, our  
18 retailers and our customers are continually trying to  
19 decrease their own costs, and there's only in the case  
20 where we're the vendor, they have their own margins to  
21 increase every year and they come to all of their  
22 vendors, obviously including us, and ask for price  
23 concessions.

24 And that's typically how -- they sometimes  
25 even set goals every year by upper management that

1 say, every year a buyer or a particular company or a  
2 particular retailer may have to increase their own  
3 margins by two to four points, and they just go to all  
4 of their vendors and we try to partner and figure out  
5 ways for them to make their margin requirements.

6 MR. CORKRAN: Okay, certainly appreciate  
7 that. It did strike me as somewhat unusual to have  
8 the numbers, the large number of customers, the small  
9 number of suppliers and still having your firm  
10 characterized as a price taker. I've just about  
11 exhausted my questions, but I had one more that goes  
12 back to the nature of the product itself. The product  
13 is described as being in width 12 centimeters or less.  
14 Are there any narrow woven ribbons that are greater  
15 than 12 centimeters and are they of any substantial  
16 volume or is that a very unusual size?

17 MR. SHEA: It's definitely an unusual size.  
18 It wouldn't be in the markets that we participate in,  
19 and I'm not even familiar with what narrow woven  
20 ribbons would be beyond that. But there is a  
21 limitation in the needle looms as well, so anything  
22 beyond that requires very specialized needle looms  
23 that we don't have and that are unique to the  
24 industry, and I'm not familiar with them. But I don't  
25 know of, I can't think of examples of that product out

1       there, although there might be some. And some of it's  
2       limitation on the needle looms themselves and some of  
3       it's just lack of demand for that product.

4               MR. CORKRAN: I do have another question,  
5       it's actually a very basic question and it's one that  
6       I doubt you can answer in public session, but it does  
7       seem to get to the heart of one of the arguments. In  
8       terms of volume that's been lost, one of the opening  
9       arguments we heard this morning was the possibility  
10      that that was product that was imported rather than  
11      domestic. Do you have any response to that right now  
12      or is that something that you would prefer to address  
13      in your postconference brief?

14             MR. SHEA: I think we'll try to address more  
15      specifically in the postconference brief, but I can  
16      say in a general sense that the imports, that are  
17      again a small percentage of our total, are typically  
18      ingrained in a program and they're not something that  
19      is really segregated. They're part of a program at  
20      least at a retail basis, and I can't think of any  
21      cases where we've specifically lost the import portion  
22      of program directly, generally it's broader than that.

23             MR. CORKRAN: Thank you, let me follow up if  
24      I could about that last discussion. Do you, when you  
25      bid through reverse auctions or through other

1 mechanisms, when you are actively seeking business, do  
2 you offer an exclusively import package of products or  
3 when you said it was embedded do you mean that most or  
4 all of your sales are a mixture of domestic and  
5 imported product?

6 MR. SHEA: Yeah, most are a mixture with  
7 again the predominance being domestically  
8 manufactured. If we have a customer who for whatever  
9 reasons asked us to bring a program totally direct  
10 import we will certainly try to do that, and it's more  
11 common on the seasonal side or the Christmas side  
12 where direct import purchasers at retail are a  
13 predominant part of the business at that time of the  
14 year, and so we might be requested to put together a  
15 direct import program of ribbons which would be a  
16 combination of cut edge and narrow woven ribbons. And  
17 so we will attempt to fill that need.

18 MR. CORKRAN: Okay, I actually wanted to  
19 square that with something that you had mentioned  
20 earlier. We heard a lot of discussion today that by  
21 and large narrow woven ribbon was not particular  
22 seasonal from your perspective. But do I take from  
23 your testimony that the imported product may be  
24 somewhat more seasonal? It sounded like that was what  
25 you were describing at least from your own experience,

1 is that a correct characterization on my part?

2 MR. SHEA: I used that as an example, it's  
3 not predominant. But the narrow woven ribbons that  
4 are combined in a seasonal Christmas tray, which is  
5 primarily cut edge, I think Julie described it,  
6 probably across the market is maybe an 80/20 mix, 80  
7 percent cut edge and 20 percent narrow woven ribbon.  
8 And I think she did mention that that part of the  
9 business is seasonal. But the majority of our  
10 business which is not that channel is less seasonal  
11 and really it's Mother's Day and Easter and other  
12 smaller holidays that might create small bumps, but  
13 the Christmas aspect is a smaller part of our  
14 business. And again you might see an 80/20 mix of cut  
15 edge and narrow woven ribbons.

16 MR. CORKRAN: I wanted to thank all of you  
17 all for your testimony today, it's been tremendously  
18 helpful. I have no further questions. Thank you.

19 MR. ASCIENZO: And I want to thank you very  
20 much for all of your testimony today and your answers  
21 so far. I have a few followup questions. I know this  
22 was discussed in your petition, but there wasn't --  
23 well, I'll say I don't remember a whole lot of this  
24 general discussion today about injury, about the  
25 timeline of what has happened. Often petitioners will

1 give a timeline about how the Chinese came into the  
2 market a certain year, the Taiwanese started getting  
3 into a certain channel of distribution. Can any of  
4 you, all of you, care to discuss what has happened  
5 over the period of investigation with respect to your  
6 injury to the imports? Thank you.

7 MR. DORRIS: Just briefly about that, and  
8 then we might do more in the postconference brief  
9 obviously since we're talking of the impact on just  
10 Petitioner at this point as opposed to the U.S.  
11 industry, although we assume and have seen there has  
12 been impact on the U.S. industry as a whole. One  
13 thing in this case is obviously the Chinese and  
14 Taiwanese have been heavy in this market from the  
15 beginning of this particular POI.

16 There has been an increase as we've seen  
17 recently, from 2008 and 2009, certainly the quota  
18 lifting from China had a big impact on the recent  
19 increase. But over that period when they were a large  
20 portion of the market, they've continued to increase  
21 prices and suppress prices from the beginning of 2006  
22 through 2008, and that's what we've seen in terms of a  
23 trend.

24 As more opposed to volume it was just their  
25 presence in the market and their ability to be there

1 and be a supplier as we just discussed in terms of  
2 forcing us to be a price taker, from the subsidized  
3 and dumps imports, just the presence in the market,  
4 the ability to supply the market when necessary to  
5 lower prices with the dumped and subsidized imports.  
6 So again since it's difficult for us to assess the  
7 volumes because of the HTS data, it's very difficult  
8 to make the full analysis there, and that's why I  
9 think there may be more in the postconference brief.

10 But generally I think it's because of their,  
11 they've been in the market for a long time so it  
12 wasn't like they just entered the market in 2006. And  
13 their presence in the market has been a large portion  
14 of the market from 2006 until now. And again as I  
15 said, being in the market, competing for that business  
16 over the most recent years, we've seen the prices  
17 decline significantly, which has forced us to lose  
18 volume and market share.

19 MR. SHEA: And I would add again, we can try  
20 to get more specific in the postconference, but the  
21 volume that Greg talked about has affected our plants  
22 and we have in the period of investigation lost jobs  
23 as a result of lower volume.

24 MR. ASCIENZO: Thank you very much for those  
25 answers. We've heard a lot of discussion about these

1 being a fashion item. Are there a lot of returns and  
2 allowances? Or what happens when you make a sale and  
3 do some of these become obsolete because they're not  
4 fashionable anymore, are they sent back to you or is  
5 that once it's a sale it's a sale from your point of  
6 view?

7 MR. SHEA: I'll start that, but Julie can  
8 add to it. There's probably as many customer programs  
9 out there as you can imagine. So in general there  
10 might be a percent of the program baked into price to  
11 cover for any returns marked down or allowances. In  
12 general there are not major returns in this category.  
13 Typically what happens if an item is doing poorly is  
14 that the buyer in conjunction with our design team  
15 will trade it out for a better item and keep the  
16 program fresh in that manner.

17 And typically if there are quantities that  
18 need to be closed out, there can be an agreement where  
19 we'll help with that with mark down money to help  
20 support a lower price that they'll provide at retail.  
21 But generally not returns, that's avoided by both  
22 parties in most cases. So there's just a wide variety  
23 of ways that returns allowances and programs are  
24 addressed, and it varies by customer.

25 MS. PAJIC: I can add just one small detail

1 to that. Some experience in my old auditing days when  
2 I used to work for Coopers & Lybrand, most of my  
3 clients were apparel clients and they would ship their  
4 products to the retail stores and at the end of the  
5 season they would get it all back. And those were  
6 things we watched for as a risk. That does not happen  
7 in our industry. It's not like sweaters, as was  
8 mentioned earlier, that it has that much of a fashion  
9 impact at the moment, that fashion goes out it's no  
10 longer appropriate for the marketplace.

11 MR. ASCIENZO: Thank you. Staying on that  
12 topic a bit, I don't know if you can say it in the  
13 public session, but we just talked about sales and  
14 allowances, and programs I guess is the broader term  
15 for how these are dealt with. If you could either now  
16 or in your postconference brief give an approximate  
17 range of what these programs cost as a percentage of  
18 sales, in other words are they 2 percent, 6 percent,  
19 no percent, 1 percent, whatever it is.

20 MR. DORRIS: We'll do that in the  
21 postconference briefs.

22 MR. ASCIENZO: Thank you very much. And  
23 looking at your displays over here, I realize that's  
24 probably just a fraction of your offerings, and I'll  
25 refer to them as SKU, stock keeping units. I don't

1 know how many you have, but from year to year -- and  
2 you can tell me approximately how many you have,  
3 please do tell me approximately how many you have --  
4 what's the change per year? In other words, if you  
5 have 10,000 one year, do you come up with 11,500 the  
6 next year or how does that work?

7 MS. PAJIC: For ribbon SKUs, narrow woven  
8 ribbon SKUs, I don't know the number of SKUs off the  
9 top of my head, but I would have to say we add in  
10 solids we probably change out about maybe 5 to 10  
11 percent of the colors. We try to trend towards, you  
12 know, the top trend in colors, but your whites and  
13 your reds, those seem to be pretty tried and true. On  
14 the design side, probably slightly higher than that,  
15 maybe it's 15 percent.

16 As you can see from the board, and this is a  
17 small fraction, I would have to fill the entire room,  
18 there's probably 20,000 different designs, but we do  
19 tweak designs, we will have a stripe that maybe needs  
20 to be tweaked. But some of the stripes are pretty  
21 tried and true as well and do not necessarily have to  
22 change out on a regular basis. But we like to  
23 freshen. I would estimate that's 15 to 20 percent of  
24 those fancy SKUs that we update and graduate to a  
25 higher level and maybe take out some of the older SKUs

1 from a couple of years ago.

2 MR. ASCIENZO: So it sounds like overall  
3 somewhere between 10 to 20 percent change every year?

4 MS. PAJIC: And that depends on the customer  
5 too. Sometimes customers demand a higher changeout  
6 rate or a lower changeout rate depending on the  
7 program. So we try to accommodate the customer, if a  
8 specific customer would like a higher changeout rate.  
9 But from a standard line position we will potentially  
10 come up with, you know, we would come up with a lot of  
11 designs. Think of it this way.

12 Picture a huge river, and what you finally  
13 see at retail is a drip out of a faucet. We will come  
14 up with thousands of designs, we will not necessarily  
15 sell in and through those hundreds of designs. But we  
16 do come up with hundreds that we show our customers,  
17 and what trickles into the line and actually becomes a  
18 SKU is a lot smaller and based on customer needs.

19 MR. ASCIENZO: Thank you. And I'm sorry if  
20 this has already been addressed, but has there been --  
21 well actually I guess we just did, I was going to ask  
22 about products mix but we just talked about that over  
23 the POI, about 10 to 20 percent per year. How about,  
24 the Commission in its analysis often relies upon, or  
25 discusses anyway, average unit values -- you know, \$7

1 per square yard, \$5 for square yard. How reasonable  
2 is it to use that kind of analysis in this  
3 investigation? Do you think the data on the record,  
4 you know, is reasonable when it comes to AUVs, average  
5 unit values?

6 MR. SHEA: I believe it's reasonable, I  
7 believe it's the best way because of the incredible  
8 number of widths, lengths, and put-ups of ribbon.  
9 There's no other way that I would know of to do a  
10 comparable analysis of the data and to have a full  
11 understanding of the data, so I believe it to be the  
12 best methodology.

13 MR. ASCIENZO: Just looking at once again  
14 this relatively small sample, what would be the range  
15 of AUVs there approximately? Would they go from \$1 a  
16 square yard to \$25 a square yard? Approximately.

17 MS. PAJIC: Per square yard?

18 MR. ASCIENZO: Or however you measure it.  
19 I'm sorry, if you don't track in square yards, however  
20 you measure it. We gather data in our questionnaires  
21 in square yards, that's why I'm asking.

22 MS. PAJIC: Right, on my side of the world  
23 it's tough for me to translate from a board what that  
24 might actually mean.

25 MR. SHEA: I mean it may range from 99 cents

1 a spool to \$20 a spool. It depends on how much is on  
2 the spool and it depends on the quality of the ribbon  
3 and the type of ribbon. And so it's really in that  
4 broad a range.

5 MS. PAJIC: I would have to agree with that.  
6 It depends on the put-up, the product, the width, the  
7 channel distribution, as to how much. Per yards is  
8 what we would probably typically look at it from where  
9 I sit.

10 MR. ASCIENZO: Thank you. I know you can't  
11 discuss your individual data in public, but in your  
12 postconference brief, could you please tell us, what  
13 do you believe a reasonable operating profit margin to  
14 be and when was the last time you achieved that  
15 reasonable operating profit margin?

16 MR. DORRIS: We'll address that in the  
17 postconference.

18 MR. ASCIENZO: Thank you. For the different  
19 channels of distribution that you spoke about, is the  
20 product mix within those channels the same,  
21 approximately the same, does it vary widely?

22 MS. PAJIC: The same within the channel or  
23 the same across the three or four or five channels?

24 MR. ASCIENZO: Across the three, so is the  
25 product mixed, you know, for your wholesalers

1 distributors the same as the one for your industrial  
2 end users?

3 MS. PAJIC: For the most part, yes. The  
4 put-up is probably what varies amongst those two  
5 channels, but for the most part the products are very  
6 similar. For example you would sell a satin to a  
7 wholesaler, you would also sell that exact same satin  
8 to a retailer but perhaps it's in a 3 to 5-yard put-up  
9 or 5 to 10-yard put-up versus a 50 to 100-yard put-up.  
10 Did I answer your question?

11 MR. ASCIENZO: Yes you did, thank you. That  
12 takes care of my questions. I turn to my colleagues,  
13 are there any followup questions? Yes we do. Mary  
14 Jane Alves, the attorney advisor.

15 MR. ALVES: Sorry, I have one final  
16 question, and I realize that this probably involves  
17 confidential data, but if you could elaborate as much  
18 as you can in your postconference brief in terms of  
19 how the pricing really works, whether or not it's a  
20 pricing for the entire program, how specific the  
21 program is, if it's going to say, we need a spool of  
22 this particular dimensions of this particular length  
23 does every one of the items in that program get a  
24 separate price? Or if you could do it in terms of  
25 invoices what does your typical invoice look like? Is

1 every item broken out and assigned a specific price or  
2 is there ever price adjustments based on the entire  
3 program or if it's by item?

4 MS. PAJIC: Well, I can answer generally and  
5 obviously we can elaborate. But every single item and  
6 every program is priced separately. So in other words  
7 an invoice would have each and every item on it, a  
8 quote would have each and every item on it. It's not  
9 what I would term "bundled" in any way in that format.

10 MR. ALVES: Okay, so there would be --

11 MS. PAJIC: On a tray it may be one price  
12 for the tray, but if it's an individual SKU, stock  
13 keeping unit, it would have an individual price.

14 MR. ALVES: Okay, but so the tray would be  
15 the only difference there, and for the tray it would  
16 be a price for the tray and the tray might also  
17 include the cut edge? Or would that be a separate?

18 MS. PAJIC: There's a small piece of our  
19 business that would have a mixed tray, I mean it is a  
20 small piece of business. Most times we would cost,  
21 for the retailer, we would cost average the tray so  
22 when they ordered the tray they had one price in their  
23 system because that's how they ordered the tray.  
24 There are many retailers that then replenish those  
25 trays, and those have individual stock keeping units

1 and individual prices, so they roll up to the cost  
2 average and they're aware of what that rollup is  
3 within that tray normally. It's complicated to dive  
4 into that detail, we don't always have it, you know,  
5 it's on a spec somewhere, but it's there for the  
6 customer to see how the breakdown works.

7 MR. ALVES: And likewise the customers or in  
8 the retailers would have their breakdown as well?

9 MS. PAJIC: Yes.

10 MR. ALVES: I just want to ensure what sort  
11 of price comparability we're going to get or  
12 anticipate some of the questions that might be arising  
13 in questionnaires in terms of how people price things  
14 and how people bid for things or how they're invoiced  
15 for things.

16 MR. ASCIENZO: Thank you, we have at least  
17 one more followup question.

18 MR. COMLY: In your testimony you noted that  
19 you had several cost reductions that you performed,  
20 and one of those was employee reduction or I guess job  
21 redundancy reductions. Can you, probably in your  
22 postconference brief, address of the number of  
23 employees that you lost over the period how many would  
24 you attribute to those, your cost reduction programs,  
25 and how much would you attribute to lost volume, and

1 volume specifically lost to imports?

2           And then my second question is, after  
3 dealing with a whole lot of questionnaires coming back  
4 and dealing with responses from questionnaires, how do  
5 you track not only your shipments but also your  
6 imports? What is the quantity basis that you use? Do  
7 you use square yards, do you use linear yards, do you  
8 use spools, do you use, I don't know, kilograms,  
9 pounds?

10           MR. SHEA: I'm going to let, maybe Bruce can  
11 help on from how we might track through our  
12 transportation department. But generally we look at  
13 units of quantity, quantity unit is a measure, and in  
14 dollars, from a total business standpoint, but I  
15 believe there's further cuts that could be made of  
16 that so that our transportation and customer  
17 requirements are met, there's further detail that  
18 probably exists there that generally we don't look at  
19 but his team might look at.

20           MR. KERR: The only thing I can add to that  
21 is that now that we have the breakout into the eight  
22 different HTS categories we're able to measure the  
23 number of kilograms that are brought in.

24           MR. DORRIS: We'll provide more detail in  
25 the postconference brief. Unfortunately the people

1 who filled out the questionnaire aren't on this panel,  
2 so they don't actually know how the questionnaire is  
3 and how all that data is tracked. So we'll provide  
4 more information.

5 MR. COMLY: Can you also address how that  
6 would affect unit values?

7 MR. DORRIS: Yes.

8 MR. COMLY: Thanks.

9 MR. ASCIENZO: Thank you. Any further  
10 followup questions?

11 (No response.)

12 MR. ASCIENZO: With that, we thank you all  
13 very much once again for your direct testimony and  
14 your answers to your questions. Thank you again. And  
15 we are going to take a ten-minute break, so by that  
16 clock back there let's start back up at five minutes  
17 after 12. Thank you very much.

18 (Brief recess.)

19 MR. ASCIENZO: I welcome everyone to the  
20 afternoon session, and you may proceed when ready.  
21 Thank you very much.

22 MS. JACOBS: Thank you very much. We're  
23 going to start with David Mitchell from Michaels, will  
24 be followed by Robert Icsman from Jo-Ann, and followed  
25 by Melissa Freebern from Hobby Lobby, with their

1 direct testimony. Other members of our group will be  
2 available during the question and answer period from  
3 Costco as well. Thank you.

4 MR. ASCIENZO: I'm sorry, and before you  
5 start, please once again identify yourself for the  
6 record. Thank you very much.

7 MR. MITCHELL: Good afternoon. My name is  
8 David Mitchell, and I am the Vice President and  
9 Business Unit Divisional Manager of the Celebrations  
10 Divisions at Michaels stores. I've been in the retail  
11 business for over 20 years. I started my career with  
12 the May Company and then joined Michaels in 2001 as  
13 the senior buyer in Kid's Crafts. I also worked in  
14 the strategic sourcing and the consumer insights  
15 category management divisions of Michaels. Beginning  
16 in 2009, I became divisional manager of Celebrations,  
17 which includes ribbons.

18 Let me start by telling you a little about  
19 Michaels. Michaels is the largest arts and crafts  
20 specialty retailer in North America. The company  
21 began operations in Texas in 1984 with 16 stores and  
22 has expanded today to 1,018 stores in the United  
23 States and Canada, offering a large selection of arts,  
24 crafts, framing, floral, wall decor, and seasonal  
25 merchandise. Michaels also operates six distribution

1 centers throughout the United States to supply our  
2 stores with merchandise. They're located in  
3 California, Florida, Illinois, Pennsylvania, Texas,  
4 and Washington. Michaels employs about 33,500 people  
5 in the United States.

6 Since our founding, Michaels has been  
7 helping crafters of all ages express their creativity  
8 with skill and originality. We pride ourselves on  
9 offering a broad assortment of products, knowledgeable  
10 friendly sales associates, educational in-store  
11 events, classrooms, and instructional displays. We  
12 provide a shopping experience that inspires our  
13 consumers to pursue their creative goals. Michaels  
14 provides the ideas and the education to complete an  
15 array of artistic, leisure, and home accents projects  
16 for beginners and experts from start to finish.

17 Our stores typically carry more than 37,000  
18 different items, or SKUs. Narrow woven ribbons are an  
19 important part of our business, accounting for  
20 approximately 2,000 SKUs, indicating the wide variety  
21 of styles that we offer to our customers. Ribbons are  
22 used by Michaels customers for gift wrap, home decor,  
23 floral design, scrap books, art projects, and even  
24 apparel, so a very broad use. Michaels sales of the  
25 overall ribbon category do follow an annual business

1 cycle.

2           Although sales of ribbon do occur throughout  
3 the year, it is weighted towards the fourth quarter  
4 with increased sales during that period, and this  
5 reflects the important role of the holiday season in  
6 ribbon purchases for both decorating and gift  
7 wrapping. Our ribbons department is divided into two  
8 areas. The first is what we call standard basic  
9 assortment, or SBA. It refers to the year round  
10 business where the emphasis is on everyday items.

11           The second area is our seasonal business,  
12 which includes holiday ribbons. Examples of seasonal  
13 ribbons would be those intended for Christmas,  
14 Valentine's Day, St. Patrick's Day, or Easter.  
15 Michaels has been purchasing ribbons from suppliers  
16 through a blend of several different types of  
17 transactions. These transactions can either be a  
18 domestic buy or an overseas purchase.

19           There are two types of domestic buys and two  
20 types of import buys. Let me start with the domestic  
21 buys. A domestic buy means we place an order in the  
22 United States and the product is shipped to us in a  
23 domestic transaction. A domestic buy can be for  
24 imported goods, or it can be for goods made in the  
25 U.S.A. That's because the fact that we make the

1 purchase in the United States does not necessarily  
2 mean we're buying ribbon that's produced in the United  
3 States. In fact in general many of the goods that  
4 Michaels purchases domestically are imported.

5 In that instance in which the ribbon is  
6 imported, the purchase is made through a middle man  
7 and Michaels is paying a price that reflects both the  
8 full landed cost of the ribbons including the duties  
9 and the middle man's markup. In the second type of  
10 domestic buy, where the purchase actually is for  
11 ribbon produced in the United States, Michaels may buy  
12 directly from a U.S. manufacturer. Frankly, we often  
13 don't know whether those domestically purchased  
14 ribbons are U.S. origin or imports until they arrive  
15 in our distribution center or in our stores and we can  
16 see that the packages are marked with country of  
17 origin.

18 Historically, the country of origin has not  
19 been important to our purchasing decision, and we left  
20 it to our suppliers and middle men to source the  
21 product where they saw fit. Turning to overseas  
22 purchases, as I mentioned there are two types. The  
23 first type of transaction involves imported ribbons in  
24 which Michaels is the importer of record but has  
25 purchased the ribbons through a middle man.

1           In this situation, we place an order with  
2 the vendor and the vendor places an order with the  
3 factory to produce the selected ribbon. The ribbons  
4 are then shipped to us by the factory and then we have  
5 an invoice issued by the vendor. And Michaels, as the  
6 importer of record, is responsible for entering the  
7 goods into the United States and paying the duties, so  
8 this is a middle man import.

9           The second type of overseas transaction is a  
10 direct import. We negotiate directly with the  
11 factories to produce the ribbons, the factory ships  
12 the ribbons, and then they invoice us directly. We  
13 are responsible for entering the goods through  
14 Customs, again as the importer of record. Recently,  
15 Michaels made a decision to reevaluate the benefit of  
16 middle men transactions. Beginning in 2008 we began  
17 implementing this strategy.

18           Importantly, the purpose of the strategy was  
19 not to replace domestic made ribbons with foreign  
20 ribbons. Rather, this decision was taken for two  
21 reasons. First, to improve the purchasing efficiency  
22 and expand Michaels margins, and second, to stop using  
23 middle men who do not add significant value to the  
24 purchasing process. With respect to the first  
25 motivator for the reduction of middle men

1 transactions, it's clear that if we can obtain the  
2 same comparable product and sell it at the same price  
3 we've been selling it but without having to pay the  
4 additional markup from the middle man, Michaels can  
5 achieve an expansion of its margins.

6 As to the second motivating factor, Michaels  
7 is willing to pay the additional cost associated with  
8 a middle man only if the middle man is actually adding  
9 value to what Michaels purchases through innovative  
10 product, trend right design, solid supply chain, solid  
11 production execution and delivery, et cetera.  
12 Michaels is actively eliminating middle men whose  
13 service levels do not justify the premiums that they  
14 require.

15 That brings us to why we are here today.  
16 The Petitioner, Berwick Offray has been a significant  
17 ribbons vendor for Michaels, but that does not  
18 necessarily mean that the Petitioner is a significant  
19 vendor of ribbons produced in the United States, at  
20 least with respect to Michaels. Much of the ribbon  
21 that Michaels purchases or has considered purchasing  
22 from Berwick Offray is imported.

23 Michaels actually has two vendor numbers for  
24 Berwick, one for the purchases we make from Berwick  
25 where they're acting as the middle man for the ribbons

1 we import, and the second number for Berwick where we  
2 make a domestic purchase. But keep in mind, even when  
3 we make a domestic purchase, we generally do not know  
4 whether the ribbons we're purchasing from Berwick were  
5 made in the U.S. or elsewhere. It has not been a  
6 matter of significant importance to our purchasing  
7 decisions in the past.

8 Berwick Offray has provided Michaels with  
9 ribbon from Taiwan since at least 2005 according to  
10 our records, and has imported ribbon from Taiwan since  
11 at least 1995 based on insights we've gained from the  
12 market. That Taiwanese production has certainly given  
13 Berwick Offray the ability to offer a far greater  
14 variety of ribbons. In fact, Michaels and Berwick  
15 Offray both purchase ribbons from the same factory in  
16 Taiwan.

17 The value of Berwick Offray has been  
18 reconsidered as part of Michaels strategy for the  
19 evaluation of middle men. We concluded that the level  
20 of service that Berwick Offray provides to Michaels  
21 simply does not justify the premium that they charge.  
22 As a result, some of the purchases that Michaels would  
23 have normally made through Berwick Offray are  
24 increasingly being placed directly with factories.

25 We recognize that our direct import program

1 will have an impact on Berwick Offray sales of  
2 imported ribbons to Michaels. We are reducing the  
3 role of Berwick Offray as a middle man in our  
4 purchases of ribbon from Taiwan or China. Our  
5 conversion from middle man imports to direct imports  
6 does not hurt U.S. factories or production workers.

7 To the contrary, as we move to more direct  
8 imports in place of middle men imports, we hope to  
9 offer our consumers a broader selection of exciting  
10 designs and products at reasonable prices along with  
11 the assurance that Michaels will remain a healthy and  
12 viable business that will continue to serve them for  
13 many years to come. This concludes my testimony. I'm  
14 happy to answer any questions you may have.

15 MR. ICSMAN: Good afternoon. My name is Bob  
16 Icsman, and I am Senior Legal Counsel for Jo-Ann  
17 Stores, Inc. I've held that position since 2003, and  
18 previous to that I was a corporate counsel for Pearl  
19 Vision, Inc, and before that I was in private  
20 practice. Doing business as Jo-Ann Fabric and Craft,  
21 Jo-Ann is the nation's largest specialty retailer of  
22 fabrics and one of the largest specialty retailers of  
23 crafts, serving customers in their pursuit of apparel  
24 and craft sewing, crafting, home decorating, and other  
25 creative endeavors.

1           Our retail stores and website feature a  
2 variety of competitively priced merchandise used in  
3 the sewing, crafting, and home decorating projects,  
4 including fabrics, notions, crafts, frames, paper  
5 crafting, artificial floral, home accents, finished  
6 seasonal, and home decor merchandise. With  
7 headquarters in Hudson, Ohio, Jo-Ann operates  
8 currently roughly 764 stores in 47 states and employs  
9 15,000 plus people.

10           We provide a one-stop shopping experience  
11 for sewing and craft projects under one roof with  
12 employees who encourage customers in creating and  
13 completing their creative projects. Many of our store  
14 employees are sewing and crafting enthusiasts  
15 themselves, which we believe enables them to provide  
16 exceptional customer service, and we believe that that  
17 focus on service contributes to a high proportion of  
18 repeat business from our customers, the vast majority  
19 of whom, roughly 90 percent, are women.

20           Our fabric and craft industry is highly  
21 fragmented and is served by multi-store fabric  
22 retailers, arts and crafts retailers such as Michaels,  
23 mass merchandisers, small local specialty retailers,  
24 mail-order and Internet vendors, and a variety of  
25 other retailers. The Craft and Hobby Association

1 estimates that the craft and hobby industry sales in  
2 the U.S. are approximately \$30 billion per year.  
3 According to a 2008 study conducted by that same  
4 group, about 56 percent of all U.S. households  
5 participated in some craft or hobby activity during  
6 that year.

7           Jo-Ann sells three categories of ribbon.  
8 The first category is what we call seasonal/holiday,  
9 which includes themes like Easter, Christmas,  
10 patriotic, or summer, and autumn/Halloween. The  
11 second ribbon category is fashion. Fashion ribbon is  
12 defined as trend oriented fabrics and newer patterns  
13 and design. Related to that, our seasonal and holiday  
14 business is also fashion based because the  
15 seasonal/holiday patterns are rarely if ever repeated  
16 for the same holiday during a succeeding year. So for  
17 both the seasonal and the fashion, a shorter lifespan  
18 in the stores.

19           The third category of ribbon is what we call  
20 basic ribbons. Basic ribbon is all the ribbon that's  
21 not related to the themed or the occasions and  
22 holidays that were previously mentioned. An example  
23 of basic ribbon might be ribbons in solid colors,  
24 polka dots, patterns that could be used for a variety  
25 of purposes and everyday occasions unrelated to some

1 type of season or holiday. A large portion of Jo-  
2 Ann's ribbon business is basic ribbon.

3 The seasonal and fashion businesses differ  
4 from the basic ribbon business in terms of design  
5 demands, and we actually have different buyers  
6 responsible for the different ribbon businesses.  
7 Beginning with the autumn 2009 season, Jo-Ann's  
8 seasonal/holiday business is becoming a direct import  
9 business, meaning that we are placing the order with  
10 the factory overseas ourselves and then importing it  
11 directly.

12 Jo-Ann's ribbon for its fashion business is  
13 also imported, but this business is purchased through  
14 Berwick's Hong Kong office with the country of origin  
15 being either China or Taiwan. While Jo-Ann is the  
16 importer of record for these purchases, Jo-Ann is  
17 invoiced by Berwick, and the invoice price that is  
18 presented to Customs at the time of entry includes  
19 Berwick's markup as the middle man. In both  
20 situations, for fashion ribbons and for seasonal  
21 ribbons, the design work is either done by the factory  
22 or by the vendor such as Berwick.

23 All of the purchases made by the buyer for  
24 the basic ribbons are considered domestic buys, which  
25 are purchased through the Petitioner Berwick.

1       However, we don't know how much of that basic ribbon  
2       is being made in the United States versus how much is  
3       being imported by Berwick. Our general sense is that  
4       some of it is imported by Berwick. Let me explain.  
5       We track our inventory by the number of units as they  
6       are sold at the retail level.

7                 With point of sales computerized tracking,  
8       we can replenish basic ribbons as they're sold. In  
9       fact the Petitioner Berwick has a representative on  
10      site at Jo-Ann's headquarters who receives real time  
11      information on sales and can use that information to  
12      advise Jo-Ann's buyer of basic ribbon of the need to  
13      replenish certain patterns. The Berwick on-site  
14      representative assists us in tracking both our  
15      purchases and our sales of these basic ribbons.

16                The issue of whether the ribbons are made in  
17      the United States or imported is not part of the  
18      discussion. The purchases are treated by Jo-Ann as a  
19      domestic transaction, but at the time of purchase,  
20      only Berwick knows whether those ribbons being  
21      supplied are going to be made in the United States or  
22      they are imported by Berwick from Asia or Mexico.  
23      Although Berwick's source for a given product at the  
24      time of purchase is somewhat opaque to Jo-Ann, it is  
25      hard to imagine how Berwick's U.S. weaving capability

1 could meet the demand of Jo-Ann along with all other  
2 U.S. retailers, especially during seasonal periods  
3 when demand spikes.

4 Jo-Ann is reconsidering its middle man  
5 import program for a variety of businesses. We can  
6 achieve significant savings by going from middle man  
7 imports to direct imports. For the seasonal/holiday  
8 ribbons, we have concluded that we are not receiving  
9 adequate value for the markup that we have been paying  
10 on the middle man imports from Berwick. If we can get  
11 that same product, which we can, and improve our  
12 profitability, then we have a win-win situation. It  
13 is a win for Jo-Ann stores and it is a win for  
14 customers.

15 While this may be a loss for Berwick, it is  
16 only a loss only in its role as middle man in the  
17 importation of goods produced in Asia or Mexico.  
18 Importantly however, this is not a loss for U.S.  
19 production or U.S. workers. And after everyone's  
20 done, I'd be happy to answer any questions that you  
21 have. Thanks.

22 MS. FREEBERN: Good afternoon. My name is  
23 Melissa Freebern, and I am the Merchandise Manager for  
24 the Soft Lines Department at Hobby Lobby stores. This  
25 is a position I have held since March of 2008. I

1 joined Hobby Lobby in January of 2007 as a fabric  
2 buyer. Prior to joining Hobby Lobby I owned and  
3 operated my own successful scrapbooking business.

4 Hobby Lobby is based in Oklahoma City where  
5 it began operation in August of 1972 in just 300  
6 square feet of retail space. Over the years, this  
7 modest beginning has grown into 432 stores which  
8 operate in 34 states. The operation, now known as  
9 Hobby Lobby Creative Centers, can no longer be  
10 considered just an arts and crafts store. We have  
11 departments ranging from crafts, hobbies, picture  
12 framing, jewelry making, fashion fabrics, floral, card  
13 and party, baskets, wearable arts, home accents, and  
14 holiday supplies.

15 Hobby Lobby's headquarters are now located  
16 in a 3.4 million square foot manufacturing,  
17 distribution, and office complex in Oklahoma City. In  
18 total, Hobby Lobby and our affiliated companies employ  
19 about 18,000 employees in the United States. Our  
20 ribbon selection spans several departments within  
21 Hobby Lobby. I am responsible for the soft lines  
22 department, which accounts for mostly everyday  
23 ribbons. Ribbons are also purchased in our seasonal  
24 department and by our floral department.

25 My soft lines department accounts for more

1 than 1,100 of our almost 2,100 different SKUs that  
2 Hobby Lobby offers its customers each year. Most of  
3 these ribbons are of our own design. No matter which  
4 department is involved, the ribbon category is a  
5 fashion business. It is not a commodity. Once Hobby  
6 Lobby made a decision to introduce fashion colors and  
7 trendy designs in our ribbons to complement the  
8 fashion world, we saw sales increase and that was in  
9 2006.

10 We understand that trends generally begin in  
11 Europe in the fashion world from trade shows in Paris  
12 and in Germany, and then make their way to Asia, and  
13 then are translated into products that are bought here  
14 across all categories of goods including ribbon.  
15 Innovation and change are absolutely key. The vendor  
16 that is still selling Williamsburg blue and mauve with  
17 country geese today will not be the vendor that makes  
18 money in 2009.

19 A good ribbon supplier is able to act  
20 quickly to adapt to the changing market and to provide  
21 the newest look to keep their line fresh and vibrant.  
22 It might include the classic damask pattern that were  
23 popular in 2008 and 2009, which are evolving into more  
24 graphic representations for 2010. A supplier that  
25 simply presents a printed catalogue once a year with

1 only a minimal change from the catalogue from the  
2 previous year and the year before that is not  
3 providing a fresh design that our market demands.

4 Today, Hobby Lobby has an art department  
5 that is composed of 50 designers, 10 to 12 of whom  
6 work in ribbons. We send our in-house designs to the  
7 factories in which we work, and we also work with  
8 design teams in factories in which we do business.  
9 Our seasonal department each year at Hobby Lobby  
10 replaces over 70 percent of their selection with  
11 updated styles and patterns. This is a category that  
12 has never been sourced in the United States.

13 Our primary supplier is a Chinese factory  
14 that has a large design department that assembles  
15 multiple designs into assortments that are unique to  
16 Hobby Lobby. The designs are to be cute, unique, and  
17 special to capture the customer's attention. Many  
18 times our customer will buy a ribbon not because she  
19 has a particular project in mind but because she sees  
20 it, likes it, and just has to have it. Instead of  
21 being just utilitarian in function, a good design  
22 enhances the impulse nature of the purchase.

23 Hobby Lobby's designs are what set us apart  
24 from our competition. The ribbons we offer allow us  
25 to coordinate with other items in our stores to

1 complete a story for additional sales. For example, a  
2 customers may have been shopping to purchase a gift  
3 bag, but if they see a coordinating ribbon, that is an  
4 additional sale that we would not otherwise have  
5 gotten if we carried a standard ribbon design.

6 So when we are choosing ribbons to purchase  
7 we select from designs and styles that we believe our  
8 customers would like. After we make that selection we  
9 ask for the price. Design and price are  
10 complementary. It is imperative that a ribbon  
11 supplier be up to date on current color and fabric  
12 combinations and able to translate that into products  
13 at the correct price points for its customers.

14 If a ribbon is a great design but not a  
15 great price, the customers might prefer to purchase a  
16 finished good rather than spend money on a do-it-  
17 yourself project. But the reverse is also true. If a  
18 ribbon is a great price but the design is not great  
19 because it does not match the current trends and is  
20 not up to date in the colors of the current season,  
21 the customer would not be influenced by price to make  
22 the purchase.

23 Berwick Offray is a supplier of ribbons to  
24 Hobby Lobby. We estimate that about a third of what  
25 we purchase from Berwick is manufactured in the United

1 States. The remainder of the ribbons that we purchase  
2 from Offray is produced in either China or Taiwan.  
3 For a portion of the ribbons produced in Taiwan Hobby  
4 Lobby is the importer of record, the rest Berwick is  
5 the importer of record.

6 In fact, Berwick was a leader of the  
7 strategy to move ribbon production to Taiwan. To the  
8 best of our knowledge, Berwick Offray was an importer  
9 of ribbons at least as early as 1997. They cannot now  
10 complain that others are following their lead. Thank  
11 you.

12 MR. PERRY: Bill Perry, the law firm Garvey,  
13 Schubert, Barer. Here with my partner Ron Wisla. We  
14 represent MNC Stribbons, Liberty Ribbon, and Papillon  
15 Ribbon and Bow. I'd like to start out with Mr.  
16 Charles Vaughn of MNC Stribbons.

17 MR. VAUGHN: Good afternoon. I'm Charles  
18 Vaughn of MNC Stribbons, Incorporated. I've been  
19 involved in the purchase and sale of decorative  
20 trimmings and ribbon for almost 30 years. My company  
21 is headquartered in Miami, Florida, I have a network  
22 of sales representatives throughout the United States  
23 with production in both China and the Philippines.

24 We import a wide variety of ribbon and  
25 decorative trimming products, including the narrow

1 woven ribbon subject in this case. I am somewhat  
2 concerned that just yesterday the Petitioner revised  
3 the scope of the petition to include the narrow woven  
4 ribbons of natural and other man-made fibers. The  
5 questionnaire response that our company expended  
6 tremendous amounts of effort to complete on a timely  
7 basis did not encompass such products.

8 I am also concerned that there was no  
9 provision in the questionnaire to deal with grow grain  
10 ribbons of solid color, which are a significant part  
11 of the market for these products. Such detail rises  
12 to the importance of issuing a supplemental  
13 questionnaire or at the very least it should be  
14 included during the final phase of this investigation.

15 Firstly, more to the topic, I would like to  
16 discuss some conditions of competition in the ribbons  
17 and decorative trimmings industry. The Commission  
18 should understand that these products are highly  
19 seasonal, focused primarily on the retailer's holiday  
20 season. Approximately two thirds of our revenues are  
21 earned during the second half of the year. And this  
22 has been the case historically for as I say about 30  
23 years that I've been in this business, it hasn't  
24 changed.

25 Our shipments are timed to coincide with

1 peak holiday season. The first half of the year is  
2 largely dedicated to product development and quoting  
3 for future business. When the timeline for this case  
4 is examined, the Petitioner has either timed the  
5 filing of this case to cause uncertainty with respect  
6 to incremental 2009 supply and to have maximal impact  
7 on the 2010 holiday business quotations, or perhaps it  
8 was just serendipity. The seasonality of this market  
9 should in any event be taken into account in the  
10 Commission's analysis.

11 Secondly, imports from China and Taiwan, or  
12 from other third countries should imports from China  
13 and Taiwan be excluded from the U.S. market, are  
14 necessary to fulfill U.S. market demand. Despite the  
15 Petitioner's claims, there are and have been for  
16 years, only two real U.S. producers, Berwick Offray,  
17 who controls by far the lion's share of the market,  
18 and Lawrence Schiff Silk Mills.

19 Even if the domestic industry was operating  
20 at full capacity, it's doubtful they could meet all of  
21 the U.S. demand. Prices are inevitably going to rise  
22 in that situation, and the consumer will suffer.  
23 Berwick Offray has not been candid in its response.  
24 Although Scott Shea has testified that it imports 10  
25 percent or less of its ribbons, that is in my mind

1 difficult to believe. The Petitioner has since  
2 November 8th of '08 dramatically curtailed its  
3 imports.

4 Previously, it had imported over 180  
5 shipments, matter of public record, during the  
6 calendar year of '08, one every other day. That's  
7 hardly 10 percent of the value of its goods I suspect,  
8 although I don't know what was in those shipments. I  
9 think if they're talking about 2009, that may in fact  
10 be an accurate number, but I think if you look at it  
11 over a longer period, the results may be a little bit  
12 different. Furthermore, as the retailer group has  
13 testified, they are the importers of record for much  
14 of the ribbon which Berwick Offray sells to either FOB  
15 China or Hong Kong.

16 Thirdly, the current recession, although it  
17 doesn't seem to have impacted Berwick Offray very  
18 much, has impacted all aspects of the ribbons and  
19 decorative trimmings business, both subject and  
20 nonsubject merchandise. Based on my experience, MNC's  
21 sales during the first half of 2009 were off  
22 significantly from the prior year. And in my  
23 discussions with my compatriots at trade shows,  
24 they've all indicated pretty much the same.

25 As Berwick Offray has testified, during

1 previous recessions of 2001, '93 and 1982, the ribbons  
2 business was not terribly impacted by the declining  
3 economy, but this year presents differently. Given  
4 that imports from China and Taiwan have also decreased  
5 as compared to previous years of the investigation,  
6 any decline in the performance of the domestic  
7 industry is attributable it would seem largely to the  
8 recession, and not to imports from China and Taiwan.

9 I am very familiar with both of the  
10 predecessor companies which were merged together to  
11 form Berwick Offray. I personally directed my staff  
12 to purchase product from them on occasion, or to  
13 compete against them, since they were individual  
14 companies, well before their merger in 2004. When I  
15 first heard about the merger I was struck by the  
16 similarity of the management philosophy of the two  
17 companies. Both enjoyed positions of market  
18 dominance, which in a lot of cases a great amount of  
19 arrogance in their treatment not only of their  
20 competitors but most significantly of their customers.

21 Many of MNC's customers were former Berwick  
22 Offray accounts, and have state to us that they would  
23 pay us a premium to not have to suffer the difficulty  
24 of doing business with Berwick Offray. For example,  
25 Offray used its market dominance in the '90s to

1 institutionalize annual 5 percent price increases,  
2 even in years in which raw materials input prices were  
3 falling or remaining constant. Their delivery  
4 schedules were a one-sided conversation, they were not  
5 particularly concerned with the needs of their  
6 customers.

7 Custom requests were often difficult.  
8 Although most custom orders did end satisfactorily, in  
9 those cases where a problem arose, Offray would make  
10 no special attempt to correct the situation. We're  
11 left to solve a soured relationship at our own cost  
12 and without any guarantees. Quite simply, this  
13 company is not customer oriented. I believe that this  
14 petition has been filed to mask Berwick Offray's poor  
15 business practices and management decisions. They  
16 themselves testified that to manufacture a spool of  
17 ribbon they move it in at least three increments  
18 across the continent. That has to add cost. They can  
19 sit in this chair and tell you they're the most  
20 efficient producer in the world, but I don't know any  
21 efficient producers who are moving product from three  
22 separate locations across the border to Mexico and  
23 ultimately to a warehouse to be shipped to their  
24 customers.

25 They retained a 1990s style management

1 hierarchy when other firms such as MNC have reexamined  
2 their competitive needs and rationalized their  
3 business model. Berwick Offray's overhead structure  
4 is bloated. As they have testified, Berwick Offray  
5 maintains large warehouses and distribution facilities  
6 throughout the United States. MNC, who I can speak  
7 about with some knowledge, has streamlined its  
8 warehousing and distributions systems, semiannually  
9 rationalizing our finished goods SKUs and our product  
10 lines.

11 The Commission should compare our revenue  
12 returns per square foot of least base, in our case, to  
13 those of the Petitioner. Examination of other  
14 standard measures of business efficiency such as  
15 revenue per SG&A dollar spent would also prove  
16 enlightening. If you're going to make the claim that  
17 you're the most efficient, I think the statistic  
18 should be requested to back it up.

19 Finally, I believe that much of their  
20 difficulty lies in their capital structure. They're a  
21 highly leveraged firm by our standards. Berwick  
22 Offray purposely implements a low capacity utilization  
23 strategy by designating its machinery to specific  
24 ribbon patterns, okay? And they have a tremendous  
25 amount of looms which a large percentage of them are

1 idle at any given point in time.

2           Although this strategy will reduce costs  
3 related to machinery setup and to waste during the  
4 setup process, it doesn't necessarily result in lower  
5 costs, and it does in fact result in artificially low  
6 capacity utilization. The Commission should take this  
7 factor into account when it analyzes what capacities  
8 are being utilized.

9           Furthermore, Berwick Offray is out of step  
10 with current market trends -- as our retailer  
11 associates have testified, design is key -- and they  
12 have not paid heed to the market's increased focus on  
13 sustainable and recycled products. Smaller companies  
14 have nimbly adapted competitive product offerings in  
15 line with our customers' evolving sensibilities. MNC  
16 offers a full range of eco-friendly products, such as  
17 organic cotton ribbons and tapes, recycled ribbons and  
18 bows, and hand-woven sustainable ribbons, boxes, and  
19 bags.

20           Finally, the Commission must understand that  
21 Berwick Offray, not China or Taiwanese imports, are  
22 the price leaders in this market. For example, when  
23 my company competed against Berwick in the  
24 polypropylene ribbon business, Berwick drove pricing  
25 aggressively downward, diminishing my firm's margins

1 and ultimately resulting in our exit from the  
2 industry. The sales manager of Berwick was reputed to  
3 have told his sales team that he would undercut any  
4 price which our firm had quoted. They were instructed  
5 to win the business at any price.

6 With respect to narrow woven ribbons,  
7 although Berwick Offray maintains a very high list  
8 price, in head to head competition, again they are the  
9 price leaders. I recently competed in an online  
10 reverse auction for the Macy's stores business for  
11 this upcoming 2009 holiday business. There were a  
12 variety of ribbon and ribbon bow products involved in  
13 what was a single-lot bid. The incumbent supplier of  
14 this account was another U.S. producer, Lawrence  
15 Schiff Silk Mills.

16 The 2009 bidding started at Macy's 2008  
17 cost, which was \$389,500. There were five bidders  
18 involved in the auction, including the two domestic  
19 producers as well as my company. Berwick Offray "won"  
20 the auction by aggressively bidding the job down to  
21 \$228,000 and stealing the account from its domestic  
22 competitor. Berwick Offray did not follow the bidding  
23 down but drove the price down 40 percent below the  
24 prior year. I am not aware of a single instance of  
25 Berwick Offray losing a reverse auction in which they

1 have participated. Thank you for the opportunity to  
2 speak today. If you have any questions, I'd be more  
3 than glad to answer them.

4 MR. PERRY: I've asked Tom Lodge of Liberty  
5 Ribbon to speak. His brother Andy Lodge is also  
6 available for questions afterwards.

7 MR. LODGE: My name is Tom Lodge, and my  
8 brother Andy, behind me here, and I are owners of  
9 Liberty Ribbon, an importer of the woven ribbons from  
10 China and Taiwan. Liberty is also a domestic producer  
11 of cut edge ribbons, and we also print in the United  
12 States the ribbons that we both import and produce  
13 domestically. We are here to oppose the antidumping  
14 and countervailing petition filed by Berwick Offray  
15 against woven ribbons from China and Taiwan. We  
16 firmly believe that the real reason for this petition  
17 are the self inflicted wounds by Berwick.

18 Berwick's goal has been to capture the  
19 seasonal market at retailers throughout the country.  
20 In pursuit of that goal, Berwick and its parent, CSS  
21 Industries, have acquired many seasonal companies over  
22 the years, one of them being Offray. In fact, the  
23 price leader in this market are not the Chinese or  
24 Taiwanese companies for many of the products, but  
25 Berwick.

1           In addition, Berwick's list prices do not  
2 reflect the actual selling prices, and my  
3 understanding is that in July, 2008, they went to a  
4 reverse auction at Bed, Bath, & Beyond, and won the  
5 auction with a price of 4.83 cents a yard for a 10  
6 million yard order when the list price for that item,  
7 a 1.5-inch single face satin, was 23 cents a yard. I  
8 have personal experience with Berwick because we sold  
9 our family business, Delaware Ribbon, through an asset  
10 sale to Berwick in 2004.

11           Delaware Ribbon extruded polypropylene film  
12 to make polypropylene gift wrap ribbon and bows and  
13 adhesive backed bows. Berwick also made this type of  
14 ribbon and continues to do so to this day.

15 Polypropylene resin is the largest single cost  
16 component in the manufacture of polypropylene ribbon.  
17 During the due diligence phase of the sale, Berwick  
18 discovered that Delaware, which was a much smaller  
19 company than Berwick, paid significantly less for  
20 their resin than Berwick did.

21           This was especially surprising since Berwick  
22 bought their resin in bulk, unpackaged, annual  
23 quantities at least ten times larger than those that  
24 Delaware bought. And those quantities that Delaware  
25 bought were packaged in more expensive 1,000-pound

1     gaylord boxes. Well, lo and behold, we were notified  
2     by our supplier that Berwick had taken one of our  
3     invoices for polypropylene resin issued by our  
4     supplier, which was disclosed under a nondisclosure  
5     agreement during the due diligence phase, and Berwick  
6     then confronted our supplier invoice in hand as to the  
7     reason for the lower price to Delaware Ribbon when  
8     Berwick bought so much more resin.

9             This was a clear violation of the  
10    nondisclosure agreement, and therefore Liberty is very  
11    concerned about its confidential information during  
12    this investigation because we have had direct personal  
13    experience with Berwick's tactics. Delaware Ribbon's  
14    experience with Berwick's tactics is also not unique,  
15    as I'm sure many in the industry can testify.

16            The last example also goes to efficiency. I  
17    suspect that the root causes of Berwick Offray's  
18    problem are largely self inflicted. For example,  
19    Delaware Ribbon purchased a fraction, less than 10  
20    percent of the polypropylene resin that Berwick did,  
21    yet Berwick paid significantly more for their resin.  
22    If Berwick Offray buys their yarn like they do their  
23    polypropylene resin, that would be a huge problem for  
24    them as yarn is the largest single cost component in  
25    narrow woven ribbon.

1           Furthermore, Berwick designs ribbon in  
2     Budlake, New Jersey, weaves the ribbon in South  
3     Carolina, ships the ribbon to Hagerstown, Maryland for  
4     dying and finishing, and then goes to Mexico for  
5     spooling and printing, ships it back to a distribution  
6     center across the border in El Paso, Texas, where it  
7     is then shipped across the country, much of it going  
8     back up to the Northeast, Midatlantic, and Southeast  
9     population centers from where it began its life as  
10    yarn in South Carolina and ribbon in Hagerstown.

11           This is an unbelievable amount of  
12    transportation and handling with absolutely no value  
13    added. By comparison, the China and Taiwanese mills  
14    that I deal with and have visited all have their  
15    operations in one location under one roof, so there is  
16    minimal additional handling, packing, unpacking,  
17    repacking, inspection, transportation, I could go on  
18    and on and on. Berwick Offray's production model is  
19    the ultimate antilean production system.

20           I also suspect that Berwick has low capacity  
21    utilization because of reluctance to change over their  
22    machinery from style to style. Loom changeovers, yes,  
23    can be tedious, but the Chinese and Taiwanese mills  
24    are happy to do this in order to maximize their  
25    equipment utilization. I want to address the issue of

1 seasonality and cyclicalilty. The ribbon industry is  
2 highly seasonal.

3 In 2008, for example, 33 percent of Liberty  
4 Ribbon's revenue was generated in September and  
5 October alone. So, 33 percent of our revenue was  
6 created in 16.7 percent of the year. September  
7 generated 18.5 percent of Liberty Ribbon's total 2008  
8 revenue. I fully expect there will be a surge in  
9 imports after the petition filing date because  
10 historically there has always been a surge in imports  
11 after July 19th, that date being the filing date of  
12 the petition.

13 I therefore am extremely concerned about a  
14 critical circumstances allegation. The ribbon  
15 business is seasonal because most of the sales occur  
16 for the holidays. We request the Commission Staff to  
17 investigate this issue in any final investigation. As  
18 to cyclicalilty, the ribbon industry is not immune to  
19 the recent economic turmoil. Our sales were down  
20 significantly in 2008, and they will be down  
21 significantly again in 2009. And I suspect that other  
22 companies in the industry, including Berwick Offray,  
23 have been impacted by this as well.

24 So any downward trend in '08 and '09 numbers  
25 at Berwick Offray are probably in line with the

1 industry-wide downturn. Of course this recent  
2 downward cyclical trend does not eliminate the  
3 seasonal trend that I described earlier. As the  
4 Commission knows, Berwick Offray has processing  
5 operations in Mexico. It weaves the ribbon in South  
6 Carolina, dyes in Hagerstown, spools and prints in  
7 Mexico, ships back over to the U.S. to their market.

8 The U.S. antidumping law is meant to protect  
9 U.S. industries, not the Mexican industries. I urge  
10 the Commission to thoroughly investigate this issue.  
11 I also think it is important to recognize that even if  
12 this significant dumping order is placed against China  
13 and Taiwan, the world economy is not a vacuum. I  
14 believe as do many others in the industry, that the  
15 result would simply mean a shift in production to  
16 other low cost countries such as Brazil, Thailand, or  
17 Vietnam.

18 I highly doubt Berwick Offray could satisfy  
19 the entire national demand for narrow woven ribbons.  
20 So the benefit to the U.S. industry in the event of a  
21 dumping order is doubtful. Also, please keep in mind  
22 that Berwick Offray encompasses three separate,  
23 formerly independent companies, Berwick, Lion Ribbon,  
24 and Offray, and some smaller companies as well, all of  
25 which were ultimately acquired by their parent

1 company, CSS Industries. I urge you to thoroughly  
2 investigate how losses and all overhead, including  
3 development, SG&A, and interest expense and debt  
4 burden, are allocated between Berwick, Offray, and  
5 Lion, and also back to the parent, CSS Industries.

6 With regard to the Chinese and Taiwanese  
7 market for ribbon, Berwick mentioned earlier that they  
8 did not think it was significant. I would argue I  
9 believe it is much larger than they claim. As the  
10 garment and apparel industry have moved production to  
11 China, they have sourced their ribbons locally, the  
12 ribbons that are made into those garments. I am sure  
13 that Berwick Offray used to sell much more of their  
14 narrow woven ribbon for apparel production in the U.S.  
15 market than they do now.

16 So much of any of the decline that they're  
17 experiencing in their domestic production of narrow  
18 woven ribbons is the result of the garment and apparel  
19 industry moving to China and sourcing their ribbons  
20 locally, not from unfairly priced imports. Thank you  
21 much for giving me the time to speak, and I'm happy to  
22 answer any questions.

23 MR. PERRY: I would just like to ask Vinci  
24 Wong to speak, of Papillon Ribbon.

25 MR. WONG: My name is Vinci Wong. And I'm

1 the President of Papillon Ribbon and Bow. I have been  
2 importing ribbon from the bow and ribbon from the  
3 rosette for the last 22 years. And for importing  
4 narrow woven ribbon, only for 14 years. Most of my  
5 import are mainly from China, Taiwan, and also I have  
6 some from Brazil, France, and Germany. We originally  
7 bought ribbon from Offray for making the bow or  
8 rosette, which I will show you a little bit later.

9 But based on our experience, Offray just  
10 simply cannot match the quality standard of my  
11 clients' needs. In one of the cases, Offray was able  
12 to match the color of a sample approval, but it failed  
13 to match the color in the production. In the end,  
14 Offray simply told us that that was "commercially  
15 acceptable match." My clients disagree, and  
16 terminated our relationship, and I was forced to look  
17 for alternative. But in this country the alternative  
18 is virtually close to none. Basically, Offray cannot  
19 necessarily meet all the demand of the customer.  
20 Another case I want to bring to your attention --

21 MR. COMLY: I'm sorry, could we stop for a  
22 second? I'm unclear of the time allocation. I'm  
23 sorry, maybe I've got the timing -- I thought this  
24 panel was a 23-minute panel?

25 MR. PERRY: Twenty five minutes. Have we

1 gone over that time?

2 MS. JACOBS: We have gone over our time, so  
3 we would yield.

4 MR. COMLY: Okay, that's what I needed to --  
5 okay, you had actually had ten minutes left from your  
6 initial presentation. Is that what you're yielding?

7 MS. JACOBS: Brenda Jacobs. We had an  
8 agreement with Mr. Duffy that we would yield time and  
9 we have extra time. We'll certainly yield it to him.

10 MR. COMLY: Okay.

11 MR. PERRY: So how much time do we have  
12 left? Because this is our last witness, he's almost  
13 done.

14 MR. WONG: Very brief.

15 MR. COMLY: You have up to ten minutes.

16 MR. PERRY: All right.

17 MR. ASCIENZO: I'm very sorry. Thank you  
18 very much.

19 MR. PERRY: Okay, no problem.

20 MR. WONG: Well, the second point I really  
21 wanted to state is I would like to reinforce the point  
22 made by Charles Vaughn about the reverse auction. We  
23 were in the reverse auction for Bed, Bath, & Beyond on  
24 July 2008. We were outbid with the price for the inch  
25 and a half ribbon, and the price drove it all the way

1 down to 4.83 cents a yard for the 10 million yard  
2 contract.

3 Well, as we know from our record that Offray  
4 have a list price for 23 cents for the ribbon, and we  
5 recently just discovered that Offray was the winner  
6 for the auction. And that's all I wanted to state for  
7 the record. Obviously they are the price leader as  
8 far as we're concerned, but more important, I am a  
9 little bit doubtful about their price structure of how  
10 high the margin would they put it up for 23 cents down  
11 to less than 5 cents.

12 The last thing I really want to say is,  
13 since I am a from the bow or from the rosette  
14 supplier, I'm just not clear by the Petitioner, are  
15 these included on this petition or not? Because this  
16 is one of my major part of my business, but it's not  
17 very clear from the definition. Is that what is being  
18 petitioned or not? It's all made of ribbon, by the  
19 way, everything you see here.

20 MR. PERRY: They're rosettes, and we're  
21 finished. Thank you.

22 MR. WONG: Thank you.

23 MR. ASCIENZO: Thank you very much for that  
24 presentation. The way I understand it from -- we have  
25 another statement, sorry.

1 (Pause.)

2 MR. ASCIENZO: Sorry for the confusion. So  
3 for the record there are 11 minutes left. Thank you  
4 very much.

5 MR. DUFFY: Thank you very much to the panel  
6 for allowing me to speak today, and thank you to  
7 Brenda for yielding a few minutes of her time that had  
8 been allocated to her. My name is Joe Duffy, and I'm  
9 the principal owner of May Arts. We are essentially  
10 an importer of ribbons almost exclusively from Taiwan,  
11 and exclusively from Taiwan relative to the products  
12 that are in the petition today.

13 May Arts was formed just over 20 years ago  
14 by a woman by the name of May Wong. She was an  
15 immigrant from Taiwan over 40 years ago. She started  
16 in business about that time selling other products,  
17 and then about 20 years ago migrated to the ribbon  
18 products. From the beginning she has always sourced  
19 100 percent of the narrow woven ribbon from Taiwan, so  
20 at no time have we shifted the production from any  
21 other country, from the U.S. or any other place else.

22 May Arts is a very small company in the  
23 world of, compared to I guess everybody that's  
24 presented today. We have eleven employees full time,  
25 we have four seasonal employees. We sell our ribbons

1 primarily through trade shows that present to the  
2 craft and hobby industries, and we sell our ribbons  
3 through some websites. Our product, we sell over  
4 5,000 SKUs.

5 I would say for the most part, we're known  
6 for, as everyone said everyone has their own  
7 distinctive patterns and colors and things like that,  
8 but our customers come to our product exclusively  
9 because of the selection and our ability to ship the  
10 same day that the order's placed. So we're very much  
11 focused on the very small end of the market. We sell  
12 over 10,000 customers a year, the average sale per  
13 customers is about \$400 to give you an idea of scale.

14 Our customers are craft industry retailers,  
15 party planner, wedding planners, and end users in  
16 other products, OEMs use our products as an accessory  
17 to some of their products, and even in that case their  
18 mostly craft people making crafts. About 80 percent  
19 of our product sales are narrow woven, I said that,  
20 100 percent of that narrow woven comes from Taiwan.  
21 The unique thing about our ribbon in addition to that  
22 is we do not sell ribbon in the 3 or 5 or 10-yard  
23 spool, which was not brought up today.

24 Our typical spool of ribbon is 40 yards,  
25 some in 25, some in 50, and sometimes 100-yard spool,

1 and that's because we sell to the retailer who in turn  
2 resells our product in many cases by the yard or uses  
3 it by the piece. So the end consumer of our product  
4 frequently is not coming in to buy a spool of ribbon  
5 as much as they're going in to buy a couple yards of a  
6 very distinctive or very special pattern that matches  
7 the end product that they are trying to develop.

8           Again, and as everybody has said today,  
9 ribbon is really an accessory to something else. So  
10 does our product match the finished product, that's  
11 our objective is for us to meet that needs. Of the  
12 5,000 SKUs, we turn that over at about 10 percent a  
13 year. We introduce 400 to 500 new products on an  
14 annual basis, we do our own design in-house, and then  
15 we work with our manufacturers in Taiwan for  
16 manufacturing that ribbon.

17           So I appreciate the time today because the  
18 impact of any additional cost on us would come right  
19 out of my pocket as the owner of a small business, or  
20 it would have to be passed on to small retailers. We  
21 did a survey over the last couple of months, just to  
22 give you an idea, our sales are down 40 percent this  
23 year relative to previous session. We know for a fact  
24 none of that is attributed to lost business because of  
25 any predatory pricing or predatory product.

1           We surveyed our customers that we've not  
2 heard from over the past year, small designers and  
3 small decorated, about 15 percent of them their phone  
4 numbers are disconnected, they're out of business, and  
5 that's just the nature of somebody who's a small  
6 business, their business goes down by 40 or 50  
7 percent, if you're a party planner and there's no  
8 parties to plan, you go get another job and you  
9 disconnect that line. So any increase in the duty on  
10 the imports would be a devastating impact on our  
11 ability to survive and compete in the business. Thank  
12 you very much.

13           MS. JACOBS: That concludes the  
14 presentations, and we would like to be able to invite  
15 up to join us at the table for the question period two  
16 other members of our group, including Shelly Bucklin  
17 from Costco and Mike Veitenheimer from Michaels.  
18 Thank you.

19           MR. ASCIENZO: Thank you very much. I would  
20 just ask if you're answering questions that you make  
21 sure you identify yourself. And I do want to thank  
22 everyone again for that presentation.

23           MS. JACOBS: If I could apologize, I forgot  
24 to mention that John Graham from Hobby Lobby, and the  
25 counsel for Hobby Lobby, is also with us. Thank you.

1           MR. ASCIENZO: Thank you. And with that, we  
2 are going to start this afternoon's questions with  
3 Nate Comly, the investigator.

4           MR. COMLY: Nate Comly, Office of  
5 Investigations. Again, I'll try not to ask too many  
6 questions so my colleagues have a chance. I'd like to  
7 thank the panel first of all for coming. I know a lot  
8 of you have traveled a long way and we appreciate it.  
9 I guess I have a general question, and this may only  
10 apply to certain members of the panel, but my  
11 understanding of the narrow woven ribbon market, and  
12 excuse me if I just call it ribbons, is made up of  
13 many different channels, one of which would be  
14 retailers. Is that a correct assessment? And if so,  
15 how much would you say the retail market represents?  
16 And I'm probably directing it towards probably the  
17 large retailers here.

18           MR. MITCHELL: We know there's lots of  
19 different channels. Berwick talked to that. We have  
20 no clue of the relative market size, but they should.

21           MR. ICSMAN: This is Bob Icsman at Jo-Ann.  
22 I would echo that. We obviously could provide you  
23 confidentially what our purchases are with respect to  
24 ribbon. But as far as how much Michaels or anyone  
25 else purchases or a global type thing, I don't think

1 we would have that data. Maybe one of the trade  
2 organizations or the Craft and Hobby Association might  
3 have that.

4 MR. COMLY: I think one of the reasons why  
5 I'm trying to ask that question is you say that, I'm  
6 trying to reconcile your answers with some of  
7 Berwick's answers, and they're saying, specifically  
8 looking at seasonality and you're saying it is  
9 seasonal whereas Berwick's saying it's not seasonal,  
10 they say some is seasonal. They did mention that  
11 seasonality does tend towards the cut edge ribbons on  
12 Christmas. So I'm trying to reconcile, if you could  
13 maybe respond to their statements about it not being  
14 seasonal, could it possibly be that it's other  
15 channels that are dominating the market during those  
16 times?

17 MR. LODGE: Tom Lodge, Liberty Ribbon.  
18 While I can't speak specifically to the craft stores  
19 seasonality with regard to narrow woven ribbons, a  
20 large part of our business is not at the consumer  
21 product level, it's used for store display, in-store  
22 use at gift wrap counters, and it is extremely  
23 seasonal, and it's very heavy into narrow woven  
24 ribbons as a percentage of the total ribbon buy if you  
25 compared it against cut edge. So at least with regard

1 to that type of thing.

2 Also with regard to the industrial end user,  
3 where you're selling to cosmetics, fragrance,  
4 confectionary, chocolate companies, it's all very  
5 highly seasonal and all uses a large amount of narrow  
6 woven ribbon. So with regard to those channels of  
7 distribution, I assure you it is highly seasonal, I  
8 encourage you to investigate it.

9 MR. PERRY: The point is it's Christmas.

10 MR. VAUGHN: Charles Vaughn, MNC Stribbons.  
11 I would echo Tom's comments. Our client bases are  
12 relatively similar, we sell to manufacturers,  
13 wholesalers. And exactly, it's the larger economy is  
14 what drives all of the players that we contact.  
15 They're all selling into the peak holiday season.

16 MS. BUCKLIN: Shelly Bucklin with Costco  
17 Wholesale. Our ribbon program is only seasonal, we  
18 bring it in for the holidays, for the end of the year,  
19 and then we also bring it in for spring to hit your  
20 Valentine's Day, Mother's Day, those specific seasons  
21 at the beginning of the year.

22 MR. COMLY: So just let me clarify, is  
23 Christmas the big bump? I mean is there smaller bumps  
24 from other holidays?

25 MR. LODGE: There are other bumps. And

1 perhaps the best way to look at it would be on a  
2 monthly basis so that you can really identify what it  
3 is. But I'm sure you'll find a peak, I don't know how  
4 else to say it. But yeah, you're comparing mountains  
5 to mole hills.

6 MR. MITCHELL: You know, one point to keep  
7 in mind is that the relative SKU base in many  
8 retailers increases for the back half of the year. So  
9 if the relative SKU base increases then it's pretty  
10 natural that you're going to see a lift in volume, and  
11 obviously some of that SKU increase is due to maybe  
12 some of the cut edge ribbon that's part of the true  
13 seasonal buys, but you definitely do see assortment  
14 expansions and even channel expansions. To Costco's  
15 point, they're not necessarily in the business in a  
16 big way in July, but Hobby Lobby and I are, so I think  
17 that if you were able to get to monthly numbers I  
18 think you would see a pretty natural expansion in the  
19 fourth quarter.

20 MS. BUCKLIN: For us, the holiday season --

21 MR. ASCIENZO: Identify yourself please?

22 MS. BUCKLIN: I'm sorry. Shelly Bucklin,  
23 Costco. Our holiday season, which I refer to as  
24 Christmas holiday, is three times stronger than our  
25 seasonal spring.

1                   MR. COMLY: Going a little bit of a  
2 different topic, a number of you mentioned that the  
3 narrow woven ribbon is a fashion driven business, some  
4 more so than for others. But can you give me a  
5 general sense of how large a part of the narrow woven  
6 market it is? I mean is it a large part? I mean it  
7 may be specifically for your company, but I'm thinking  
8 in the general terms because we have to look at the  
9 whole industry, not just specific companies.

10                   MS. FREEBERN: For the whole industry I  
11 really can't say how wide fashion is. I would expect  
12 that you would see it generally throughout the  
13 industry because colors are trends that flow into each  
14 season. You'll see trendy colors put into Christmas  
15 seasons the next year that were popular in apparel,  
16 blue and brown being one, the spicy color, and gold is  
17 supposedly really big for this upcoming Christmas  
18 season. So I think it does play a part, but I can't  
19 really give you numbers. Every day for us it is very  
20 big, probably primarily for us because we're in the  
21 fashion and fabric business as well so we see it  
22 translate.

23                   MR. COMLY: Does that hold true for the  
24 other retailers on the panel or those that supply the  
25 retail?

1           MR. MITCHELL: Yeah, you definitely see that  
2           the business drives when you have the right mix of  
3           trend right fashion, and the business begins to wither  
4           when it begins to look dusty. And specifically where  
5           we have created trend right product, even if it isn't  
6           the majority of SKU count, it ends up validating the  
7           overall assortment. And to her point, the penetration  
8           of trend right SKUs has gone up in recent years as  
9           we've really tried to drive demand in the market and  
10          make the product more applicable and drive  
11          applications across many uses, if it's for weddings,  
12          apparel, scrapbook, or whatever.

13                 We have in-house design staff that actually  
14          goes on multiple trend shopping trips and brings back  
15          ideas and, you know, there's a lot of work that we're  
16          doing internally and doing with anyone who is  
17          providing us with product to try to make sure that  
18          we're at the right point in terms of trend. It is  
19          very important, and I think everyone in the room is  
20          aligned on that, that you're not going to sustain the  
21          ribbon industry on white, quarter-inch ribbon.

22                 MR. COMLY: Going off that point, would you  
23          say the majority of the innovation is done by, I don't  
24          want to say a purchaser of ribbon, or is it done by  
25          manufacturer? So do the Chinese or Taiwanese

1 producers come up with their own innovations or does  
2 Berwick come up with their own innovations or is it  
3 really driven by what you see out in the marketplace  
4 or what other products you have and you want it to  
5 match?

6 MS. FREEBERN: I think it's driven by the  
7 buyer. They give the ideas a lot of times to other  
8 companies like Berwick. And they will source them for  
9 you. We have also taken our art and done our own  
10 designs, and I think that the mills also, they go and  
11 they shop the European market. I recently visited a  
12 Chinese factory who had just been at a show in Europe  
13 and they went there specifically looking for the next  
14 trend. So I think it's from the buyer who is looking  
15 for a certain thing they may say, hey we need a custom  
16 program put together. But also from our internal at  
17 Hobby Lobby we do drive the design.

18 MR. VAUGHN: I'd like to speak to that as a  
19 manufacturer. Charles Vaughn from MNC. As Melissa  
20 pointed out, certainly the retailers do drive it to a  
21 certain extent, but the manufacturers that are  
22 successful are also innovating on their end. We have  
23 a staff of four designers in China, and it's their  
24 weekly task to present new and exciting package  
25 decorations, not specifically ribbons but more along

1 the product line of bows and enhancements for  
2 packaging.

3 And we go to companies like Costco, to  
4 cosmetic companies and confectionary and candy  
5 companies, and we say, hey here's 700, 1,000 designs,  
6 which ones do you like? And that does drive business,  
7 that's a key to how we have managed to increase our  
8 sales over the years, not by price discounting but by  
9 giving them a product which is going to do the job for  
10 them. They want to have a successful sell-through,  
11 and it's not the tenth of a cent difference between,  
12 you know, a square yard of product X versus product Y  
13 so much as it's the difference to the consumer who  
14 says, wow that's cute, I like that, and they walk home  
15 with it.

16 MR. COMLY: So just let me clarify. Would  
17 you say that pattern or specific color give you a  
18 competitive advantage over someone else?

19 MR. VAUGHN: Yes, that's precisely what I'm  
20 saying. It's more than just pattern, it's how you put  
21 it together. It's a complete design of a product. We  
22 don't really say, okay we want to have this pattern on  
23 this ribbon. Our products are more complicated and  
24 they use other components as well, but certainly the  
25 ribbon component is part of it. We design the ribbon

1 along with the other components.

2 MS. FREEBERN: I would say the design  
3 coordination is extremely big for us at Hobby Lobby.  
4 We coordinate our ribbons to match our own printed  
5 fabrics and designs that we also have done for gift  
6 wrapping paper, so if they're going to wrap a present  
7 up, we've got a coordinating set of ribbons that match  
8 the wrapping paper. Scrapbooking department has a  
9 whole seamed paper kit that has matching paper and  
10 embellishments and ribbons.

11 So the coordination is great for us in our  
12 industry, in our retail business, and that's something  
13 that Berwick cannot do for us, they cannot coordinate  
14 our own designs with the color, getting the color  
15 exactly the same as we would have it on the fabric and  
16 the scrapbooking paper. So being able to do that  
17 ourselves is a big plus.

18 MR. COMLY: So have you ever gone to Berwick  
19 and they have said, I cannot produce that for you?

20 MS. FREEBERN: We have not gone to them with  
21 our art, we have gone to them with concepts of new  
22 ribbons. Recently we have asked for certain types of  
23 ribbons to be produced, and they have sourced those  
24 for us because we could not find somebody to do it,  
25 but those were not sourced in the United States, they

1 were done in Taiwan when we asked for the concept to  
2 be done.

3 MR. COMLY: And when you asked for the  
4 concept, did you state a specific price?

5 MS. FREEBERN: No, we didn't give them a  
6 price, we just said, we are looking for this type, we  
7 gave them a sample of the type of ribbon that we were  
8 wanting, and they went and sourced it wherever they  
9 needed to. I don't know if it was because of the  
10 machinery that was needed to do these types of ribbons  
11 or if it was on their end to get the best price.

12 MR. COMLY: So they go specifically to you.  
13 Was this an open request?

14 MS. FREEBERN: Open to just?

15 MR. COMLY: To other importers?

16 MS. FREEBERN: I have not asked for it to be  
17 an exclusive item, so I don't know if they've showed  
18 it to anybody else.

19 MR. COMLY: I'm sorry, I meant did you go to  
20 other, say importers or wholesalers or Chinese  
21 producers?

22 MS. FREEBERN: We did start initially with a  
23 mill that was producing it here in the United States,  
24 but they did not have the spooling capabilities to  
25 spool for our type of put-up for our stores, so they

1       could not do it. And then we went and asked some  
2       other Taiwanese and Chinese mills, nobody could do it,  
3       they didn't have the right machines, the people that  
4       we deal with. So then we did ask Offray as well as  
5       some Mexican vendors.

6                 MR. COMLY: Has anybody else come across  
7       those type of problems where you went to Berwick and -  
8       - well, I shouldn't say problems, but have you ever  
9       gone to Berwick and they've not been able to produce  
10      some for you?

11                MR. VAUGHN: Mr. Comly, I'll respond to it  
12      only anecdotally. We don't, except where we would  
13      find ourselves in a situation where we couldn't supply  
14      our customer with a promised product, we wouldn't go  
15      to Berwick. But we hear stories from our accounts  
16      that give us that impression. One of the things that  
17      perhaps is problem for them, and I don't know, it  
18      would be strictly a matter of, I haven't seen their  
19      factory.

20                But it would be strictly a matter of what  
21      equipment mix they have, is short dye runs of a  
22      specific color ribbon to match a fabric for instance,  
23      as Melissa is discussing, are difficult from a  
24      manufacturing standpoint and it raises the cost unless  
25      you have the right type of equipment to run it on,

1 because you end up with a tremendous amount of  
2 wastage.

3 So if she's looking for like a launch to see  
4 how a particular product is going to be responded to  
5 in the marketplace, maybe she only wants to buy 20,000  
6 yards of a product. That would be a small amount, and  
7 it would inflate the scrap cost obviously, so that  
8 might be a factor of why they can't do it, I don't  
9 know.

10 MR. MITCHELL: And Michaels go-to-market  
11 strategy has been different in the past before we had  
12 our own ability to build our own product. I mean we  
13 literally asked vendors like Offray and their  
14 competitors to come and show us their wares and we  
15 pick what we want. So it wasn't quite the same  
16 process that Hobby Lobby is describing now. But as we  
17 build out that capacity, which we're building out now,  
18 more and more we conceive it ourselves and we build it  
19 ourselves. So the world has just changed a little bit  
20 in terms of the way Michaels goes to market, so I  
21 don't know specific instances where that issue has  
22 happened for Berwick with us.

23 MR. COMLY: I'm going to jump to a little  
24 bit of a different topic. From your knowledge of the  
25 Chinese and Taiwanese producers, do they use the same

1 machines? It sounds like from the earlier testimony  
2 from Berwick that they basically use the same type of  
3 machines, but the Chinese and Taiwanese machines are a  
4 little less efficient. Is that correct, is that your  
5 knowledge?

6 MR. LODGE: Tom Lodge, Liberty Ribbon. The  
7 machines that I have seen are of a different type.  
8 They are not the Jacob Muller Swiss looms, which  
9 probably have a higher throughput and higher output  
10 per machine. However, we need to look at this in the  
11 context of the total manufacturing process. And the  
12 throughput of a machine, although significant, is  
13 small in comparison to the efficiency of the whole  
14 production system.

15 When you're carting materials up and down  
16 the eastern seaboard, into Mexico, and back into  
17 Texas, and then back up to population centers in the  
18 Northeast or wherever it goes in the North American  
19 continent, that adds so much more waste than ever  
20 could be relevant comparing the output of a Muller  
21 loom versus a Taiwanese or Chinese loom. I mean the  
22 costs are inconsequential in comparison to that. When  
23 you talk about the handling, offloading the product  
24 from the truck, reloading it on the truck, unloading  
25 it from the boxes, reloading it onto the winding

1 machines, the freight, the material handling, the fact  
2 that you're managing locations, you know.

3 I know they inherited these as legacy costs,  
4 but that still goes to your efficiency. Any mill that  
5 I've ever seen in Taiwan or in China has all of these  
6 operations under one roof. They're just moving it  
7 around with their factory, they're not repacking it,  
8 unpacking it. I mean it's staggering the difference  
9 in terms of just the amount of time that people are  
10 walking around moving product that's not having any  
11 value added to it.

12 MR. VAUGHN: I just concur with Tom. We run  
13 exclusively looms that are manufactured in China. We  
14 downgrade the speed of our looms intentionally. We  
15 find that the quality of the product is better, they  
16 last longer, and although I would say that nominally  
17 you could probably get a Muller loom to run faster new  
18 out of the box, in practice not all looms are new and  
19 out of the box, they run for years. And if you want  
20 to keep your maintenance costs low and have less down  
21 time and run a more efficient factory, it's not always  
22 running them at 100 percent of capacity that's the  
23 smart way to run a factory. You have to kind of look  
24 at other factors as well.

25 MR. COMLY: I can't remember who it was, I

1 think it might have been you, Mr. Vaughn, who  
2 mentioned that to your knowledge Berwick leaves  
3 several looms sitting and waiting for, you know a  
4 specific ribbon to be produced or ordered so they can  
5 produce it.

6 MR. VAUGHN: I can't tell you that they do  
7 that today necessarily. I can tell you that in the  
8 past, based on discussions that I have had with some  
9 people who ran factories for them that that was a way  
10 that they managed to control their setup costs.  
11 There's a large amount of setup, it takes one person  
12 two days to set up one of these looms in a new  
13 pattern. So you either get a lot of machines that you  
14 let sit idle with a pattern in them, or as they do in  
15 China and Taiwan, you have a smaller number of looms  
16 where your capital is limited and you change them  
17 around using lower cost labor than here in the States.

18 MR. COMLY: I think that's all the questions  
19 I have for now. Thank you.

20 MR. ASCIENZO: Thank you very much. Return  
21 to Mary Jane Alves, the attorney advisor.

22 MS. ALVES: Hi, good afternoon. Thanks  
23 again to this afternoon's panel; it's been extremely  
24 helpful.

25 I apologize. We're in the thick of the

1 conversation, and then my role as a lawyer is to come  
2 back and look at some of the legal issues. So I'm  
3 going to disrupt the conversation for a few minutes  
4 and go back the, to some of the legal questions that  
5 we have to confront up front.

6 Starting with domestic-like product. If I  
7 could hear from each of the counsel representing  
8 Respondents, and if you could each tell me whether or  
9 not you intend to contest the domestic-like product,  
10 or if you agree with the domestic-like product  
11 proposed by Petitioners.

12 MS. JACOBS: We're not contesting that there  
13 is a narrow woven ribbon industry, as opposed to a  
14 cut-edge ribbon industry. That's not to say we have  
15 resolved the issue of what they've got on scope, but  
16 that's another story.

17 MR. PERRY: Good point. I agree with Brenda  
18 absolutely, we're not going to contest that. But  
19 obviously the scope is pretty, it's one of the most  
20 complicated scopes I've ever seen. So that's  
21 something I'm going to look at.

22 MS. ALVES: And I'm very happy to leave the  
23 scope questions to Commerce. So for the witnesses who  
24 are here, if you have scope questions, sympathies, but  
25 go talk to Commerce. We don't do scope. Commerce

1 tells us what the scope is.

2 Okay, then, that simplifies things somewhat.

3 Okay, let's move to the domestic industry.

4 We've had some discussion today of the  
5 importing activity that Berwick does. If there are  
6 other domestic producers who you are aware of or you  
7 become aware of through the questionnaires who are  
8 also importing, or who may have relationships to  
9 producers or exports from Taiwan or China, if you  
10 could address the related parties issues, as well, in  
11 your post-conference briefs, that would be helpful.

12 There was also a discussion this morning  
13 with Berwick about the operations that they have in  
14 Mexico, and how the Commission would treat the  
15 products that are spooled in Mexico; whether or not  
16 they would be considered shipments of the domestic-  
17 like product, or if they would be considered shipments  
18 of non-perfect imports, if you could address that in  
19 your post-conference brief, unless any of you wants to  
20 discuss that now. Looks like a post-conference brief,  
21 then.

22 MR. PERRY: I just think that could be an  
23 issue, and I would, basically we would raise it in our  
24 brief. But we also want the Commission to look at it  
25 carefully.

1 I mean, what they're doing in Mexico. I  
2 mean, there have been other cases -- Silicon Carbide  
3 comes to mind -- where basically the commission went  
4 negative, because the companies that were injured were  
5 Canadian producers, with just little operations here  
6 in the U.S.

7 This is kind of a different situation, but I  
8 would think they would have to look at it separately.  
9 Thank you.

10 MS. ALVES: And then moving on to  
11 cumulation. If I could also hear from counsel, what  
12 are your thoughts regarding cumulation for purposes of  
13 any present material injury analysis, and cumulation  
14 for purposes of threats?

15 MS. JACOBS: To the extent we think we have  
16 to address it, we'll do that in the post-conference  
17 brief. But I'm not sure we've seen that. That's not  
18 an issue we've focused on at this point.

19 Neil, do you want to --

20 MR. ELLIS: What she said.

21 (Laughter.)

22 MR. ELLIS: Brenda and I think alike. We  
23 used to work in the GC's office.

24 MS. ALVES: Okay. And sometimes that may  
25 not become obvious until you've seen some of the

1 questionnaire responses. And as more of those get  
2 released under APO, you may have more of a sense. But  
3 it's always easier for me to have some sort of a sense  
4 going into ready-mill legal issues memo of whether or  
5 not that's going to be a hot issue or not.

6 But I have not heard much in the way of  
7 differentiation today in terms of -- and correct me if  
8 I'm wrong -- in terms of the types of products that  
9 are being supplied by the domestic industry, versus  
10 imported from China or Taiwan. Can I hear from the  
11 industry witnesses if there is a difference in the  
12 types of products, or the product mix that's coming in  
13 from any of the three sources?

14 MS. JACOBS: I'm going to have to ask you to  
15 repeat the question.

16 MS. ALVES: Sure, I know how that works. If  
17 I could hear from the industry witnesses in terms of I  
18 have not heard today necessarily distinct differences  
19 in terms of the products that are coming in from China  
20 and Taiwan, as compared to the products being produced  
21 domestically, or if there are differences in terms of  
22 product mix. There seems to be some testimony about  
23 differences in terms of what people were supplying, in  
24 terms of seasonality, more of the seasonal merchandise  
25 as being imported.

1           But if you could elaborate somewhat on  
2 differences in terms of the products.

3           MR. LODGE: Tom Lodge, Liberty Ribbon. I  
4 can say that with regard to certain specialty non, or  
5 narrow-woven ribbon, such as those that are  
6 constructed from metalized polyester yarn, most of  
7 that seems to be from either Taiwan or China. I don't  
8 see a lot of domestic, if any domestic, production of  
9 that in, or domestic product mix with those. And that  
10 could be the metallic lame-type ribbons. Sometimes  
11 they're sheer, so you would have a sheer ribbon,  
12 instead of just a sheer with a polyester yarn. It's a  
13 metalized polyester yarn, and sometimes it's  
14 different-colored yarns. So you've got a multiple  
15 color arena. You've got a red-green mix.

16           So I believe most of that product comes from  
17 overseas. I don't see a lot of it being produced  
18 domestically.

19           MS. ALVES: And could you comment on what  
20 portion of the market we're talking about? Is this  
21 just a very small area? Is this --

22           MR. LODGE: I don't think it's  
23 insignificant. I think the reason that most of it  
24 comes from Taiwan and China is that they tend to be  
25 smaller runs. And again, it goes to loom setup, and

1 the reluctance to change over looms here in the  
2 States, versus the willingness to do so overseas.

3 MR. WONG: Vinci Wong from Papillon. I do  
4 have, I'm not sure whether I'm asking the right  
5 question at the right time, about a product which  
6 basically ribbon, what we are talking in here. But a  
7 lot of the product being used in this country for  
8 industrial use are actually processed after the ribbon  
9 is being done.

10 For example, for like holiday season, people  
11 use ribbon for gift-wrapping, or a lot of retailer  
12 using cut ribbon into specific length to do their  
13 packaging. And after they cut the ribbon, sometimes  
14 they even put on double-sided tape at the end of it to  
15 simplify the local or the store operation.

16 And in a way, well, it's not really look  
17 like it's a design process, but that's not these cut  
18 specific ribbon are produced overseas because of the  
19 lower labor costs.

20 MS. ALVES: So what you're saying is the  
21 ribbons are not only produced overseas, but they're  
22 cut overseas. And they come in here as the already-  
23 cut lengths? Or they're coming in --

24 MR. WONG: Well, this is part of what the  
25 petition is asking. Based on what they said, cut into

1 any length, any embellishment is all inside this  
2 petition.

3 But on the other hand, there is no labor  
4 which is expensive enough in this country, so a lot of  
5 these ribbon actually ship into this country were cut  
6 into specific length. Maybe sometimes they add on  
7 some sort of embellishment, like double-sided tape, to  
8 help the actual operator in this country to save their  
9 cost.

10 And so, but in the scope of what we are  
11 facing today, this is part of being petition.

12 MS. ALVES: And again, on the scope side,  
13 I'm going to defer to Commerce on the scope. I'd  
14 rather have them tell you specifically. I can read  
15 the language as well as you can, but I would much  
16 prefer to have Commerce tell you specifically what's  
17 in and what's out, and have them deal with any  
18 questions that way.

19 MR. PERRY: Mary Jane, the only question I  
20 would have is, I think the Commission has to be clear  
21 what is in and what is out. Because that obviously  
22 affects like product and the domestic productions  
23 you're looking at.

24 MS. ALVES: Correct. At least I personally  
25 have not seen the final scope from Commerce. I know

1 that there have been amendments to the petition where  
2 there have been changes or suggested changes to the  
3 scope. I don't have the final scope language yet.

4 MR. DUFFEY: Can I add something here,  
5 please?

6 MR. ASCIENZO: Could you identify yourself,  
7 please?

8 MR. DUFFEY: Joe Duffey, May Arts. And I  
9 think the point, Mary Jane, that you asked about the  
10 uniqueness of the product. If you hold a yard of  
11 ribbon up from any of our manufacturers, you would say  
12 well, this ribbon could be manufactured at almost any  
13 of the manufacturers. That's different than are they  
14 willing to manufacture it.

15 So as May Arts, Charles, Mr. Vaughn  
16 referenced that if it was 20,000 yards or less, that  
17 would be considered a small run.

18 I would venture to say that I have no  
19 product that's more than 20,000 yards. We just don't  
20 sell large volumes of any product.

21 So I need very -- and then if you introduce  
22 a new ribbon design, which is really a modification of  
23 an old design in most cases, you don't introduce it  
24 into popular two or three collars that you think are  
25 going to sell; you're going to introduce it in six or

1 10 or 20 colors. And then maybe five or six of those  
2 colors really sell.

3 So you don't order the other 15 colors. So  
4 it's the whites and the creams and the blues and the  
5 greens that are really going to sell, but the other  
6 colors, that will be -- but you're not sure which of  
7 the other 15 is going to be in the popular line.

8 So we have a need for very small runs of a  
9 large volume of products, and we're just going to  
10 complete the product family. When in fact, we might  
11 sit on that product four to five years before we sell  
12 a box of it. Before we  
13 sell -- when you run 20,000 yards, it's only 400 rolls  
14 of ribbon. I have boxes that are five or six years  
15 old that are sitting there to complete the family of  
16 ribbon.

17 And I think that distinction of the finished  
18 product looking the same is different than the  
19 willingness to run a 10,000-yard run, or the  
20 willingness to run 10 or 12 colors to complete a  
21 family of ribbon.

22 MR. WONG: I want to also add on that  
23 comment. I'm in the manufacturing end. I use ribbon  
24 for let's say apparel industry. It's not every day I  
25 have a huge order which uses a lot of ribbon, because

1 my little product use very little amount of ribbon for  
2 that particular color.

3 If I have clients ask for specific custom  
4 color, the limitation of minimum is tremendously high.  
5 And on, but on the other hand, in overseas I do have  
6 willing supplier, able to do or lower the minimum so I  
7 can complete my order for my client. And that is very  
8 specific. You can call it fashion-oriented or  
9 whichever way you want to call it, but basically we  
10 are manufacturer which do the job for the end user.  
11 If they like it, we have the order, simple as that.

12 But if we are buying it by the minimum,  
13 which is not as practical in this, I mean in the  
14 Offray case, well, we will be out of business as well.

15 MS. ALVES: Okay. Can we also talk about  
16 some other, and perhaps there are differences among  
17 the channels, there may be some concerns about your  
18 ability to purchase smaller quantities, or to get  
19 smaller runs of particular items.

20 How does the pricing work in terms of,  
21 regardless of whether or not you're buying a small  
22 quantity of a very specific item, or if you are one of  
23 the larger retailers buying large volumes. Did we get  
24 an accurate portrayal this morning of how the pricing  
25 works, how the negotiations work? How you invoice

1       them? How specific are the invoices, how specific are  
2       the negotiations?

3               MR. MITCHELL: David Mitchell from Michael.  
4       Berwick presented the method that we buy product  
5       pretty accurately. We buy product based on the types  
6       of product swatches you saw today. We negotiate price  
7       per SKU, and POs are written in eaches in rolls by  
8       SKU. And they are quoted in eaches based on the roll  
9       by SKU.

10              And I think that aligns pretty much with  
11       what Berwick said.

12              MS. FREEBERN: That's the same for us, as  
13       well. They present us with the pricing. We do sell  
14       some SKUs by the yard, so our ribbon can also be  
15       priced per yard. But it is --

16              MR. MITCHELL: But that's retail by the  
17       yard. You buy at cost, correct?

18              MS. FREEBERN: I don't think so.

19              MR. ICSMAN: Bob Icsman with JoAnn Fabric.  
20       And I think that Berwick accurately described the  
21       process, as well.

22              MS. BUCKLIN: This is Shelly Bucklin with  
23       Costco Wholesale. We go through a process where we  
24       look at design. We have one SKU in our warehouses.  
25       So that SKU incorporates an assortment of

1 approximately 60 designs, 30 to 60.

2 So we go through, we look at all the  
3 designs, and we decide on -- the first step is the  
4 designs, if we like the designs or not. If we like  
5 the designs, then we get a cost on each design, and  
6 then we amortize it over the whole set, cost-average  
7 it.

8 MS. ALVES: Any of the other witnesses? So  
9 I'll take by the silence that everybody else is in  
10 agreement that that's how it works? I just want the  
11 transcript to reflect it.

12 Can we talk a little bit about what the  
13 Commission is going to be looking at in terms of the  
14 data for this case? You heard a similar question  
15 asked this morning.

16 Obviously, imports, prior to 2008, were  
17 categorized under a basket category. Since then,  
18 imports have been broken out by much more detailed  
19 subcategories.

20 In your post-conference briefs, if you could  
21 look at the issue of whether or not importer  
22 questionnaire responses are, give us adequate  
23 coverage. And if not, what do we look at in terms of  
24 volume trends?

25 Do any of the witnesses here have any sense

1 of what the volume trends looked like based on, for  
2 example, the U.S.-China bilateral agreement? How did  
3 that affect import volumes from China and/or Taiwan?

4 Obviously, the bilateral agreement was  
5 between the United States and China. But were there  
6 any effects on the imports from Taiwan?

7 MR. MITCHELL: David Mitchell from Michael.  
8 Unfortunately, our systems are not real clear on a lot  
9 of that reporting. And so it's going to be a little  
10 challenging for us to get to some of the information.  
11 And we've been talking with counsel about that.

12 So some of those questions are going to be a  
13 little bit difficult for us to answer.

14 MS. ALVES: Would that be because you don't  
15 keep the SKUs by origin? Where a particular SKU might  
16 cover imports from --

17 MR. MITCHELL: Right.

18 MS. ALVES: -- U.S. product as well as  
19 imports?

20 MR. MITCHELL: Correct. Those are those  
21 reasons, correct. And also the complexity of the way  
22 some of the customs reporting has happened in the  
23 past, and some of our own internal systems constraints  
24 around how customs reporting happens right now.

25 So it's just, it's not easy, is really all I

1 guess I can say.

2 MS. ALVES: And is that an isolated case?  
3 Or are other companies having similar difficulties  
4 identifying the source of their purchases?

5 MR. ICSMAN: Bob Icsman with JoAnn Fabrics  
6 and Craft. I think that's accurate.

7 As I mentioned in the testimony, the  
8 domestic transaction from Berwick, then we would have  
9 no way to know whether that item originated in the  
10 United States or came in from overseas. Obviously  
11 when it gets actually put up in the store, or if it  
12 did come in from overseas, it's going to have, you  
13 know, country of origin on it. But at that point, I  
14 mean, the order was placed months ago, and it's really  
15 irrelevant to the buyer then, you know, whether that  
16 specific spool was produced in the U.S. or from  
17 overseas.

18 MS. ALVES: And in terms of inventorying  
19 your individual stores, there's no tracking after the  
20 fact of what comes into the stores by origin?

21 MR. ICSMAN: That's correct. County of  
22 origin is not tracked by the stores in any way. And  
23 the price part of the inventory, it really would not  
24 matter to the store personnel whether the item they're  
25 putting up on this plan-o-gram or that plan-o-gram,

1 what that country of origin was. Whether it's ribbon  
2 or any other item.

3 MR. MITCHELL: And for Michaels, in fact,  
4 country of origin isn't really stored as a common  
5 metric in our data warehouse at the corporate level,  
6 either. Especially from a historical perspective,  
7 where perhaps in 2005 Berwick made an item in the  
8 United States, and then in 2007 they moved it to  
9 Mexico somehow, and then in 2008 maybe they moved it  
10 to Taiwan. I mean, that complicates it even more.

11 We could go to the floor and look at a  
12 flange, the spool, to see what it says today. But  
13 looking backwards is, you're looking into a black  
14 hole.

15 MS. ALVES: Is that the same with others, as  
16 well?

17 MR. ICSMAN: Bob Icsman with JoAnn. I don't  
18 know if I can speak specifically to the ribbon, but if  
19 a SKU from any item, if a stock-keeping unit was  
20 originally, you know, it's assigned a number, and it's  
21 a styrofoam cup and it's produced in the U.S., and  
22 then either it's shipped by the manufacturer overseas,  
23 or we then direct-import it overseas, if it remains a  
24 styrofoam cup, the stock-keeping unit number will not  
25 change.

1           So at one point in time that SKU would  
2           reflect a styrofoam cup made in the U.S. At some  
3           other point in time, it would reflect a stock-keeping  
4           unit either imported by the domestic seller to us, or  
5           reflect an actual SKU that's produced overseas. But  
6           we would have no way of knowing at which point in time  
7           it was U.S. direct import, imported by our vendor.

8           MS. FREEBERN: Ours are pretty easy to  
9           identify. With Berwick, for instance, we had separate  
10          vendor numbers, one through their Hong Kong office  
11          which was all for the Chinese goods, one for their  
12          Taiwanese direct imports, and then their domestics.  
13          So they were separate. So we can tell which SKUs were  
14          imported from what origin.

15          And the rest of them are pretty easy for us  
16          to identify because most of ours are direct-imported  
17          on our own, or through another vendor which used one  
18          country or the other.

19          MS. BUCKLIN: This is Shelly Bucklin with  
20          Costco. We have consistently imported from Taiwan.

21          MR. LODGE: Tom Lodge from Liberty Ribbon.  
22          I really have a question.

23          With regard to country of origin, we're only  
24          concerned about identifying the country of origin for  
25          the ribbon we import, correct? Not ribbon that would

1 be sourced domestically through another trading  
2 company, or importing company.

3 We source all of ours directly. But in  
4 other words, if a retailer is buying from Berwick and  
5 they have imported the ribbon, that should not be  
6 counted on their import questionnaire, correct?  
7 Because that would be counted on Berwick's import  
8 questionnaire. Otherwise we're double-counting? Am I  
9 --

10 MS. ALVES: Yes, we don't want to double-  
11 count. I'm just trying to get a sense of how accurate  
12 the record keeping is out there, and whether or not  
13 the identity is even known of whether or not it is, in  
14 fact, an import, or if it's a purchaser, or if it's --

15 MR. VAUGHN: Perhaps I misunderstood your  
16 initial question, but I thought you were asking a  
17 broader market-based question about whether or not  
18 bilateral agreement between China and the U.S. had had  
19 an impact on the Taiwanese imports. Was I listening  
20 to another question?

21 MS. ALVES: That was my initial question,  
22 which I was hearing from individual companies that  
23 they didn't necessarily know what the trends were.  
24 But if others have a sense from in the marketplace  
25 whether or not there was an impact on the trends, if

1 you have a sense based on your own data or on your  
2 observations in the marketplace, that would be  
3 helpful.

4 MR. VAUGHN: I think that my own experience  
5 with it was that initially in China there was a  
6 tremendous overreaction to it, and quota became a very  
7 expensive commodity, raising the cost, and perhaps  
8 allowing Taiwanese competition or competition from  
9 other places around the world to take some share.

10 But I think that rapidly kind of settled  
11 out. And for the last two to three years, the effect  
12 would have been negligible. Again, just from my  
13 limited perspective in China.

14 MR. WONG: Vinci Wong from Papillon. Based  
15 on my experience, actually I don't really feel the  
16 quota or bilateral agreement was any impact into my  
17 own importing. Because there's sufficient quota out  
18 there for the last many years; there was no shortage  
19 of it.

20 And I don't really, if there was no quota  
21 problem, then I really don't see an increase or  
22 decrease of what we are really looking for in terms of  
23 import from Taiwanese because of the bilateral  
24 agreement.

25 MS. ALVES: Anyone else? Okay, then,

1 looking specifically at the allegations in the  
2 petition about the change in volume since 2008.

3 Petitioners allege that there has been a  
4 significant increase just in that time period. Would  
5 you agree? And if so, any explanation for why there  
6 has been an increase?

7 MS. FREEBERN: I feel that it's better  
8 design on our end, increased sales. The better the  
9 design, the better the product, the more you're going  
10 to sell. That's just my personal opinion on what we  
11 carry; that we've done more of our own innovative  
12 designs, and our sales have increased over the last  
13 several years because of that.

14 MS. ALVES: Anyone else?

15 MS. BUCKLIN: Shelly Bucklin, Costco. Our  
16 increases have been due to sales and the company  
17 growing.

18 MS. ALVES: I have no further questions.

19 MR. ASCIENZO: Thank you very much.

20 Nancy Bryan, the economist.

21 MS. BRYAN: Hello. Good afternoon, Nancy  
22 Bryan, Office of Economics.

23 I have a couple of clarification questions.  
24 First, if I can get into my other questions.

25 Regarding the small volume orders, I would

1 just kind of clarify, have any of the witnesses here  
2 ever tried to order a small volume from Petitioners,  
3 and were unable to get that from them?

4 MR. MITCHELL: This is Michaels. Not to my  
5 knowledge.

6 MR. ICSMAN: Bob Icsman, JoAnn Fabric. I  
7 don't believe that would be the case, either, but I  
8 can check.

9 MS. BRYAN: Okay, thank you. So this is  
10 just sort of a sense that they're unable to do so?

11 MR. VAUGHN: Charles Vaughn and Nancy  
12 Strivens. My comment with respect to small volumes  
13 is, we had, in a previous company, bought a large  
14 number of SKUs from CM Offering, which was not part,  
15 at that point, was not the Petitioner. They were a  
16 stand-alone company.

17 And it was always an issue for us to get  
18 smaller quantities, specifically sold into the  
19 lingerie market. We did an operation very similar to  
20 what Vinci Wong does, in making rosettes and flowers.  
21 And in that case we were using offshore labor in  
22 either St. Lucia or in China to accomplish the  
23 construction.

24 And it was difficult. And we did, in fact,  
25 locate alternative sources of supply as a result.

1 MS. BRYAN: Okay. And when was that?

2 MR. VAUGHN: Boy, that was probably back in  
3 like '94, '95; long enough back that frankly, I don't  
4 know if it's germane to this discussion.

5 MS. BRYAN: Okay, thank you. Okay, now back  
6 to the SKU issue.

7 I got kind of curious, like how specific an  
8 SKU description is. Like, can you give me an example?  
9 Like, does it include color or pattern or spool  
10 lengths?

11 MS. FREEBERN: In our system it's set up to  
12 have a separate column for the size, so that would  
13 tell you the width and the yards on the spool. Color,  
14 and then a description is usually generally the  
15 design, or the type of ribbon.

16 MR. MITCHELL: At Michaels we're not quite  
17 so structured, unfortunately. I think we have like a  
18 limited character field, 16, 18 characters, that  
19 essentially the merchant decides. And it could be  
20 specifically unrelated to the technical nature of the  
21 product, but it might be very specifically related.

22 But regardless, it's only in a text field.  
23 So it's not like it's an attribute that you can report  
24 against. So if it happens that they say it's eighth-  
25 inch-by-three-yard ribbon, that might only happen part

1 of the time. And even then, it's just a text field.

2 MR. ICSMAN: Bob Icsman with JoAnn Fabric  
3 and Craft. Our experience would be similar to what  
4 Michaels just described. It really is buyer-drive,  
5 how detailed that buyer is in describing it. She may  
6 just describe the pattern and the color and so forth,  
7 and not put anything in about the width or the total  
8 yardage of the spool.

9 I'd say there's probably a better chance  
10 that the width might be in. But the total yardage of  
11 the spool, if it is in there, again, it's not a metric  
12 that can be driven off of; it's just part of a  
13 description. I doubt it's in there because of the way  
14 that was described earlier this morning, and the way  
15 that the offerings are made and sold. It's really  
16 that you are looking at a whole plan-o-gram by spool.  
17 Whether this spool has 10 yards to a spool or nine  
18 yards is really not relevant, you're just looking at  
19 it.

20 MS. BRYAN: Okay, thank you. So when you  
21 have a price in eaches, like you said, it could be, I  
22 guess, one spool, or maybe an assortment that's  
23 included as an each, I'm not sure.

24 But the price then could be, for that one  
25 SKU, could be for different lengths of spools? Which

1 I assume then the price ranges would be pretty wide?

2 MR. ICSMAN: Correct. I mean, the spools  
3 can come in varying lengths. And the buyers, at least  
4 at Michaels, based on my experience, do the math to  
5 make sure they're getting the right deal per linear  
6 yard.

7 We don't think in terms of square yards at  
8 all, unfortunately. And we don't report against  
9 linear yards. But obviously a one-yard mini-bobbin of  
10 ribbon should be significantly cheaper than a 50-yard  
11 spool of an equivalent ribbon. And the buyers  
12 understand that, based on their knowledge of the  
13 market. So the costing and the retail pricing is  
14 based on an understanding of the value per linear  
15 yard. But it's not a systemic metric. It's something  
16 that, to some degree, is sort of baked into their  
17 process, their thought process.

18 MS. BRYAN: Okay. Okay, thank you. So I  
19 guess, kind of linked to that is when you're making a  
20 purchase order, how specific are you? Say, is it just  
21 by SKUs then, or it varies?

22 MR. ICSMAN: Yes. Bob Icsman at JoAnn  
23 Fabric and Craft. The PO invoice would refer to a  
24 number of different eaches, or spools, of what the  
25 SKU, and how many more you needed to be replenished.

1 MS. BRYAN: Okay, thank you. Okay, I guess  
2 this is more of a general market question, so  
3 everybody can feel free to respond.

4 I've heard that, from some witnesses that  
5 demanded drop-offs in service session, this goes back  
6 to 2006. Does anybody have a sense of, like, you  
7 know, since then how the timeline has changed for  
8 demand to today?

9 MR. ICSMAN: I don't remember which, but one  
10 of, a couple of our questionnaire responses have some  
11 pretty responsive answers about that. One of the  
12 particular, I don't know if it was -- it talks in  
13 great detail about the trend system.

14 MR. MITCHELL: The challenges, in my  
15 instance for Michaels stores, I can only speak on  
16 behalf of Michaels stores. And there isn't industry-  
17 wide data. There is no consistent research panels.  
18 There is inconsistent HTS to try to capture customs,  
19 there is inconsistent domestic reporting.

20 So it's, it's really hard for us to  
21 generalize, especially when ribbon seems to be a very,  
22 very fragmented, multi-channel, multi-purpose product  
23 that sometimes ends up as a component for another  
24 retail product.

25 I have no idea the size of the floral market

1 ribbon industry. No clue at all. And that may be a  
2 key determination in the size and the condition and  
3 health of the overall ribbon market. I have no clue.

4 MS. BRYAN: Okay. But for the retail  
5 segment, do you have a sense?

6 MR. MITCHELL: No, for the exact same  
7 reasons.

8 MS. BRYAN: Okay.

9 MR. MITCHELL: And it's interesting that  
10 craft is a fairly unsophisticated channel, and you're  
11 dealing with the craft industry here today. And we do  
12 not have the types of systems and history and  
13 infrastructure investments that you'd find in CPG.

14 So it's just unfortunate the kind of  
15 statistical data that you may be used to dealing with  
16 in other industries isn't, isn't really here,  
17 unfortunately.

18 MS. BUCKLIN: Shelly Bucklin for Costco. We  
19 have seen declining sales in our ribbon products, and  
20 due to the recession, especially the last holiday,  
21 around that October timeframe, when everything hit.  
22 Our sales did decline.

23 MS. BRYAN: Okay.

24 MR. ICSMAN: Bob Icsman with JoAnn Fabrics  
25 and Crafts, I'm sorry. In general, what we found with

1 the seasonal slash holiday ribbon that would be  
2 trending downward as well. Because during this  
3 recession, all of, you know, the seasonal, you know,  
4 discretionary, what we call discretionary purposes by  
5 our customers she has not made.

6 So with the seasonal/holiday revenue being  
7 part of that whole seasonal goods section, that would  
8 have suffered, as well.

9 MS. FREEBERN: Melissa Freebern. For us,  
10 this year our everyday ribbon sales have increased.  
11 And I would attribute that to our design. And we have  
12 relaid our whole department in the last two years. So  
13 I would suspect that our sales have increased because  
14 of that.

15 MR. LODGE: Tom Lodge, Liberty Ribbon. As I  
16 mentioned earlier, we have noticed a definite downward  
17 trend, both in 2008 and 2009.

18 To go back just briefly to your prior point  
19 about requests for the low-volume runs. With regard  
20 to the novelty ribbons, the ones that have the  
21 metalized construction or special combinations of  
22 satins and meshes, that would not be offered  
23 domestically by Berwick, because it's probably not in  
24 their domestic production product line. So customers  
25 are going overseas because it's simply not part of

1 their, of their offering.

2 MS. BRYAN: Okay, thank you.

3 MR. DUFFEY: Just again, that differentiated  
4 market in that we're not really selling the one-time-  
5 use product. We're using the product like it's really  
6 a decorative, or a quilt, or scrapbooking or things  
7 like that. So we saw an immediate fall-off in sales  
8 in October '07, so that the effect of that was that  
9 '07 was two percent below '06. All of which was in  
10 the last two months of '07.

11 We had another 20-percent fall-off in '08,  
12 relative to '07. And we had a 23-percent year-to-date  
13 relative to the '08 year-to-date in '09. So weighted  
14 average, we're 40 percent off the previous sessions  
15 sales. And we know, because the majority of our new  
16 business comes from trade shows; that the traffic of  
17 those shows and the presenters at that -- we were at a  
18 show today, which traditionally would have had most of  
19 our major competitors at that show. And not one of  
20 our competitors was at that show today, to give you an  
21 idea. The exhibitors are not even there, never mind  
22 the customers not being there.

23 So we know that we have a downward trend in  
24 the number of people placing an order, and we know  
25 where they are. In many cases they are out of

1 business or they're on hold. And we know that the  
2 size of the average order is down by about 14 or 15  
3 percent.

4 MS. BRYAN: Okay, thank you. I appreciate  
5 that.

6 Also, do you all have a sense of the trends  
7 in prices since 2006?

8 MR. VAUGHN: I can only speak to that from,  
9 in broad generalities.

10 I have a sense that in the domestic market  
11 here, prices are, in fact, declining. I don't really  
12 get the sense that it's as a result of increased  
13 imports, as much as perhaps it's excess capacity here,  
14 that's driving it down.

15 MS. BRYAN: Okay.

16 MS. FREEBERN: Melissa Freebern, Hobby  
17 Lobby. I would say that our prices have not gone  
18 down. We did have an actual increase in the last 12  
19 months, probably due to the oil prices going up. But  
20 I think they've pretty much leveled. But nothing  
21 drastic up or down, pretty stable.

22 MS. BRYAN: Okay, thank you.

23 MR. VAUGHN: I have a feeling that the  
24 pricing here, from what I know from my company, has  
25 been very stable. The cost of purchase has actually

1 gone down a little, but not substantially. I presume  
2 the competition overseas is heating up, or maybe  
3 because of drop in the economy, that people really  
4 want more business. So it's natural the cost really  
5 goes down a little, even though, even though we heard  
6 that the inflation in China, Taiwan, especially China,  
7 is going up. But I guess people take less profit.

8 And even for my own company, I used to have  
9 a higher margin, but now I basically try to reduce my  
10 margins just to make sure I'm doing okay. Thanks.

11 MS. BRYAN: Okay, thank you. Kind of  
12 related to this, if any of the retailers wish to  
13 respond to what we heard this morning, that retailers  
14 every year try to get a price reduction.

15 MR. MITCHELL: I guess I'll say kind of the  
16 obvious thing, that we're in business to satisfy our  
17 consumers and to create profit. And driving sales and  
18 profit is what I think my job is.

19 MS. BRYAN: Okay, thank you. Okay, sort of  
20 the logistics side again, making purchases, again for  
21 the retailers. Typically, do your purchasers all come  
22 to your, the distribution centers? Or are they  
23 actually going directly to your retail stores and the  
24 suppliers?

25 MR. ICSMAN: Bob Icsman, JoAnn Fabric and

1 Crafts. I apologize, I cannot speak specifically to  
2 the ribbon. But I would say that in general, the  
3 majority is coming into one of our three distribution  
4 centers.

5           However, I know specifically, for example,  
6 candy, because of its nature of disposability, would  
7 be drop-shipped, which would, the order would be  
8 placed in the vendor, then would ship it themselves  
9 directly to the stores.

10           But for the, as I said, I can safely say  
11 that the majority of the goods are coming through our  
12 distribution centers, and then being channeled out to  
13 the stores.

14           MS. FREEBERN: Hobby Lobby. All of ours  
15 comes to our distribution center in Oklahoma City. We  
16 only have one, and it ships out from there.

17           MR. MITCHELL: The vast majority of our  
18 goods flow through our distribution network. There  
19 are some products that do drop-ship to stores similar  
20 to what JoAnn has described.

21           MS. BUCKLIN: Shelly Bucklin, Costco. They  
22 go through our DC, but it's not a hold facility. The  
23 cross-stock comes in and goes out that same day, and  
24 then into our location.

25           MS. BRYAN: Okay, thank you. I've kind of

1 heard that there is a practice in retail stores of  
2 markdown support; that if a supplier wants to get more  
3 retail space, sometimes they have to help the retailer  
4 clear out the old product that's sitting there on the  
5 shelves.

6 I was just wondering if the retailers want  
7 to explain if that's a common practice in this market.

8 MS. FREEBERN: Hobby Lobby. We do not do  
9 that. We buy it, we're stuck with it, and we mark it  
10 down and take our losses.

11 MR. MITCHELL: I'd say that lots of  
12 different things could happen, based on the individual  
13 situation. There's, Michaels spends a ton of money on  
14 booking their own markdowns to move outdated product.  
15 I'm sure that if it were possible, we would leverage  
16 relationships to try to create win-win so that we can  
17 drive new product onto the shelf, so that everyone is  
18 able to win by having fresh product to drive results,  
19 and to give our consumers what they want.

20 But there's no standard answer at Michaels.

21 MR. ICSMAN: Bob Icsman, JoAnn Fabric and  
22 Craft. I think that you have accurately described  
23 what could occur; whether, you know, if it's a product  
24 that's not moving, whether it's a partnership between  
25 the retailer and the vendor as far as what it's going

1 to take to get that product out and off the shelves,  
2 and get new things in. Each can vary again by product  
3 and category.

4 MS. BUCKLIN: Shelly Bucklin for Costco. If  
5 the product does not sell, we mark it down, with the  
6 help of the vendor sometimes. But it is for their  
7 specific products, not other products to gain space.

8 MS. BRYAN: Okay, thank you. I guess, if I  
9 understand it better, if there is a markdown  
10 occurring, and you have the relationship with the  
11 supplier to help you do this, is it sort of negotiated  
12 separately then, this sales price of their product?  
13 Or is it sometimes related to a reduced price from the  
14 supplier on the new product?

15 MR. MITCHELL: That seems to be more related  
16 to the pricing policy of the wholesaler, not the  
17 purchasing policy of the retailer. I don't really  
18 care how they structure it. So, you know, I guess  
19 that's really more of a question for how they would  
20 manage it from their side; if they change their  
21 costing structure based on any support they give. We  
22 just try to get to the best possible deal to get the  
23 best possible product to our customer.

24 MS. BRYAN: Okay.

25 MR. ICSMAN: Bob Icsman, JoAnn Fabric and

1 Craft. Again, not speaking specifically to ribbon,  
2 because I don't know that specifically. But I do know  
3 that for some products, you know, you may go into it,  
4 and there may be a certain allocation of markdown  
5 provided at the time of purchase.

6 So for example, if you're not anticipating a  
7 high sell-through with that product, if it's a new  
8 product and you don't know what the history is going  
9 to be, then, you know, the buyer at Jo-Ann may say  
10 well, if I'm going to order this much, and the sell-  
11 through doesn't happen, then you know, we may account  
12 for that ahead of time.

13 MS. BRYAN: Okay, thank you. Okay, this is  
14 sort of a quality-related question.

15 It seems like most of the retailers have  
16 testified that you don't, that a country of origin  
17 isn't necessarily an important factor; that you don't  
18 separately keep track of it for the most part.

19 So then would you say in general that the  
20 quality is comparable between the U.S. product and the  
21 imports from China and Taiwan?

22 MR. ELLIS: I'm sorry, again, in our  
23 questionnaire responses we also talked about that, and  
24 we had the little charts. And I think again, I forget  
25 which, and it's confidential anyway; but one of them

1 at least said that if anything, the quality has  
2 flipped. And that when you look at the non-physical  
3 aspects of quality service or whatever, the trend  
4 tends to be that they're getting better quality from  
5 Taiwan than from the United States. But they're  
6 looking at quality more broadly than just the physical  
7 characteristics of the ribbon.

8 MS. BRYAN: Okay. And you would determine  
9 quality at what point? I mean, at the point when  
10 you're making the price just before it's been shipped,  
11 and then you don't know where it's from any more?

12 MR. MITCHELL: Well, just to follow up to  
13 what Neil said, from Michaels' perspective, you know,  
14 quality has to fall all the way through the production  
15 process, all the way through to delivery. So you can  
16 get the world's best price from a guy, but if you plan  
17 on those actually being on the shelf to sell, but the  
18 guy can't execute production or supply chain and the  
19 goods don't show up? Then that's the worst quality  
20 product in the whole world.

21 So I do think that you have to think a  
22 little bit more holistically than just physical  
23 attributes. And you know, one of the things, as we've  
24 tried to think through, how do we optimize our supply  
25 chain and simplify it, and that is one of the upsides

1 of some of the more recent changes that we've made.

2 So it does get a little fuzzy, because  
3 quality is a little bit relative.

4 MS. BRYAN: Okay, I understand that. But in  
5 terms of just looking at the physical attributes,  
6 could you say that they're comparable costs to the  
7 different sources?

8 MR. DUFFEY: Can I answer that, Nancy? It's  
9 not really a U.S., it's not a U.S.-versus-Taiwanese or  
10 a Chinese. Each manufacturer has a set of  
11 capabilities for a specific product, so we don't take  
12 a design and give it to four manufacturers and get a  
13 price from each one. We know that this particular  
14 manufacturer has printing capability that are unique  
15 for that need.

16 We know what it should cost, because we've  
17 done 20, you know, 50 other SKUs just like that. And  
18 they know what it should cost.

19 So it's really, in our case it's not a  
20 negotiated or a bid process; it's a relationship  
21 process that says we know that you're good at  
22 printing, we know that you're good at this type of  
23 weaving, or we know that you're good at this type of  
24 coloring.

25 So we really go to the manufacturer relative

1 to the specific need of the finished product. And  
2 they, and we both know what they bring to the table,  
3 what our expectations are.

4 MS. BRYAN: Okay, thank you. That kind of  
5 leads me to my next question. It was again to the  
6 retailers, about how you typically solicit price  
7 quotes if you contact a certain number of suppliers  
8 that you've used in the past, or if it's sort of an  
9 open sitting, open to anybody?

10 MR. ICSMAN: Bob Icsman for JoAnn Fabric and  
11 Craft. Again, in general I think that that's going to  
12 be different by each buyer. So for example, you know,  
13 if you have a buyer who is moving into a different  
14 category -- for example, she bought fabrics, and now  
15 she's been moving; she's buying some type of hard-line  
16 good. If her current fabric vendor was able to supply  
17 also the hard lines, then I think she would, you know,  
18 invite that vendor to bid on the new work for which  
19 she was now procuring, in addition to the existing  
20 vendor. Or, you know, she may just move that vendor  
21 altogether, and now give the existing vendor a chance  
22 with the buyer. So it's sort of buyer-specific.

23 With respect to your specific with auctions,  
24 to my knowledge JoAnn does not use any type of  
25 auctions for merchandise that is resold to the public.

1 We do use auctions for other areas of the business,  
2 but not for our merchandise that is resold in the  
3 stores.

4 MS. FREEBERN: Melissa Freebern, Hobby  
5 Lobby. I would say that we use -- hold on just a  
6 second.

7 MR. MITCHELL: I'm going to answer your  
8 question. The buyer tends to start with a product  
9 concept; there is something that she's trying to bring  
10 to market -- or he, in my instance it's a she. And so  
11 that concept ends up driving product ideas, and there  
12 are product ideas solicited from the market or  
13 developed internally, or, you know, received from an  
14 overseas supplier or whatever. But the concept drives  
15 product, and price ends up being to what that product  
16 is. Because an eighth-inch narrow basic ribbon is  
17 going to have a very different cost structure than  
18 something that is built from a completely different  
19 concept.

20 So we don't walk into it with the thought of  
21 we've got to go find a 30-cent ribbon. We walk in  
22 saying, you know, wow, the black and white damask  
23 stuff is really selling, how do we leverage that  
24 concept. What does it mean for next year. And then  
25 that ends up translating hopefully into the right

1 price-value relationship.

2 And then when we do get quotes, they are  
3 quotes by SKU, very similar to what Berwick discussed  
4 earlier.

5 MS. FREEBERN: Melissa Freebern, Hobby  
6 Lobby, sorry about that.

7 We look at, when we have a new item, we  
8 source it to several people and say what can you do,  
9 can you do this type of product. And quality for us  
10 in ribbon in our department is a key factor, since we  
11 use it a lot in home sewing and hasping, a good  
12 quality to be washable, and so on and so on.

13 So we do with a new item offer it to many  
14 people, to who can give us the best quality at the  
15 best price.

16 But we also go to the vendors that we know  
17 have been able to supply us with that type of product,  
18 if we have had a good relationship, good shipping,  
19 good quality, and so on and so forth.

20 MS. BRYAN: Okay, thank you. I also have a  
21 question about, we touched on earlier about the  
22 advantages sometimes of being able to sometimes of  
23 being able to cut out a middleman, and going to direct  
24 importing.

25 I imagine there's also some costs incurred

1 by direct importing, setting up the logistics, et  
2 cetera. Do you mind kind of elaborating on what those  
3 might be?

4 MR. MITCHELL: No, I would prefer not to at  
5 this time.

6 MS. BRYAN: Okay, thank you.

7 MS. JACOBS: We'll handle that in the post -  
8 -

9 MS. BRYAN: That would be fine. That's what  
10 I took that to mean. And that's my last question. So  
11 thank you all very much again, and thank you for  
12 coming.

13 MR. ASCIENZO: Thank you very much. We turn  
14 to Mary Klir, the auditor.

15 MS. KLIR: I actually have no questions for  
16 this panel, but I'd like to thank you all for your  
17 testimony. And you have brought up some very  
18 interesting questions which we will explore, and I  
19 just appreciate you. Thank you.

20 MR. ASCIENZO: Andrea Boron, industry  
21 analyst.

22 MS. BORON: This is, I'm with the Office of  
23 Industries, and I have just a couple questions to  
24 clarify.

25 The first thing at the retail level, I

1 understand that ribbon can be used for a variety of  
2 purposes. But to differentiate between, you know, the  
3 basics versus the fancies, is there one embellishment  
4 or design that has more perceived value in the  
5 marketplace to the retailer or to a final end user, in  
6 terms of the yarn dye quality, either printing or  
7 sequins and things like that?

8 MR. ICSMAN: I'm sorry, could you repeat  
9 that? Are you saying is there, does the end-use end  
10 consumer look for --

11 MS. BORON: Is one particular embellishment  
12 or pattern or a yarn dyed or sequins have a perceived  
13 higher value? Versus, you know, plain yarn-dyed  
14 ribbon product?

15 MR. ICSMAN: Bob Icsman, JoAnn Fabric and  
16 Craft. I think we could probably identify to you our  
17 top-selling SKU. And, I mean, whether, you know, that  
18 then would give some indication that that's what  
19 they're looking for. But in general, I can't answer  
20 that question right now.

21 MR. MITCHELL: I think I agree with him. We  
22 understand relative unit sales across different types  
23 of items. But you know, you can have really expensive  
24 items that are really great perceived value, and you  
25 can have cheap items that have no value at all.

1           So that's harder. And we actually have very  
2 good items that are inexpensive and expensive. So  
3 it's not real clean that cheap stuff sells best,  
4 actually.

5           MS. BORON: I was thinking more in terms of  
6 what embellishments add more, like if it's silkscreen  
7 like polka-dots, versus like, you know, the patterns.

8           MR. MITCHELL: But the hard challenge is the  
9 different embellishments really have a relationship of  
10 cost, which ends up being translated to retail. So  
11 it's not, you know, there's no clear-cut winner, like  
12 we know that screen-print tees are the driver of the  
13 knit tee-shirt category right now; therefore, the best  
14 value is right there in screen-print tees. There is  
15 nothing that clean that we can say, because everything  
16 sort of has a place because of the broad usage that  
17 you get, and the costs are directly related to the  
18 production costs, which go up based on the number of  
19 embellishments and additional work that happens. So  
20 it is hard, unfortunately.

21           MS. BUCKLIN: Shelly for Costco Wholesale.  
22 I think from the consumer's perspective, it has to do  
23 with what's trending at the time. You know, a  
24 customer, I don't think when they come and buy a  
25 ribbon, looks at that ribbon and says oh, that's more

1 expensive, so I'm going to buy it. I think it has to  
2 do with what's trending. If metallics are trending,  
3 or wovens are trending, or prints are trending, or if  
4 it's snowmen or, you know, polka-dots are solid color,  
5 I think that's, from the consumer's perspective, the  
6 value.

7 MS. BORON: Thank you. And just to ask the  
8 obvious question, are any of the sourcing people at  
9 the retailers aware of any other domestic production,  
10 either of the narrow woven fabric or the cut edge? I  
11 know you mentioned shifts just in silk. I don't know  
12 if anyone else is aware of other domestic producers?

13 MR. MITCHELL: At this time, I'm not aware  
14 of any from Michaels stores.

15 MS. FREEBERN: I am not aware of any,  
16 either, from Hobby Lobby.

17 MS. BUCKLIN: Shelly from Costco. I am not  
18 aware of any.

19 MR. WONG: Vinci Wong from Papillon. I want  
20 to highlight to your last question.

21 When you say which ribbon perceived to be  
22 expensive, the first thing that come into my mind is  
23 velvet, velvet ribbon, which normally is pretty  
24 expensive stuff, and started from Switzerland. But  
25 recently in the last, I don't know, five years, it's

1 produced in China. That's expensive stuff. And I  
2 don't know much about production of velvet ribbon in  
3 this country.

4 MS. BORON: Great, thank you. I have some  
5 questions that are specific to Liberty Ribbon, and I  
6 don't know, to the extent that I asked them for a  
7 request for a business conference information that  
8 it's acceptable to forward in a post-conference brief.

9 But I guess, from a brief look at your  
10 website, it seems that you are doing some of the cut  
11 edge in the U.S. And I was just curious, in terms of  
12 your, your suppliers, where you're getting your fabric  
13 and what type of fiber contents you're using in your  
14 trim and that.

15 MR. LODGE: I think we'll wait to respond in  
16 the post-conference.

17 MS. BORON: Right. Let's see. And in  
18 general, in looking at the cut edge, when you get the  
19 broad-woven fabric, is it already dyed and processed  
20 to the point where you're just trimming it up? Or are  
21 there limitations to the processing when you're making  
22 the cut-edge ribbon?

23 MR. LODGE: If it's okay with you, I think  
24 we'd like to defer that to post-conference.

25 MS. BORON: Good. I think I have no further

1 questions. Thanks.

2 MR. ASCIENZO: Thank you very much. And we  
3 turn to Douglas Corkran, the Supervisory Investigator.

4 MR. CORKRAN: First off, I want to thank you  
5 all very much for coming here today, and your  
6 testimony has been tremendously helpful. And your  
7 stamina has to be commended, as well. So I think  
8 almost all the questions that have been asked have  
9 been tremendously, have been answered very fully.

10 I have, I think, two questions, both of  
11 which are really just trying to elicit just a little  
12 bit more information on questions that have already  
13 been asked.

14 First, with respect to the firms that import  
15 directly or through a middleman as it's been said  
16 today, can you tell me, are there particular  
17 attributes that you're looking for? And I'm actually  
18 more focused on some of the physical attributes that  
19 we can measure a little bit more easily. I'm not  
20 downplaying the importance of other attributes. But  
21 issues such as nylon versus polyester. Or in the case  
22 of, at least as far as I can tell from the import  
23 statistics, the prevalence of wire-edged product from  
24 Taiwan, or possibly the availability of shipping to  
25 the West Coast.

1           Are there certain attributes about your  
2 import buys that differ from the product that you  
3 purchase domestically, if you happen to do both?

4           MR. LODGE: Tom Lodge, Liberty Ribbon. With  
5 regard to the products that we import, we look at a  
6 couple of physical characteristics, one being dye-  
7 crocking. And that is the, how well the dye is fixed  
8 to the fiber. Because if it is not high-quality dye  
9 stuff, and it's not properly dyed and scoured and  
10 rinsed, you can have dye that actually sits on top of  
11 the fiber, and it will come off, either on your hands  
12 or on the package. And keep in mind that most of our  
13 ribbon is used for some type of ornamentation, as  
14 opposed to apparel.

15           So we are concerned with that. And  
16 uniformity of the dye, how much does it vary over the  
17 length of the ribbon in a roll. How many splices are  
18 there in a roll of ribbon. Because it's not desirable  
19 to have multiple splices within a roll of ribbon,  
20 because it adds waste. You may not get the length you  
21 wanted when you are wrapping a package, when you have  
22 to have this ugly tape or staple splice in the ribbon.

23           And you know, those are some of the -- oh,  
24 and of course, color. A lot of our, most of the  
25 ribbons that we do are custom-dyed. We're not pulling

1 from a palette that is offered. We are hitting a  
2 color that is specified, usually with a pantheon color  
3 match by our customer for a specific project.

4 Everything that we do is project-oriented.

5 So it's critical that the color matches.  
6 And sometimes it has to match under multiple light  
7 sources. You know, retail lights, it might be TL-84,  
8 UL-30, daylight. These are all specifications that  
9 are important in the process, and certain mills do it  
10 very well, and certain mills don't.

11 MR. CORKRAN: Okay, thank you. I appreciate  
12 that.

13 MR. MITCHELL: Just kind of a random  
14 comment. I mean, we tend not to buy based on like  
15 we're buying polyester versus nylon. So from a  
16 technical standpoint, it goes back to the boards that  
17 Berwick Offray showed earlier, that, you know, we  
18 start with a product concept, and then that leads to  
19 product, and then that leads to swatches, which leads  
20 to -- so it's the technical aspect of it isn't a huge  
21 part of the process.

22 I mean, obviously substrates do change in  
23 the trends. And substrates are something that the  
24 buyers can kind of keep their fingers on. But it's  
25 not, it's definitely not a science, and it's not

1 something that we drive.

2 So again, it's not quite as technical of an  
3 approach as maybe what you're trying to see in terms  
4 of understanding those attributes, from Michaels'  
5 standpoint right now.

6 MR. CORKRAN: Thank you. That both helps  
7 and complicates things for me, but I appreciate that  
8 nonetheless.

9 And the last question is, I wanted to round  
10 out some of the questions that I had earlier on  
11 reverse options. And I believe actually I already  
12 from JoAnn's that that's not even a process that you  
13 engage in.

14 And I got the impression that may also be  
15 true for some of the other retailers, but I'd like to  
16 ask the question directly. Do you engage in reverse  
17 options for this ribbon product?

18 MR. MITCHELL: At this time, there's no  
19 reverse auctions done for ribbon in Michaels stores.

20 MS. FREEBERN: Hobby Lobby. It's the same;  
21 no, we do not.

22 MS. BUCKLIN: Shelly Bucklin for Costco.  
23 No, we do not.

24 MR. CORKRAN: Okay. With that, I have no  
25 further questions. But again, I would like to express

1 my appreciation for all your testimony today. Thank  
2 you.

3 MR. ASCIENZO: Thank you very, very much for  
4 your presentation and all of your answers. You will  
5 be happy to hear I have no questions.

6 MR. ELLIS: We're beginning to feel a little  
7 left out here.

8 (Laughter.)

9 MR. ASCIENZO: But I have a feeling there  
10 might be some follow-on questions. There are at  
11 least, there is at least one follow-on question.

12 MR. COMLY: Sorry. Hearing some of your  
13 pain of going through the questionnaire and trying to  
14 figure out square yards, I'm trying to be a little  
15 proactive just in case this does actually make it to a  
16 final, how would you go about evaluating quantity in  
17 this case? And this may be to counsellors more than  
18 people filling it out.

19 But maybe retailers or importers, how do you  
20 track it? Do you track it in linear yards, number of  
21 spools? Square yards?

22 MR. LODGE: Unfortunately, I think the best  
23 way to evaluate it in terms of the actual value of the  
24 product is square yards, because it indicates the yarn  
25 that's in the product.

1 I mean, we don't track it that way. And  
2 believe me, it was unbelievably complicated to try to  
3 translate that into square yards from our database.  
4 We did it, but if you go by units, or you even go by  
5 yard, you go by linear yard, which doesn't indicate  
6 the amount of fiber, or yarn rather, that's in the  
7 product. Or the amount of loom capacity that was  
8 used, because looms have spaces. So the wider you go,  
9 the fewer spaces are on the loom.

10 I mean, it really does reflect, in terms of  
11 the value of the product, the best at square yards.

12 MR. VAUGHN: Charles Vaughn, MNC Ribbons. I  
13 concur with Tom. I think it was a real pain in the  
14 bookkeeping department's side.

15 But that being said, I think it's the  
16 fairest analysis that can be rendered. And I commend  
17 you on your choice of doing it that way.

18 MR. MITCHELL: From Michaels' perspective,  
19 unfortunately it's just not possible. So just as a  
20 note, it's just not attributes that we keep in our  
21 system. And the ability to do it for current state  
22 would be pretty much impossible. And it would be  
23 absolutely impossible to provide any historical  
24 context.

25 So that's just Michaels' situation. That's

1 where we are.

2 MR. ICSMAN: Bob Icsman, JoAnn Fabric and  
3 Craft. You had mentioned how do we track it. We  
4 don't track it by the yardage or any type like that.  
5 I mean, obviously when it comes over, there is a  
6 kilogram of, declared at customs, and how much it  
7 weighs.

8 But all the orders, as described earlier,  
9 all the orders are placed in eaches by the spool. And  
10 it's how many of those units are we reordering, how  
11 many have been sold. It's in no means how many, how  
12 much total yardage have we sold or anything like that;  
13 it's just how many units have come in and gone, how  
14 many more do I need to replenish the plan-o-gram, that  
15 sort of thing. It's unrelated to any type of length.

16 MR. ELLIS: Even though I'm a lawyer, can I  
17 talk about this? The more I'm learning about this  
18 industry, it's different from other cases I've been  
19 involved in, in that for some industries, for most  
20 industries I work in, you've got a standard measure of  
21 quantity. And different companies may have a better  
22 or worse ability to generate data for that standard  
23 measure of quantity.

24 You really don't have that here, at least  
25 among our major retailers. It's more ambiguous or

1       whatever, or incoherent than other cases. And it's  
2       not like if they had a better system they could have  
3       done it. So I don't want you to walk away with that  
4       impression that the data is not important, so that  
5       they don't keep it in a way.

6                   And the import data data people have is in  
7       kilograms, but that doesn't translate to domestic  
8       data. And you're going to have a very hard time  
9       getting your unit values for the pricing comparisons.  
10      So I understand your concern.

11                   But we have been really grappling with this  
12      for a while, and it is the, it is the serious  
13      information gap you've got in this case, to determine  
14      some, what the Petitioners should be trying to  
15      determine, which is whether or not there is injury and  
16      under-selling going on.

17                   MR. COMLY: So do you have any solution?

18                   MR. ELLIS: Vote negative. No, we don't.  
19      We're still looking, but no, because it is an  
20      information issue. Also, it's different company by  
21      company.

22                   If you luck out and have a company, which a  
23      couple of our clients whose questionnaires are here  
24      happen to have a small number of SKUs where the spools  
25      have a steady length, you know, you can do the math.

1 But where you don't have that, you're talking about  
2 thousands of SKUs with different lengths.

3 And not only that, but things that change  
4 over time. You know, the clusters of SKUs that are  
5 sold or imported from year to year have changed for  
6 these folks, and they don't maintain the data. They  
7 don't take snapshots of data from year to year.

8 So it's almost, if not almost, but literally  
9 impossible to get the 2006 and 2007 data for some of  
10 these folks. So I really don't know how to handle  
11 that.

12 MR. COMLY: Okay. I guess this may be  
13 another question for the lawyers.

14 Do you agree with the way Petitioners  
15 calculated their weaving and spooling capacity? A  
16 simple yes or no would be fine, just to get it on the  
17 record.

18 MR. ELLIS: Could you repeat the question,  
19 sir?

20 MR. COMLY: Do you agree with the way  
21 Petitioners have calculated their spooling and weaving  
22 capacity? Because they had to use averages, and they  
23 had to use certain assumptions. Are you okay with  
24 that?

25 MR. ELLIS: We haven't analyzed that, to be

1 honest. We don't know.

2 MR. COMLY: Maybe in your brief you can just  
3 quickly address that?

4 MR. ELLIS: It's possible, yes.

5 MR. PERRY: Same point from us. We'll look  
6 at it, too.

7 MR. COMLY: Okay, thanks. I guess this  
8 would be for the retailers, or even the importers.

9 Do you ever import gray goods? Or is it  
10 always finished product?

11 MR. VAUGHN: I can't think of any reason to  
12 import gray goods whatsoever. I mean, it's all sold  
13 in a finished color, and we don't have dying capacity  
14 here in the United States. Nor does anyone else that  
15 I'm aware of in our industry.

16 Do you know anybody? Just Berwick, yeah.  
17 Right. And Schipp, right. They may do that, but we,  
18 as a group, do not.

19 MR. COMLY: Okay, thank you. Can you give  
20 me a better understanding of the general market in  
21 China and Taiwan? Specifically looking at the  
22 producers, the number of producers. Are there a  
23 number of large producers? Or are there many small  
24 producers? Are there dominant producers out there for  
25 both countries, in either country?

1           MR. VAUGHN: In the domestic market in  
2           China, and we sell a significant amount of merchandise  
3           from our facilities into China, it's a very  
4           competitive market. I will tell you that our  
5           factories sell at lower margins into China than they  
6           sell to me at. And obviously I mark the product up  
7           when I sell it to my customers.

8           So in total, I think they're working on  
9           fairly low margins in China. There are a lot of small  
10          producers that are frankly going, falling by the  
11          wayside at this point. I think the recession in China  
12          has not been as severe as it was here in the United  
13          States, and that -- but there were certainly a bunch  
14          of folks who were over-leveraged, and as the market  
15          shrank they found themselves in a bad place.

16          It is dominated by some very large players.  
17          I think San Ding is very, very strong domestically.  
18          Yama, as well, is I think a very big player in the  
19          domestic market.

20          MR. WONG: I want to add in to what I know  
21          about the domestic market in China.

22          Certain industry, like apparel industry,  
23          move completely from different country into China  
24          because of the facility they have. For example, I'm  
25          in the apparel industry for a long time, but most of

1 the apparel industry is actually in China today. So  
2 obviously that affects demand of material, including  
3 ribbon.

4 And so the domestic industry in terms of the  
5 ribbon demand have surged over the last, I don't know,  
6 six, seven, eight years. And my understanding is they  
7 are very big player, like earlier Charles mentioned  
8 San Ding. But they are on a very low quality in term  
9 of the quality afforded, or what we understand about  
10 our industry.

11 And so are they selling on the local market?  
12 Absolutely. Also, the economy in China obviously is  
13 coming up, and people have more money to spend. And  
14 there is a big demand of people, people are using  
15 ribbon as well. So there are a couple of company like  
16 San Ding as have tremendous capacity, but they're also  
17 servicing their local market.

18 So I'm not too sure whether they are the  
19 people of what we are looking for.

20 Another couple of company, Yama or whatever  
21 it is, is also specific in certain industry, and which  
22 service a lot of local. Of course, some of them are  
23 trying to export it to America, as well. But to the  
24 extent of exactly whether they are exported to United  
25 States as compared to the size, I'm not too sure.

1           That's all I have, thanks.

2           MR. COMLY: Do you have any knowledge about  
3 the non-subject markets? Berwick did mention Mexico.  
4 You know, looking at import stats, Mexico appears to  
5 be the only other large non-subject exporter to the  
6 U.S. Are there other export countries to the U.S.?

7           MR. WONG: Well, I think that parts of  
8 Brazil have exported some number into it. But other  
9 than that, I don't think of anyone substantial. If  
10 you're talking about European, like Germany, France,  
11 Switzerland, they are producer of ribbon, but I don't  
12 see they're any significant number of what we are  
13 talking about here.

14           MR. COMLY: Okay, thank you. That's all I  
15 have.

16           MR. ASCIENZO: Thank you very much. Any  
17 other follow-on questions?

18           (No response.)

19           MR. ASCIENZO: And with that, we do thank  
20 you again very much for your presentation and your  
21 answers to our questions.

22           And now we're going to adjourn for a few  
23 minutes, and we're going to do rebuttal and closing  
24 remarks.

25           Mr. Dorris, approximately how much time do

1 you need to get ready? Well, as soon as the table is  
2 cleared, you're welcome to start.

3 (Whereupon, a short recess was taken.)

4 MR. DORRIS: It's important, while we're  
5 here, to remember that these investigations are about  
6 dumped and subsidized imports from China and Taiwan,  
7 they are having a negative impact on the U.S.  
8 industry, and that these unfairly traded imports are  
9 hurting the U.S. industry and causing injury. That's  
10 the focus of our case.

11 So let's go through the elements that we've  
12 talked about today and see what the evidence has shown  
13 us so far.

14 There is not much disagreement that there is  
15 a large volume of dumped and subsidized imports in the  
16 United States. You heard testimony from the  
17 Petitioner's witnesses today discussing the large  
18 volume of imports over the period of investigation.  
19 There has been no dispute really from the Respondents'  
20 witnesses that there is not an existing large volume  
21 of imports.

22 Again, there is a difficulty in measuring  
23 those imports and exactly how you're going to measure  
24 those imports, and Mr. Comly will figure that out for  
25 us, but, as we know, any way you look at the

1 measurements, the data look very large, and, as all of  
2 the Respondents' indicated, they do import from China  
3 and Taiwan.

4 So, over the period of investigation,  
5 regardless of the measurement that we ultimately  
6 determine, you will see a large volume of imports from  
7 China and Taiwan over the period of investigation; not  
8 only over the period, but also more recently, you're  
9 going to see an increase, I think, once we see the  
10 data, and certainly when you look at the import data,  
11 which is where we should end up, in terms of, at  
12 least, for the preliminary investigation, on the  
13 import data, you see an increase in the imports from  
14 the first quarter 2008 to the first quarter 2009, a  
15 significant increase, not one that could be explained  
16 by a mix of SKUs or a mix of different weights.

17 It's a substantially measurable increase  
18 which shows that there is an overall increase of  
19 imports from 2008 to 2009, first quarter, so that  
20 there is a threat from those imports increasing  
21 volumes to the U.S. industry.

22 In fact, there was little disagreement, , in  
23 fact, almost silence, when you asked, what has been  
24 the effect of the quota on the imports recently?  
25 Petitioner's respondents testified that the lifting of

1 the quota caused a reenergizing in the Chinese market,  
2 a surge in these imports that we saw in the import  
3 data, and that you also saw Taiwan competing with  
4 China and trying to regain their market share and have  
5 a lot more volume imports.

6 So there is not any disagreement from  
7 Respondents, at least we didn't hear it yet today,  
8 that the lifting of the quota had this impact, and so  
9 that certainly leads to the future material injury and  
10 the threat of material injury.

11 So just going through those volume elements,  
12 I think you can see that the Petitioners have  
13 established at least the reasonable indication of  
14 material injury and the threat of material injury from  
15 the volume of imports.

16 In terms of the injury on the U.S. industry,  
17 again, there hasn't been a lot of dispute about the  
18 present material injury other than the fact that  
19 Respondents would like to blame everything on the  
20 recession, and, as you heard from Petitioner's  
21 witnesses, they obviously recognize there is a  
22 recession, but, in general, the recession hasn't had  
23 as big an impact upon them as it might have on other  
24 industries in terms of the volume. Again, I say  
25 "Petitioner." I speak, I hope, for the entire U.S.

1 industry, but I don't want to do that, so I try to use  
2 the Petitioner where we're talking today.

3 In general, the recession has been mixed for  
4 the Petitioner and, I think, the U.S. industry in the  
5 sense that, in some instances, crafts have increased,  
6 as we heard testimony, in the sense that people are  
7 home, and, therefore, they turn to doing hobbies and  
8 crafts, and so the purchases increased. We heard from  
9 two of the Respondents' witnesses that their sales  
10 have increased recently. They indicated that their  
11 sales were up. The witnesses for Costco and Hobby  
12 Lobby both indicated that their sales were up.

13 So I think when you hear from different  
14 Respondents talking about their particular narrow  
15 slice of the industry, you're getting a different  
16 story, and I think what, again, we have to do is look  
17 at the industry as a whole, both as the U.S. industry,  
18 the U.S. producers, but also, of course, the U.S.  
19 market as a whole when we're looking at this data, and

20 I think that's something that makes me think  
21 that, again, with the U.S. industry suffering future  
22 material injury, it's interesting, if they are right,  
23 and there is a serious recession, and, by any  
24 measurement, the import volumes are increasing, then  
25 obviously there is a serious sort of injury to the

1 U.S. industry.

2 I'm going to talk in a minute about the  
3 shift for direct imports, but Petitioners are losing  
4 this volume in the future, and it's going to have a  
5 serious impact, especially if they are vulnerable  
6 because of a recession, and certainly that threat of  
7 material injury is there, too.

8 So we've gone through volumes, and we've  
9 gone through material injury. Now, what is really  
10 their argument, then? Their argument seems to be  
11 focused on whether there is causation, whether the  
12 imports are really what's causing this material injury  
13 to the U.S. industry.

14 Fair enough. I have to admit, I'm an  
15 international trade lawyer and not a criminal lawyer,  
16 but I have friends who are criminal lawyers, and one  
17 of the things they point out is that witnesses are  
18 typically unreliable evidence. You would rather have  
19 more concrete evidence because a witness sees and  
20 event, and they see what they think they are seeing  
21 because of their personal beliefs or their background,  
22 and I think that's what you got today from  
23 Respondents.

24 I think Respondents are looking at their  
25 view of the world, fair enough, because that's what

1 they see, and they are looking at it from their  
2 perceptions, but I think you'll find, when you look at  
3 the data, that a lot of their perceptions are  
4 incorrect, and one, in particular, that stands out is  
5 that a lot of the discussion today, when they were  
6 talking about seasonality of merchandise and certain  
7 volumes that they were seeing, they were commingling  
8 cut edge with narrow woven ribbon because they are in  
9 the business with both, and we've been very conscious  
10 in trying to provide all of the data discussions that  
11 we had and discussion of seasonality based on narrow  
12 woven ribbon and not commingling this concept of cut  
13 edge with narrow woven ribbon.

14 I think when you look at the data, you're  
15 going to see that what they claim to be a huge  
16 seasonality, there will be some. We're not denying  
17 that. Certainly, there is an uptick in imports you  
18 may see during August to catch up for the Christmas  
19 period, and there's these little blips that we  
20 discussed in terms of now there are holidays, but it's  
21 not this sensational seasonality -- I don't think  
22 you're going to see this -- because they are  
23 commingling with -- it does happen with cut edge  
24 because cut edge is a very seasonal product,  
25 especially for Christmas.

1           The second point is to this issue of direct  
2 importing by the retailers. First, it's a little  
3 insulting to call a U.S. manufacturer a "middle man."  
4 I mean, I think Petitioner's witnesses made very clear  
5 that they would rather make ribbon here in the United  
6 States and sell it to their customers in the United  
7 States. They made very clear that they can make every  
8 type of ribbon in the United States if they are  
9 allowed to do that, and they are able to get the  
10 prices that would justify incurring those costs to  
11 make the product here in the United States.

12           I think the problem, of course, that they  
13 have is that because of the dumped and subsidized  
14 imports, they have to take into account that those  
15 prices are out there, they are available to their  
16 buyers, their customers, and when they are looking to  
17 decide, to make that make-or-buy decision, which they  
18 have a whole team that does, as you heard from the  
19 testimony today, when they make that make-or-buy  
20 decision, they have to take into account that, well,  
21 if I can import it cheaper than I can make it, and I  
22 want to be able to provide my customer, because these  
23 are retail customers that want to have a large  
24 diversity and supply of ribbons to them, if I want to  
25 keep that customer, I may have to import one or two

1 ribbons or three or four ribbons and make the others,  
2 and it's that rationalization of costs that even  
3 allows me to stay alive as a producer in the United  
4 States.

5 I think without that chance of  
6 rationalization now because of the dumped and  
7 subsidized imports, they have to import, and that's  
8 why they import. There may have been times when they  
9 imported in earlier periods because they were  
10 importing a particular style or a one off for one or  
11 two ribbons there, but, as you heard, they haven't  
12 really changed their import patterns over the last  
13 three years.

14 There has been some increase, and that's  
15 because the more the sourcing team looks at the  
16 product and whether they are going to make or buy,  
17 they have to make the choice to buy it as an import as  
18 opposed to making it here in the United States, but  
19 they can make it here in the United States. They are  
20 not a middle man in that sense, and I think there is  
21 just confusion on the retailers' parts.

22 Actually, they admitted they don't really  
23 know sometimes where the ribbons are coming from, and  
24 even with the direct imports, that may be a situation  
25 where they are really commingling their knowledge of

1 cut-edge ribbons versus narrow woven ribbons, and  
2 that's something that we're all going to look at  
3 closely, I'm sure, when we do the analysis for our  
4 post-conference briefs.

5 The other thing where I think they are  
6 looking at it as a witness testifying to a wreck is  
7 this concept that there are so many styles out there  
8 and so many artistic designs that we really have to go  
9 to China and Taiwan, and the answer is, of course,  
10 what you heard from Petitioners today, they can make  
11 any ribbon if you will come to them and talk with them  
12 and do it. Many of them mentioned they didn't even  
13 try. Why didn't they try? Well, because we've always  
14 gone to China and Taiwan.

15 Well, over the last three years, you always  
16 go to China and Taiwan, continue to go to them,  
17 because they are giving you great, low, unfairly  
18 traded prices. That's why you go to them. You  
19 haven't come to us, Petitioner or the U.S. industry,  
20 and said, "Can you make this ribbon for me?" and if  
21 you did, we said, "Well, we can make it, but it's  
22 going to cost this if we make it here in the United  
23 States," and you say, "I'm not going to buy it at that  
24 price. I can get these low prices out from China and  
25 Taiwan at dumped and subsidized prices."

1 Another example, I think, that was saw, in  
2 terms of acting like an eyewitness to a wreck is that  
3 the Respondents --

4 MR. ASCIENZO: Sir, I'm sorry, could you  
5 wrap it up quickly, please?

6 MR. DORRIS: Yes. Michaels' respondent  
7 testified that he had no idea of how big the floral  
8 industry is. That's a very telling comment because  
9 we, as the Petitioner, look at our entire industry and  
10 seeing it going down the tubes, in a sense, and he is  
11 looking at the retail market and can't really talk  
12 about the other markets, and we think, as you look at  
13 the entire industry as a whole, an industry that we've  
14 already lost market share in that we could regain, if  
15 we had the chance, I think you would see that we would  
16 be able to come back and be a strong industry in the  
17 United States.

18 For those reasons, I would hope that you  
19 would find that there is at least a reasonable  
20 indication of material injury.

21 MR. ASCIENZO: Thank you very much.

22 (Pause.)

23 MR. ASCIENZO: Welcome, Mr. Ellis and Mr.  
24 Perry. The way I understand it, you have five minutes  
25 each. Does that sound right?

1                   MR. ELLIS: Good afternoon. As you can tell  
2 from the testimony you've heard today, this is  
3 certainly not a run-of-the-mill investigation, despite  
4 the fact that it might have seemed like it when the  
5 petition was filed, and there are issues here, we  
6 would submit, that severely undermine Petitioner's  
7 allegations that there is even a reasonable likelihood  
8 that subject imports are a cause of material injury.  
9 I would like to discuss a couple of these important  
10 issues.

11                   First, just a sentence on injury: Although  
12 it was not discussed much because it involves another  
13 party's BPI, there are serious questions, we would  
14 submit, as to the injury issue itself that can be  
15 gleaned from Petitioner's questionnaire response. I  
16 won't quote it any further, but we think that that, in  
17 itself, is an issue before you get to all of the  
18 complexities we've talked about this afternoon.

19                   Second, this is not a case in which imports  
20 from the subject countries simply compete head to head  
21 with the same type of products produced in the United  
22 States. You've heard testimony this afternoon that  
23 the development of the NWR industry in Taiwan was  
24 encouraged by Petitioner itself. Further, a large  
25 proportion of the subject merchandise imported into

1 the U.S. is either by Petitioner itself or involves  
2 Petitioner as a middle man.

3 Now, we just heard counsel say that it's  
4 insulting to call the U.S. producer a "middle man,"  
5 but that is, in fact, a key role that they play in  
6 this industry, and they have been doing so for years.  
7 It's not just been a recent reaction to dumped and  
8 subsidized imports allegedly over the past couple of  
9 years.

10 It is inappropriate, we would say, for  
11 Petitioner to complain when other companies are  
12 following its lead in working with Taiwanese suppliers  
13 to produce NWR for sale to the United States.

14 Third, you've also heard, this afternoon,  
15 that a key aspect of the market evolution here has  
16 involved not the replacement of U.S.-origin good with  
17 subject imports, which you would expect in a dumping  
18 case, but, rather, simply a change in the pattern of  
19 distribution of goods coming from Taiwan and China,  
20 Taiwan, in particular; that is, major U.S. retailers  
21 of NWR, such as Michaels and Jo-Ann Stores, have  
22 reevaluated their use of Petitioner as a middle man in  
23 importing NWR from Taiwan and China.

24 Through this reevaluation, they have  
25 determined that Petitioner is not adding sufficient

1 value in providing services as a middle man and that  
2 they can gain efficiencies through working directly  
3 with the Taiwanese producers. Reducing Petitioner's  
4 role as a middle man in importing subject merchandise  
5 may not be a good development for Petitioner, but it  
6 has little impact on production and employment in the  
7 United States, which is the traditional statutory  
8 focus of this law.

9 In other words, protecting Petitioner's role  
10 as a middle man in the importation of subject  
11 merchandise has little to do with the purpose of the  
12 U.S. trade remedy laws. We submit that the Commission  
13 should not be in the business of protecting one  
14 channel of distribution of subject merchandise against  
15 another.

16 Fourth, we have heard strong reasons  
17 supporting the U.S. retailer's reevaluation of  
18 Petitioner's role as a middle man. Berwick simply has  
19 not been able to provide the quality of service and  
20 support that the U.S. retailers require in order to  
21 justify their investment in this middle man. The  
22 range of NWR offered by Petitioner is not sufficiently  
23 broad, and they have not been sufficiently responsive  
24 in addressing supply problems when they arise. We  
25 will have more detailed information on that in our

1 post-conference brief.

2           Moreover, they do not have the design  
3 capability to keep up with trends in a rapidly  
4 evolving, fashion-oriented business. To the extent  
5 that Petitioner attempts to offer a broad range of NWR  
6 styles, a large portion of its catalog is itself  
7 produced in Taiwan using the same factories that the  
8 U.S. retailers can work with directly and from whom  
9 they obtain better service.

10           And, finally, this case, as we know, was  
11 plagued by serious data issues. As one example,  
12 although Petitioner is responsible for a large  
13 proportion of subject imports, that amount has not  
14 been quantified. Petitioner has reported its direct  
15 imports, and it repeatedly used a number of less than  
16 10 percent, but it is also the middle man in a large  
17 proportion of imports in which the U.S. retailers are  
18 acting as importer of record.

19           It is important for the Commission to learn  
20 the full magnitude of the Petitioner's involvement in  
21 the importation of subject merchandise before it can  
22 vote to continue this investigation on the incorrect  
23 understanding that subject imports are a cause of  
24 injury to the U.S. industry.

25           But even more fundamentally, as we discussed

1 at length, it appears close to impossible to develop a  
2 uniform measure of quantity of NWR. Square yards is a  
3 measure that can be used only for certain companies  
4 with precise characteristics which do not apply to  
5 other companies, and while Customs measures imports in  
6 kilograms, that measure is not used for U.S. purchases  
7 or sales, and it cannot be converted into square  
8 yards.

9           Petitioner presumably knows this industry  
10 well and knows of the inherent limitations in data  
11 that exist in the real world, yet it has come up with  
12 no realistic method to overcome these inherent  
13 difficulties or to provide for the data that is  
14 necessary for your inquiry.

15           We submit the Petitioner should not be  
16 rewarded for such ambiguity. In this situation, it is  
17 hard to understand how the Commission can make the  
18 necessary determinations, such as trends in trade  
19 during the POI or the existence of under or  
20 overselling. You simply don't know.

21           It is, therefore, also hard to understand  
22 how the Commission can reach a conclusion that there  
23 is even a reasonable likelihood that subject imports  
24 are the cause of material injury to the U.S. industry.

25           Thank you.

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1           MR. PERRY: I'll just make a couple of brief  
2 comments here.

3           I think what the Petitioner's counsel was  
4 trying to do at the end here was to say, "Look, our  
5 case is just like every other case," but, as Mr. Ellis  
6 said, this is kind of unique, and it's unique in the  
7 sense that what's going on here is that the retailers  
8 have moved to direct importing, replacing the imports  
9 of the Petitioner.

10           Remember this: Parsing the word "import" --  
11 when they say, "Five to 10 percent, that's all of our  
12 imports" -- "We only sell a couple of ribbons" --  
13 that's what Mr. Dorris said -- why have a Hong Kong  
14 office if you're only selling a couple of ribbons?  
15 What's going on here is the retailer is basically  
16 going directly to the Hong Kong office, and so they  
17 become the importer of record, but the middle man is  
18 Berwick Offray.

19           This is not a typical dumping case. This is  
20 not a typical injury situation. They keep saying,  
21 "Look at all the imports coming in." You were  
22 responsible for a lot of them, and they don't want to  
23 admit it, and that's, unfortunately, your job because,  
24 unfortunately, as you're going to have to dig into  
25 this, the importers' questionnaire alone won't tell

1 you the story because they are just going to report  
2 what they "imported," not what they really set up as  
3 the imports, as the middle man through their Hong Kong  
4 office, and I think that's really the big issue here.  
5 I think that what Mr. Dorris did in his closing was  
6 miss the forest through the trees. There is a very  
7 common story here from everybody, and the point is,  
8 they are importing, and all that's going on is what's  
9 happening is replacing their imports, and that's what  
10 they are complaining about, not what's going on with  
11 their domestic production. Thank you very much.

12 MR. ASCIENZO: Thank you both very much.

13 On behalf of the Commission and the staff, I  
14 want to thank the witnesses who came here today, as  
15 well as counsel, for helping us gain a better  
16 understanding of this product and the conditions of  
17 competition in this industry.

18 Before concluding, let me mention a few  
19 dates to keep in mind. The deadline for the  
20 submission of corrections to the transcript and for  
21 briefs in the investigations is Tuesday, August 4th.  
22 If briefs contain business-proprietary information, a  
23 public version is due on August 5th. The Commission  
24 has tentatively scheduled its vote on the  
25 investigations for August 21st at 2 p.m. It will

1 report its determination to the Secretary of Commerce  
2 on August 24th.

3           Commissioners' opinions will be transmitted  
4 to Commerce on August 31st. Thank you very much for  
5 coming. This conference is adjourned.

6           (Whereupon, at 3:00 p.m., the preliminary  
7 conference was concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Narrow Woven Ribbons  
**INVESTIGATION NOS.:** 701-TA-467, 731-TA-1164-1165  
(Preliminary)  
**HEARING DATE:** July 30, 2009  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Preliminary conference

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:** July 30, 2009

**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 E. 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:** David W. Jones

Signature of Court Reporter