

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:                    )   Investigation No.:  
  )   731-TA-459  
POLYETHYLENE TEREPHTHALATE )   (Third Review)  
(PET) FILM FROM KOREA         )

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POLYETHYLENE TEREPHTHALATE ) (Third Review)  
(PET) FILM FROM KOREA            )

Tuesday,  
June 28, 2011

Main Hearing Room  
U.S. International  
Trade Commission  
500 E Street, S.W.  
Washington, D.C.

The conference commenced, pursuant to  
Notice, at 9:30 a.m., at the United States International  
Trade Commission, IRVING A. WILLIAMSON, Vice Chairman  
presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

VICE CHAIRMAN IRVING A. WILLIAMSON (presiding)  
COMMISSIONER CHARLOTTE R. LANE  
COMMISSIONER DANIEL R. PEARSON  
COMMISSIONER SHARA L. ARANOFF  
COMMISSIONER DEAN A. PINKERT

APPEARANCES: (CONT'D)

Staff:

BILL BISHOP, HEARINGS AND MEETING COORDINATOR  
SHARON BELLAMY, HEARING SAND MEETING ASSISTANT  
JOANNA LO, INVESTIGATOR  
RAYMOND CANTRELL, INTERNATIONAL TRADE ANALYST  
JOHN BENEDETTO, ECONOMIST  
JUSTIN JEE, ACCOUNTANT/AUDITOR  
DAVID GOLDFINE, ATTORNEY  
JAMES MCCLURE, SUPERVISORY INVESTIGATOR

In Support of the Continuation of Antidumping Duty  
Orders:

On behalf of DuPont Teijin Films, Mitsubishi Polyester  
Film, Inc.:

RONALD H. KASOFF, Chief Financial Officer, DuPont  
Teijin Films

CARLTON WINN, Manager, Strategic Planning and Raw  
Materials, Mitsubishi Polyester Film, Inc.

EMMARINE BYERSON, Credit and Risk Manager, SKC,  
Inc.

TODD ECKLES, Director, Market Development, Toray  
Plastics (American), Inc.

RONALD I. MELTZER, Esquire  
PATRICK J. MCLAIN, Esquire  
DAVID M. HORN, Esquire  
JEFFREY I. KESSLER, Esquire  
WilmerHale  
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to the Continuation of Antidumping Duty Orders:

On behalf Kolon Industries, Inc., Kolon USA:

JAMES KWON, Team Manager, Film Business Team,  
Kolon Industries, Inc.

JUNG-KWANG KIM, Deputy Senior Manager, Film  
Business Team, Kolon Industries, Inc.

BRUCE G. LEE, General Manager, Marketing and Sales  
Team, Kolon USA

GARY E. MICHALKIEWICZ, Manager, Raw Material  
Sourcing, Bemis Company

DONG-UN (DENNIS) HAN, Narae Accounting Corp.  
(Consultant to Kolon)

J. DAVID PARK, Esquire

JARROD M. GOLDFEDER, Esquire

SALLY S. LAING, Esquire

Akin, Gump, Strauss, Hauer &

Feld, LLP

Washington, D.C.

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P R O C E E D I N G S

(9:30 a.m.)

1  
2  
3 VICE CHAIRMAN WILLIAMSON: Good morning. On  
4 behalf of the U.S. International Trade Commission, I  
5 welcome you to this hearing, Number 731-TA-459, Third  
6 Review, involving Polyethylene Terephthalate,  
7 hereafter PET Film, from Korea.

8 The purpose of this five year review  
9 investigation is to determine revocation of the anti-  
10 dumping order covering PET Film from Korea would be  
11 likely to lead to a continuation or recurrence of  
12 material injury to an industry in the United States  
13 within a reasonable foreseeable time.

14 Schedules setting forth the presentation of  
15 this hearing, and notices of investigation, and  
16 transcript order forms, are available at the public  
17 distribution table.

18 All prepared testimony should be given to  
19 the Secretary. Please do not place testimony in the  
20 public distribution table. All witnesses must be  
21 sworn in by the Secretary before present testimony.

22 I understand that parties are aware of the  
23 time allocations, and any questions regarding time  
24 allocations should be directed to the Secretary.  
25 Speakers are reminded to not refer to in their remarks

1 or answers to questions to business proprietary  
2 information.

3 Please speak clearly in to the microphone  
4 and state your name for the record for the benefit of  
5 the court reporter. If you will be submitting  
6 documents that contain information that you wish  
7 classified as business confidential, your request  
8 should comply with Commission Rule 201.6.

9 Mr. Secretary, are there any preliminary  
10 matters?

11 MR. BISHOP: No, Mr. Chairman.

12 VICE CHAIRMAN WILLIAMSON: Good. Thank you.  
13 Very well. I want to welcome all the witnesses and  
14 express our appreciation that they have come today,  
15 and let us begin. Mr. McLain, you support a  
16 continuation of the order?

17 MR. BISHOP: Opening remarks on behalf of  
18 those in support of continuation of the order will be  
19 by Patrick J. McLain, WilmerHale.

20 MR. MCLAIN: Vice Chairman Williamson, and  
21 Members of the Commission, good morning. I am Pat  
22 McLain of WilmerHale, representing the Petitioners,  
23 the U.S. PET Film Industry.

24 You will here today a number of things that  
25 you have heard in past PET Film proceedings, which

1 were instrumental in those affirmative determinations.  
2 First, this is a vulnerable domestic industry that has  
3 been battered over the years by dump subject imports.

4 In your 2008 Sunset Review of the orders on  
5 PET Film from India and Taiwan, you described the U.S.  
6 industry as being in a weakened state and vulnerable  
7 to material injury, and that was before the full  
8 impact of the worst economic slump since the great  
9 depression.

10 The U.S. industry made it through the depths  
11 of the recession only by making painful choices;  
12 cutting costs, shutting down plants, and laying off  
13 workers.

14 Things improved in 2010, but this is an  
15 aberration, not a trend. It is not enough to erase  
16 the harm caused by years of low operating margins from  
17 2005 to 2008, which predate the recession, and we are  
18 well below reinvestment levels.

19 Indeed, the 2010 operating results failed to  
20 reverse what is a distinct decline in the U.S.  
21 industry. According to the staff report, the domestic  
22 industry's capacity fell by 70 million pounds from  
23 2005 to 2010. That is a drop of more than nine  
24 percent.

25 Production fell by 66 million pounds, and



1 that is a drop of more than 10 percent. This had a  
2 huge impact on workers. Employment in 2010 was 20  
3 percent lower than in 2005.

4 Now, Kolon euphemistically calls all this  
5 rationalization. It is more accurate to say that the  
6 U.S. industry is shrinking.

7 Second, the Commission recognized in its  
8 original investigation in the two prior sunset reviews  
9 under this order that PET Film is made by a capital  
10 intensive production process.

11 This key condition of competition hasn't  
12 changed. It means that PET Film producers need long  
13 production runs, high capacity utilization rates, and  
14 a variety of product grades to fill out their lines.

15 Third, there is a high level of  
16 substitutability between U.S. and Korean PET Film.  
17 They compete head-to-head across a range of market  
18 segments, and U.S. purchasers have attested to the  
19 importance of price in purchasing decisions.

20 And here subject imports have a clear edge.  
21 Even under the discipline of the order, they have  
22 undersold the U.S. like product more often than not.

23 Fourth, the U.S. PET Film market, like the  
24 global market, is highly cyclical, with many periods  
25 of supply demand imbalance, particularly as new supply

1 rushes in during and after peak periods of demand.

2 Recently, we have seen such a market peak,  
3 but this is proving to be short-lived. Significant  
4 new production capacity has been added in Korea and  
5 elsewhere, and the U.S. PET Film industry is already  
6 seeing the inevitable effects of oversupply.

7 Fifth, the U.S. market remains an attractive  
8 outlet for Korean PET Film. The U.S. market has  
9 always had a significant level of subject import  
10 penetration and that will not change, especially as  
11 the Asian markets become saturated with excess  
12 production.

13 Now, despite all of these familiar patterns,  
14 which have been reflected in the Commission's  
15 determinations in past PET Film proceedings, Kolon  
16 would have you believe that this case is totally  
17 different, and for two main reasons.

18 First, Kolon tries to stretch the peak  
19 period of mid-2010 and Q1-2011 into a trend that will  
20 endure for the foreseeable future. As you will hear  
21 from the U.S. industry, this ignores the cyclical  
22 nature of this business, the U.S. low operating  
23 margins over the rest of the review period, and most  
24 importantly, the evidence that this peak is already  
25 receding.

1 Domestic producers know the telltale signs  
2 because they have seen this movie many times before.  
3 Second, Kolon argues that revoking the order won't  
4 have any effect on the domestic industry because  
5 Korean producers will stay in Asia, selling higher end  
6 products, such as optical display film.

7 Now, that is not going to happen because it  
8 already is not happening. Subject imports are already  
9 in the U.S. market in significant volumes, across the  
10 full product range, and at prices that undercut the  
11 U.S. product most of the time.

12 Looking forward, Korean subject producers  
13 won't be able to withdraw into Asia or into their home  
14 markets because a glut of capacity will drive them  
15 out.

16 Subject Korean capacity has been expanding  
17 is about far more than optical display film, and Kolon  
18 will be facing intense competition in Asia and in the  
19 optical film segment in particular from other Asian  
20 producers.

21 Where will subject producers go if the order  
22 is revoked? They will come here in significant  
23 additional volumes. The U.S. market is already a top  
24 destination for Korean exports. It offers pricing and  
25 normal import duties more favorable than other

1 alternative export markets.

2 And U.S. trade remedy orders limit import  
3 competition from China, India, and other major  
4 players, and I see that my time is up. So, thank you  
5 very much.

6 MR. BISHOP: Opening remarks on behalf of  
7 those in opposition to the continuation of the order  
8 will be by J. David Park, Akin, Gump, Strauss, Hauer  
9 and Feld.

10 VICE CHAIRMAN WILLIAMSON: Welcome, Mr.  
11 Park.

12 MR. PARK: Thank you very much, Vice  
13 Chairman Williamson, Commissioners, and Staff. Good  
14 morning. My name is David Park, and I am here today  
15 on behalf of Kolon Industries, who is a Korean  
16 producer of PET Film.

17 I would like to first thank you for allowing  
18 us to come here today, and to present our case before  
19 you. As you already know, this case is 20 years old,  
20 and a lot has changed since the original  
21 investigation, both with respect to the U.S. industry,  
22 and the Korean industry.

23 And you heard this morning about the  
24 devastating effects that will happen to the U.S.  
25 industry if this order is revoked, but I think that it

1 is very important to first concentrate on exactly what  
2 we are talking about.

3 The Petitioners in their prehearing brief  
4 have talked generally about Korean shipments, and  
5 Korean producers, but it is very important to look at  
6 the specifics of what we are really talking about in  
7 terms of this particular order.

8 Now, there are many orders on PET Film from  
9 other countries, but this is against Korea, and  
10 currently there are only three primary producers of  
11 PET Film in Korea that constitute over 90 percent of  
12 Korean production.

13 Those producers are SKC, Toray Korea, and  
14 Kolon. Now, some of these names sound very familiar.  
15 SKC, which traditionally has been the largest industry  
16 leader in Korea, has a U.S. affiliate, and since 1999,  
17 they have made PET Film here in the United States, and  
18 are now part of the petitioning group that is here  
19 today to try and keep the order in place.

20 Toray is also a name that should sound  
21 familiar because its U.S. affiliate is also part of  
22 the petitioning industry, and the Petitioners will  
23 note in their prehearing brief that Toray Korea and  
24 Toray Plastics America are independent entities, and  
25 really should be considered to be independent.

1           But in fact they are affiliates with the  
2 same parent company, and therefore have the same  
3 interests. Toray is also exempt from the order, and  
4 indeed, their two companies are exempt from the Korean  
5 order.

6           So when you talk about Korea, and  
7 eliminating the actual order of the three companies,  
8 you are really focusing on one company, Kolon  
9 Industries, and that is who we are here on behalf of  
10 today.

11           And the test today is really the effect of  
12 eliminating the order against Korea, and really what  
13 will happen with the shipments from Kolon, and  
14 therefore, we think that it is important to  
15 concentrate on the specifics of the elimination of  
16 this order, and not generally about imports of PET  
17 Film from other places, or even of non-subject  
18 imports.

19           As we will discuss later this afternoon, it  
20 is clear that the revocation of the order will not  
21 have any material impact on Kolon shipments to the  
22 United States, and in this regard, we think that  
23 Kolon's past practice is a good guide for how it will  
24 act going forward.

25           In fact, there is a unique circumstance

1 here, and that even though the order itself is 20  
2 years old, Kolon was exempt from the order from 1996  
3 to 2007. So it has only been subject to the order for  
4 9 of the 20 years.

5 Of those nine years, the Commerce Department  
6 has found that Kolon had zero and was not dumping for  
7 five out of those nine years, and for the remaining  
8 years, the highest margin that it ever received in a  
9 Commerce investigation was 1.5 percent.

10 This is not the actions of an aggressive  
11 player in the market, who is trying to take over the  
12 market, and in fact, this is a company that has been  
13 here and has been selling PET Film in the United  
14 States since the mid-1980s. It is a long term mature  
15 player, and it is not engaging in aggressive  
16 activities.

17 Second, as you heard today, earlier today  
18 the Petitioners suggested that optical display film is  
19 not really a factor, and you will hear later today  
20 that that is absolutely not the case, and it is  
21 supported by statements from other companies around  
22 the world that there is a new direction in investment  
23 in optical display film, which is a higher and thicker  
24 film that is used for LCD and plasma displays.

25 Kolon has made substantial investments

1 specifically in producing this type of film in both  
2 2007, 2010, and again going forward. This type of  
3 film is typically many times thicker than the standard  
4 packaging of industrial film that is sold in the  
5 United States, which is typically about 48 gauge.

6 The production facilities that Kolon has  
7 invested in are intended to produce a thicker film, a  
8 minimum of 400 gauge. The new lines cannot produce  
9 the standard packaging film in the smaller sizes that  
10 typically sells in the United States.

11 Second, for Kolon, there is really no market  
12 for optical display, at least from Kolon's  
13 perspective. The Petitioners mis-cite in their  
14 prehearing brief. They suggest that there is a much  
15 larger market in the United States for optical display  
16 film, and in fact misquote the Staff report, which  
17 gave a number for the global market for optical  
18 display and attributed that to the U.S. market.

19 In fact, the U.S. market is much smaller.  
20 For Kolon, it has had one customer for optical display  
21 that has made up 0.1 percent of its sales in 2010. So  
22 this is not a market that it sees developing here.

23 Rather, for Kolon, it has established  
24 relationships with producers of these products in  
25 Korea, and in Asia, where this production is



1 concentrated, and as a result, it has made the  
2 strategic decision to shift its production to these  
3 types of products, and has started to move away from  
4 the standard packaging and industrial products that is  
5 primarily sold here.

6 So, in short, Kolon is limited in its  
7 ability produce the standard packaging and industrial  
8 products that are sold in the United States, and  
9 therefore, the revocation of the order itself will  
10 have a limited impact on Kolon's decision to sell more  
11 of that product in the United States. Thank you very  
12 much.

13 MR. BISHOP: Would the first panel, those in  
14 support of the continuation of the anti-dumping order  
15 please come forward and be seated. Mr. Chairman, all  
16 witnesses have been sworn.

17 MR. MELTZER: Thank you very much. My name  
18 is Ron Meltzer from WilmerHale, and we really  
19 appreciate the opportunity to appear before you today.  
20 The word familiar is likely to come up a lot today,  
21 because these are proceedings that we have had over  
22 many, many years involving PET Film.

23 And one of the important things that we want  
24 to talk about are sort of the enduring fundamentals of  
25 PET Film production, the production economics, the

1 U.S. market, market segments, the kinds of cyclicity  
2 that occur in this industry, and what is going on  
3 today.

4 And how that relates to how PET Film is made  
5 and sold, not only in the United States, but around  
6 the world, and so it is important to put all of this  
7 in context, because you will hear claims as you have  
8 just heard that things are different, and things are  
9 new. They are not going to do this, and they are not  
10 going to do that.

11 But again it is important to put this all in  
12 context, and that you have heard many times before.  
13 Some of us are familiar to you. We have been here  
14 over the last 20 years.

15 Some of our industry representatives have  
16 been here many times, and I am going to introduce them  
17 in a couple of minutes. But I think you already have  
18 quite a bit of information and learning about PET  
19 Film.

20 But again we just want to go over these  
21 enduring fundamentals about the industry, and about  
22 the product, and about the production requirements,  
23 and what that means for making and selling PET Film in  
24 the United States.

25 And how difficult it has been, and how

1 difficult it will be, both now and in the foreseeable  
2 future, particularly with respect to dealing with  
3 Kolon, and dealing with Korean imports, as well as  
4 many other imports that have battered the industry  
5 over time.

6 So let me introduce our panel to you, and  
7 starting on the left here is Ron Kasoff, from DuPont  
8 Teijin Films. Sitting next to him is Emmarine  
9 Byerson, from SKC, Inc.

10 Sitting next to Emmarine is Carlton Winn,  
11 from Mitsubishi Polyester Film, and sitting next to  
12 Carlton is Todd Eckles, from Toray Plastics (America).

13 So, we will get started now with Emmarine,  
14 who will talk about the product, and the production  
15 process. Thank you very much.

16 MS. BYERSON: Good morning. My name is  
17 Emmarine Byerson, Credit and Risk Manager for SKC,  
18 Inc., and I worked in the polyethylene industry for  
19 over 10 years.

20 SKC, Inc., located in Covington, Georgia,  
21 manufactures, researches, markets, and sells polyester  
22 film here in the United States. Today, I am going to  
23 discuss the product itself, and the different markets,  
24 and the PEP Film manufacturing process.

25 PET Film is a clear or opec flexible film

1 that is made from PET polymer, and has a unique set of  
2 physical properties. These properties include high  
3 heat resistance, high tensile strength, durability,  
4 good gas barriers, and good electrical and solation  
5 properties.

6 PET Film can be produced in many  
7 thicknesses, anywhere from a two gauge to a 1,400  
8 gauge, with the most common gauge around 48 gauge.  
9 Today, rolls of finished polyester films can range  
10 from the size of a roll of a paper towel, like you use  
11 in your kitchen, to rolls weighing as much as large  
12 automobiles, with a wide selection of internal polymer  
13 fillers and additives, film surface treatments, either  
14 by in-line coding, or code extrusion technologies.

15 This product is sought after to be used in a  
16 wide range of product applications. Demand in the  
17 U.S. should be discussed in the context of each of the  
18 five market segments.

19 Magnetics used to be the largest end-user of  
20 PET Film, but this market has all but disappeared as a  
21 result of technology changes. Imaging has been a  
22 large user of thick PET Film. However, this market  
23 has been declining in growth recently.

24 This segment would include microfilm, which  
25 is now replaced by computer storage technologies. The

1 electrical and optical display market is a growing  
2 segment.

3 The real growth here are applications, such  
4 as display films, computer monitors, widescreen TVs,  
5 and membrane touch switches. Wire and cable wrap, LC  
6 screens, and motor films are also examples in this  
7 segment.

8 The two largest volume U.S. markets are the  
9 packaging and industrial segments. The industrial  
10 segment is a big cross-section of various submarkets,  
11 and has shown moderate growth. This segment would  
12 include release films, hot stamping foil, laminating  
13 products, window films, and other products like  
14 pressure sensitive labels.

15 The packaging segment includes not only food  
16 packaging, but also medical packaging, pet food  
17 packaging, flexible pouches, pillable seals, and  
18 barrier films to keep out moisture.

19 This moderate growth, demand growth, of the  
20 U.S. market has been supported by some incremental  
21 reinvestment. Unfortunately, the U.S. growth demand  
22 has been overshadowed by the explosion of global  
23 expansion and overcapacity.

24 The U.S. PET industry is a mixture of  
25 captive and merchant markets. A significant amount of

1 domestic production of PET Film is captively consumed  
2 in the manufacture of downstream products.

3 Captive production has been historically  
4 confined to be used mainly to produce x-ray and  
5 photographic products, and they do not enter the  
6 merchant market for the domestic like products.

7 PET Film is the predominantly material input  
8 by weight in the downstream product, and the PET Film  
9 sold in the merchant market is generally not used to  
10 produce these captive type products.

11 In the investigation against PET Film from  
12 Brazil, China, Thailand, and the UAE, the Commission  
13 considered as a condition of competition that a  
14 significant portion of domestic production is  
15 captively consumed and decided to examine merchant  
16 market data, as well as data for the total U.S.  
17 market.

18 The basic manufacturing process used to  
19 produce all PET Films is essentially the same. The  
20 equipment used in the production of the film is  
21 standard across the board for all manufacturers.

22 There is a fair amount of flexibility to  
23 transfer products from line to line, ranging from low  
24 end to high end products. These lines are not,  
25 however, flexible enough to be changed over to other

1 materials, such as polyethylene, polypropylene, and  
2 nylon. We cannot make these on our lines. We focus  
3 only on polyester.

4 The polyester chip is melted through an  
5 extruder, and fed through a flat channel die, where a  
6 thick, amorphous flat molten sheet is cooled on a  
7 rotating casting drum.

8 The sheet is then heated again, and  
9 stretched through a series of motorized rollers in a  
10 forward direction. After cooling the sheet again, a  
11 coating can be applied to one of two sides of the  
12 film, and of a surface treatment, such as plasma  
13 treatment, can also apply here, as well as other parts  
14 of the process.

15 Then the film sheet is fed into the tenter  
16 oven, and is grabbed by clips, and the film is pulled  
17 forward, and also stretched outward in a transverse  
18 direction.

19 This film is then wound into large master  
20 rolls. These large master rolls are then processed  
21 further into the custom roll width and length that fit  
22 all customers.

23 Each step of the process has to be carefully  
24 controlled, in terms of speed, pressures, temperature,  
25 and environmental controls. There are literally

1 hundreds of control points in the total process. A  
2 small mistake anywhere in the long process results in  
3 what we call splits or breaks.

4 If the film splits or breaks, the machine  
5 has to be stopped, and slowed to be cleaned, and then  
6 restarted. Making polyester film is a very capital  
7 intense process. Polyester machine film produces film  
8 at widths up to 350 inches, 28 feet wide, and at high  
9 operating speeds.

10 A new machine can cost anywhere from 50 to a  
11 hundred-million dollars. The technology to construct  
12 a basic film line is available from standard  
13 manufacturers, such as Beckner or Donya out of the EU,  
14 and there are other Asian manufacturers.

15 Capital is the only barrier to entry into  
16 this very solid manufacturing line. The basic  
17 commodity products produced on these machines are  
18 essentially interchangeable.

19 For example, a packaging grade film from  
20 Korea can be easily interchangeable with similar films  
21 produced here in the U.S. A significant amount of the  
22 polyester films sold in the U.S. is commodity film  
23 type.

24 All producers of polyester film target the  
25 largest segments of a commodity area to base load



1 their lines. Manufacturers need to schedule long  
2 interrupted production runs at very high utilization  
3 rates. We run 24 hours a day, seven days a week, in  
4 order to generate the revenue to support the costs of  
5 the business.

6 In recent years, U.S. merchant producers  
7 have increasingly moved their produces towards higher  
8 value PET Films for applications such as optical  
9 display and solar.

10 We are not the only ones doing this,  
11 however, as Korean and other foreign producers have  
12 moved up the value chain as well. It is important to  
13 note that all producers, U.S., Korean, and others, can  
14 and do move between commodity grade and these higher  
15 grade films.

16 To recap, as the credit and risk manager for  
17 SKC, Inc. for the past 10 years, I can make the  
18 statement that SKC, Inc., and SKC Limited, operate as  
19 separate entities.

20 If the order against Korea is removed, we  
21 cannot know what the overall impact on the U.S.  
22 economy will be. Certainly imports from Korea,  
23 including SKC Limited, could increase, and could have  
24 a harmful impact on the U.S. producers.

25 Also, by removing the order, it will have a

1 great impact on pricing and product mix for imports  
2 coming into the U.S. Although the U.S. manufacturers  
3 showed increased profits in 2010, several steps were  
4 taken in 2009 to realize those goals, including staff  
5 reduction, and many cost cutting measures were put in  
6 place, and inventory reductions, and a change in our  
7 overall product mix, in order to make the most  
8 profitable film type.

9 As we move into the second half of 2011, we  
10 are forecasting or seeing a trend of higher inventory  
11 levels as of today. Major customers are pushing back  
12 on deliveries based on increased imports ordered two  
13 or three months prior to now, and that are now coming  
14 into the U.S.

15 Over the last two to three months, sales  
16 volumes have declined, and more pressure from  
17 customers to reduce the price of the film have  
18 increased.

19 Considering raw material costs, we are  
20 forecasting pricing to remain high for the remainder  
21 of the year, and are forced to reduce current selling  
22 prices, the overall profit margins will begin to erode  
23 as we, the U.S. manufacturers, have to bear the high  
24 costs of materials and incremental costs.

25 SKC, Inc. imports film types from our parent

1 company in Korea, but they are the film types that we  
2 can't make here on our lines, and they are niche type  
3 films that we bring into the U.S. for resale.

4 As we develop technology R&D, those films  
5 are transitioned from Korea to SKC to produce here.  
6 Thank you, guys, for your time. Ron will now explain  
7 the PET industry during the Sunset Review Period, and  
8 how the domestic industry fared after the order was  
9 placed on Korean imports.

10 MR. KASOFF: My name is Ronald Kasoff, and I  
11 am the Chief Financial Officer for DuPont Teijin Films  
12 U.S., and I have worked in the polyester film industry  
13 for 25 years.

14 DuPont Teijin Films manufactures,  
15 researches, markets, and sells polyester film here in  
16 the United States. DTF also has operations in  
17 Luxembourg, Scotland, Japan, Indonesia, and a joint  
18 venture in China.

19 Today, I will address the condition of the  
20 U.S. PET Film industry during the Sunset Review Period  
21 from 2005 through 2010, and how the PET Film industry  
22 remains vulnerable to subject imports.

23 At the time of the Commission's original  
24 investigation, dumped imports from Korea were a  
25 significant threat to the U.S. industry. Korean

1 subject import volumes were rising and they  
2 systematically undercutting and suppressing U.S.  
3 producers' prices.

4 The imposition of the order helped mitigate  
5 this pressure from unfairly traded Korean imports,  
6 although it did not eliminate it. Since 1990, the  
7 challenges faced by the U.S. industry have come in two  
8 related areas.

9 First is the entry of new producers in Korea  
10 and elsewhere around the globe that have targeted the  
11 U.S. market with aggressively priced PET Film. With  
12 the assistance of the Commission and the Commerce  
13 Department, we have been vigilant in trying to ensure  
14 that unfair competition from imports is addressed  
15 whenever it occurs.

16 So after the order on Korean imports, orders  
17 followed on other unfairly traded imports from India,  
18 Taiwan, China, Brazil, and the United Arab Emirates.  
19 Still, the pressure from dumped and subsidized imports  
20 has been a big challenge for us, as new large sources  
21 of low priced supply keep emerging.

22 The second related factor has been the  
23 massive increase in global PET Film supply. Time and  
24 again, we have seen prices rise briefly, only to  
25 encourage a surge of new capacity that far exceeds any

1 reasonable demand projections.

2           This means that periods of healthy pricing  
3 and healthy profits are short-lived as a new supply  
4 exceeds market demand, and prices fall. We are  
5 actually currently coming off a time of peak prices,  
6 with over 30 PET Film lines under construction, or  
7 announced for construction, in the future.

8           Running PET plants at full capacity is  
9 important to absorbing fixed costs profitably, and the  
10 increase of new capacity will certainly impact U.S.  
11 capacity utilization in the next few years.

12           We have seen these patterns during the 2005  
13 to 2010 review period. The U.S. industry's operating  
14 margins were very low during this time, even before  
15 the full impact of the recession was felt.

16           This industry has not been able to invest in  
17 capacity in the U.S. because the economic returns have  
18 not reached levels of reinvestment. Two Indian  
19 countries have announced plans to build film lines in  
20 the U.S., but have not yet started.

21           These same two companies have built 48 gauge  
22 film lines around the world to bypass dumping margins.  
23 DuPont Teijin Films capacity in the U.S. has decreased  
24 in the past five years as we have closed film lines  
25 and production sites because profitability had

1 deteriorated to a point where continued operation was  
2 not feasible.

3           We lost over 300 U.S. jobs in that time, and  
4 employees received placement support from the Trade  
5 Adjustment Assistance Act due to the damage done by  
6 foreign trade.

7           In 2010, profitability of the industry  
8 peaked at levels not seen in 10 years. However, we  
9 have already begun to see erosion in profitability.  
10 Several reasons caused this peak.

11           Coming out of the recession inventory levels  
12 throughout the supply chain were low, and demand was  
13 artificially inflated as high plain filling was in  
14 progress. This was the case on a global scale as all  
15 regions found demand exceeding supply, driving prices  
16 up globally.

17           In addition, the LCD market and the new  
18 photovoltaic, or PV cell market, saw spikes in demand  
19 in the same time. Also, capacity had been removed in  
20 the U.S., further tightening supply.

21           This level of high demand and high prices  
22 has fallen drastically in the last three months, with  
23 the U.S. market price for a 12 micron corona treated  
24 PET Film falling almost 25 percent.

25           As the market has begun to contract, DTF has

1 gone back to customers to whom we were unable to fully  
2 supply in late 2010, and early 2011, to retain share,  
3 but our efforts have been unsuccessful as they have  
4 sufficient supply in place, in part by low price  
5 imports.

6 As technology continues to advance, historic  
7 PET Film markets, such as photographic, videotape,  
8 floppy disks, overhead transparencies, have become  
9 obsolete, and the business must continue to innovate  
10 to survive by developing new end-uses.

11 PV cells and optical films, such as LCD  
12 t.v.'s, computer monitors, cell phones, and tablets,  
13 have replaced some of the lost business. Research and  
14 capital investment is critical to develop new  
15 business, but it is difficult to justify to  
16 stakeholders when overall margins are low.

17 Raw material costs are currently very high  
18 due to oil supplies, supply demand balance of PET  
19 bottle resin, and PET fiber markets, and supply and  
20 demand of the raw materials DMT, PTA, and MEG.

21 With PEAT film prices declining, the margin  
22 squeeze will further reduce PET supply and  
23 profitability in the coming months. We see the  
24 removal of this order as a further threat to the  
25 viability of the domestic industry.

1           While the order is in place, Korean  
2 producers must maintain reasonable pricing to avoid  
3 high duties in the future. This limits volume, and  
4 helps maintain a reasonable supply and demand balance.  
5 With no order in place, there is less need to maintain  
6 pricing discipline, and would allow the subject  
7 producers to iodate the market with low priced  
8 imports.

9           U.S. anti-dumping orders in effect against  
10 other countries would provide further incentive for  
11 Korea to export low priced product to the U.S. if the  
12 order was revoked.

13           I will now turn the microphone over to  
14 Carlton Winn, who will discuss the Korean market  
15 situation. Thank you.

16           MR. WINN: Thanks, Ron. Good morning. My  
17 name is Carlton Winn, and I am the Purchasing and  
18 Administrative Affairs Director for Mitsubishi  
19 Polyester Film, and I have 29 years experience in the  
20 polyester film industry.

21           Mitsubishi also manufactures, researches,  
22 markets, and sells polyester film from our plant near  
23 Greenville, South Carolina. Our company also has  
24 polyester film operations in Germany, Japan,  
25 Indonesia, as well as our location here in the United



1 States.

2 These locations are an indicator of our  
3 strategy, build capacity in major reasons of the world  
4 to support local markets. Today, I am going to  
5 discuss the Korean industry, their exports to the U.S.  
6 market, and finally about the Asian global supply and  
7 demand situation generally.

8 The PET Film industry consists of six  
9 manufacturers, Kolon, SKC, Toray, HSI, Yosong, with as  
10 David said this morning earlier, Kolon, SKC, and Toray  
11 being the largest of the six.

12 Hunan has started a new line recently, and  
13 will start another in 2012, and we understand that a  
14 new entrant, Hunan Petrochemicals, will start a new  
15 line in 2012.

16 The Korean industry production encompasses a  
17 full spectrum of end-uses, from commodity grade  
18 packaging and thermal lamination films, to higher  
19 value new products, such as those being sold into the  
20 optical market today.

21 In other words the Korean producers make  
22 substantially the same varieties of products that the  
23 U.S. industry makes, and they do so in significant  
24 volumes across the end-use segments.

25 I understand that Kolon was depicting itself

1 as focusing on selling optical display film in Asia,  
2 but in my experience, Kolon's optical display film was  
3 a relatively new part of their overall business.

4 Kolon makes and exports packaging and  
5 industrial films in large volumes, and these films are  
6 a core part of the domestic industry business, the  
7 U.S. domestic industry.

8 Although optical films are predominantly  
9 produced in Asia, this market is becoming more  
10 important to the U.S. industry, which is adding  
11 capacity to produce these types of films.

12 So I don't see how Kolon can argue that  
13 their optical display production couldn't threaten the  
14 U.S. industry. It is also true that Kolon and Korean  
15 producers are increasing the proportion of higher  
16 value films and their product mix.

17 But that is exactly what the U.S. industry  
18 is doing as our prices for commodity films gets  
19 squeezed by import competition. Korean imports  
20 threaten to squeeze us both at the commodity end and  
21 at the higher margin film type products.

22 In many cases the domestic producers have  
23 spent considerable R&D expenditures to develop new  
24 coatings, ultra clean processes, and polymer fillers  
25 to enhance the products so converters and end-users

1 can eliminate a step in their process.

2 If unfairly priced plain material is  
3 available, converters will choose to return to adding  
4 the extra step in their facility, and thus stripping  
5 away U.S. producer technical advances in favor of  
6 unfairly priced low-cost imports.

7 Perhaps the most worrisome thing from my  
8 perspective is the large capacity increases undertaken  
9 by the Korean industry. With roughly 50 to 75 million  
10 pounds of capacity coming on stream between 2005 and  
11 2010, roughly a 10 percent increase, and a whopping  
12 additional 150 to 200 million pounds scheduled to be  
13 added in the later years.

14 And at that time, we estimate that the  
15 domestic Korean polyester market will be roughly 150  
16 percent oversupplied. Kolon was a big player in these  
17 capacity increases, adding lines across the range of  
18 PET Film products and capability since 2005 of around  
19 50 million pounds, and by 2014, an additional 40  
20 million pounds, although the new capacity, we believe,  
21 is mostly thick gauge capacity.

22 Expanding this look out to the Asian region  
23 as a whole, between 2007 and 2011 the Asian polyester  
24 complex will add according to our estimates,  
25 Mitsubishi estimates, almost 1.5 billion pounds of

1 film capacity.

2           The Asia region has been a high growth area,  
3 but has also been historically oversupplied. This  
4 rapid addition in capacity will be greater than demand  
5 growth, and an additional 500 million pounds of  
6 overcapacity will be added in the region.

7           This is a lot of new overcapacity that  
8 somebody is going to have to deal with, and this is a  
9 level that the industry has never experienced before.  
10 The numbers are quite staggering as we look at them.

11           The large increases in Korean production  
12 capacity are part of this massive increase in global  
13 PET Film production capacity. Several factors are  
14 driving this oversupply.

15           First, there is the typical pattern in our  
16 cyclical commodity business. Demand moves from a  
17 loose environment to a tight one, and margins begin to  
18 improve, and this attracts new supply that rushes in  
19 to take advantage of the high margins, using coming on  
20 stream as demand recedes, and ruining prices.

21           Second, in China and elsewhere in Asia,  
22 polyester is emerging. It is growing, and it is  
23 projected to grow significantly in the future.  
24 Capital is cheap, and often channeled by the State, or  
25 by the storied banking system, allowing construction

1 of new plants, even where the business case is non-  
2 existent.

3 Third, is the entry of speculative capital  
4 in the film production. In the past, PET Film  
5 production required special experience and expertise.  
6 Now the barriers to entry are much lower, and with  
7 ready access to capital, speculators can simply buy  
8 production equipment on the global market and install  
9 it, and begin a highly automated manufacturing  
10 process.

11 Taken together, these factors mean that  
12 while PET Film demand in China and other Asia  
13 economies is expected to grow at a brisk pace over the  
14 next few years, the increases in global capacity will  
15 far exceed demand growth.

16 There will be intense competition not just  
17 in Korea, but in all Asian countries. As we discuss  
18 this oversupply situation, I would like to also  
19 discuss 2010.

20 This year was extremely tight, perhaps one  
21 of the tightest years that I have experienced in this  
22 business, and it was tight globally. It wasn't just  
23 the U.S. Every region was tight in 2010.

24 So the industry was just recovering from the  
25 recession. Many customers had reduced their

1 inventories to low levels, and producers like  
2 ourselves had done the same thing.

3           As the global recovery began, buyers needed  
4 material quickly for make and ship orders, and they  
5 added extra inventory orders at the same time.  
6 Producers had in the meantime temporarily shut  
7 capacity down, and in many cases reduced the  
8 workforce.

9           So we weren't able to respond as quickly as  
10 needed. We also believe that there was some buying  
11 and hoarding by some speculators, especially in China,  
12 in anticipation of higher profits in the future. We  
13 believe that this is the first time that this industry  
14 has experienced this.

15           Finally, we think that there are new  
16 emerging markets that the industry did not anticipate,  
17 or at least we didn't in our internal competitive  
18 analysis efforts. This cumulative effect resulted in  
19 a very tight year.

20           Today, the situation is moving to a  
21 situation of balanced to oversupply, and in our own  
22 business, we are already seeing some signs. One large  
23 account is down 15 percent, and another large customer  
24 has canceled orders altogether, and one long term  
25 customer's sales have drastically changed as a result

1 of an inventory adjustment. All of these occurred  
2 just in the last 6 to 8 weeks.

3 Looking at this massive supply situation, I  
4 have to take issue with Kolon's claim that we will  
5 simply stay in Asia if the order is revoked. Where  
6 will this production go?

7 It has much more capacity that is needed in  
8 Korea, and so it must export. China and Asia as a  
9 whole is a wash in excess capacity, and that imbalance  
10 is only going to worsen.

11 Now I think that Kolon and the other Korean  
12 producers will have to go outside an oversupplied  
13 Asian market to find markets to absorb their  
14 production, and I think that their first choice will  
15 be the U.S. market, where prices are relatively  
16 attractive, and supply and demand have been more  
17 balanced than in the Asia regions.

18 Sellers that have excess capacity to sell  
19 will seek out the best margin markets and export to  
20 those regions. The U.S. typically has a more  
21 favorable price over a broad range of polyester  
22 product types, and the Korean overcapacity, including  
23 Kolon's, certainly has the capability to either make  
24 specific product targets of their choice for the U.S.,  
25 or we think that they can easily switch, for example,

1 to a thick optical line, to make mid-or-low range  
2 thick industrial products.

3 So in closing I would like to summarize  
4 Asia's oversupply situation, including Korea, is going  
5 to get worse in the next year or two. The level of  
6 oversupply will be greater than ever experienced in  
7 our industry.

8 This supply situation will promote intense  
9 competition among the Asian producers, and much of  
10 this capacity will have to be directed to more  
11 favorable markets. Without question, one of these  
12 markets is the United States.

13 This oversupply situation in the region,  
14 including the situation in Korea, is obviously  
15 worrisome to us. The anti-dump order today provides  
16 discipline. Without it the domestic industry will  
17 yet again have to respond to another increase in  
18 unfairly priced, low-cost, imports.

19 Our response in the past has been to prepare  
20 survival strategies, usually consisting of capacity  
21 rationalization, restructuring plans, job reduction,  
22 and all kinds of cost reductions.

23 We ask for your help in not revoking this  
24 important order. Now, our final testimony will be  
25 from Todd Eckles from Toray Plastics, and he will



1 discuss the effect of low priced subject imports from  
2 Korea. Thank you.

3 MR. ECKLES: Good morning. My name is Todd  
4 Eckles, Director of Market Development for Toray  
5 Plastics (America), Incorporated. I have worked in  
6 the polyester field industry for 20 years. Toray  
7 Plastics manufactures, researches, markets, and sells  
8 polyester film here in the United States.

9 Toray's headquarters is located in Japan,  
10 with subsidiary operations in Malaysia, Korea, France,  
11 and China. Today, I am going to discuss PET Film  
12 pricing trends in the U.S. market, and the effect of  
13 low priced subject imports from Korea.

14 Overall, PET Film is a global business,  
15 including both commodity and value add market  
16 segments. These markets are not independent from one  
17 another.

18 For example, price changes in commodity  
19 markets does affect the price points at value add  
20 markets. In these PET Film markets, typically a  
21 customer looking for a film will have multiple choices  
22 of supply, with little to differentiate them other  
23 than price.

24 This includes U.S. and Korean PET Film  
25 producers, which are highly interchangeable as far as

1 the products are concerned. For just about any end-  
2 use, a customer of a U.S. producer can turn around and  
3 source film of comparable quality from a Korean  
4 producer.

5 Should a customer buy Korean imports, it is  
6 usually due to a lower price offer. The sensitivity  
7 of PET Film pricing to import pricing is made more  
8 acute by the patterns of PET Film purchasing.

9 A large portion of the PET Film sales are  
10 made on a spot market, where the impact of aggressive  
11 bids is immediately indirect, and where supply  
12 contracts do exist, they frequently contain meet or  
13 release provisions where a supplier must meet a low  
14 bid or lose the business.

15 A competing bid that is lower by only a few  
16 cents can have a big impact on our bottom line, and  
17 the health of our business. This is typically a low  
18 margin industry. Demand is relatively inelastic, and  
19 so prices fall, and volumes typically don't increase  
20 to compensate for lost revenues.

21 Furthermore, since PET Film operations are  
22 highly capital intensive, it is hard to generate  
23 sufficient returns to reinvest in the business,  
24 because PET Film producers are so vulnerable to  
25 competitor pricing.

1           And it doesn't take much to pull prices down  
2 across the markets. I have seen it happen time and  
3 again, where a customer receives a low priced offer on  
4 imported products, and soon they are expecting lower  
5 pricing across the full range of film products.

6           This isn't just a problem for commodity  
7 films. Higher grade products follow the same pattern  
8 as it pertains to pricing. Korean producers have new  
9 capacity designed to sell higher grade PET Films. It  
10 is likely that these producers will introduce these  
11 films at lower market prices to gain market share as  
12 they have done in the commodity film markets.

13           So, U.S. producers will likely get squeezed  
14 on both lower and now even higher grade films.  
15 Competing with low priced higher grade Korean imports  
16 has significant negative impacts on U.S. producer's  
17 margins, as these markets have been less of an  
18 influence in the past by low priced imports from  
19 around the world.

20           This is a new threat that will be  
21 devastating to the U.S. PET Film producers' bottom  
22 line. Generally speaking, PET Film pricing is driven  
23 by demand for downstream products that incorporate PET  
24 Film.

25           The level of supply relative to demand, and

1 the price of raw materials, are other areas that drive  
2 costs. In terms of recent and likely future pricing,  
3 we have seen significant fluctuations which are likely  
4 to continue.

5 In 2007 and in 2008, at the onset of this  
6 recession, we were caught in a cost price squeeze, and  
7 oil and natural gas prices skyrocketed, and devastated  
8 our margins.

9 In 2009, and in early 2010, raw material  
10 costs moderated. Yet, we were unable to maintain, or  
11 in some cases, increase prices. I firmly believe that  
12 our ability to realize decent pricing in 2010 and the  
13 first quarter of 2011, is attributed to in-part to the  
14 effect of the order and preventing unrestrained flow  
15 of low priced Korean imports.

16 Looking forward, we can expect to see a  
17 challenging pricing environment. I am sure that you  
18 have heard in the news the economic forecast is  
19 considerably darker than many predicted just a few  
20 months ago.

21 Estimates of U.S. GDP growth for 2011-2012  
22 has been reduced downward very recently.  
23 Consequently, downstream users demand in U.S.  
24 polyester film will soften. On top of this, oil and  
25 gas prices have surged, and we have lost share to

1 imports.

2 But I think the most important factor over  
3 the next few years will be the massive capacity  
4 increase in Korea and elsewhere in Asia. This is  
5 simply too much supply coming on stream, and Asia  
6 won't be able to absorb it.

7 The downward pressure on prices will spread  
8 worldwide, and Kolon and other Korean producers will  
9 be doing everything that they can do to export their  
10 surplus supply.

11 Make no mistake, they will boost their  
12 exports to the U.S. After all the U.S. market is  
13 already a top destination for Korean exports. The PET  
14 Film pricing slide is well underway in Asia and  
15 Europe, and has started here in the U.S.

16 These low prices have been offered with an  
17 anti-dumping order in place. Can you imagine what the  
18 pricing trend might look like if an anti-dumping order  
19 is revoked?

20 We are certain that it would be  
21 significantly lower, and without the means to control  
22 low priced imports through an anti-dumping order, it  
23 is likely that it will follow previous low priced  
24 trends, which result in this Commission imposing anti-  
25 dumping sanctions.

1           During the review period all U.S. producers  
2 had experienced instances of underselling by Korean  
3 importers in commodity markets. Low priced commodity  
4 films are usually the first markets to experience  
5 underselling as the barrier to entry is simply price.

6           Plus, the commodity markets have been  
7 targeted by importers over the years as a way to  
8 quickly and easily establish large orders to fill  
9 lines without regard to price.

10           Recently, due to increased capacity in Korea  
11 and Asia, this trend is beginning to expand and  
12 accelerate. For example, U.S. converters have  
13 recently been offered low price, high grade, Korean  
14 film imports at prices below the U.S. market prices.

15           These films previously had not been sold in  
16 the U.S. market. The importers are following the same  
17 trend as commodity films by offering low priced  
18 imports to gain share in the U.S.

19           It is a certainly that this trend will  
20 continue as global film PET continues to see increased  
21 capacity, and consequently lower capacity utilization,  
22 and thus forcing even more urgency in selling at low  
23 prices in foreign markets to keep their lines full.

24           Our message is clear. The effect of large  
25 volumes of low priced Korean imports in our business

1 will be devastating. We can't stress enough that the  
2 U.S. industry's operational results from the second  
3 quarter of 2010, to the first quarter of 2011, are  
4 representative of a very short period of time.

5 Over the five year period of 2005 to 2010,  
6 our margins have been very thin, and what margins we  
7 did have were in large part a result of aggressive  
8 cost cutting, capacity reductions, and layoffs.

9 Those difficult choices were simply economic  
10 survival, but there is only so much efficiency we can  
11 squeeze out of our business. As a result, we find  
12 ourselves once again explaining the impact of low  
13 priced imports in the U.S. PET Film market, and asking  
14 this Commission to support our requests not to revoke  
15 the anti-dumping order against Korea. Thank you.

16 VICE CHAIRMAN WILLIAMSON: Thank you. That  
17 concludes the supporters of continuation's  
18 presentation. I want to thank everyone for coming  
19 today and taking time away from your business to come  
20 and answer our questions.

21 Chairman Okun is sorry that she couldn't be  
22 here today, but she will be following the transcript  
23 closely, and is interested in what you have to say.

24 We will now begin the Commission's  
25 questions, and so aptly, we will begin with myself. I

1 want to thank all of you who have gotten your  
2 questionnaire responses in. And for any of the  
3 Commissioners who haven't, any of the producers who  
4 haven't, we strongly implore you to get the  
5 questionnaire responses in as soon as possible.

6 I know some of you have spoken with staff  
7 about this, as we ask you to please continue to work  
8 with them to ensure that we have as complete a record  
9 as possible, because that is very important for our  
10 consideration.

11 MR. MELTZER: Vice Chairman.

12 VICE CHAIRMAN WILLIAMSON: Yes, Mr. Meltzer.

13 MR. MELTZER: We will redouble our efforts  
14 to make sure that at least one more foreign producer  
15 questionnaire will be filed.

16 VICE CHAIRMAN WILLIAMSON: Good. Thank you  
17 very much, we appreciate that.

18 Which is generally easier to produce,  
19 thicker or thinner PET films? And which type is  
20 generally more expensive? And are the optical and  
21 solar films that we were talking about generally  
22 thicker or thinner films? And I'll be open for anyone  
23 who wants to respond.

24 MR. KASOFF: Ron Kasoff. The thick lines  
25 and thin lines are made differently. So a thin line



1 that's well-engineered and designed and run can  
2 produce film at a very good, reasonable expense, or  
3 cost. Same for thick lines. They are separate,  
4 somewhat separate entities. So answering which is  
5 easier is a difficult question to do.

6 Thick lines, the markets that you mentioned,  
7 optical film, so LCD, and others, and solar films,  
8 which are solar cells, PB cells, are generally thick  
9 films. And those are run on specific lines. Is that  
10 all the questions?

11 VICE CHAIRMAN WILLIAMSON: Can you say which  
12 is generally more expensive, the thick or the thin?

13 MR. KASOFF: Expensive to manufacture?

14 VICE CHAIRMAN WILLIAMSON: Manufacturing,  
15 and also selling prices.

16 MR. KASOFF: Oh, and the price, okay.

17 VICE CHAIRMAN WILLIAMSON: Yes. And is that  
18 different?

19 MR. KASOFF: I think, depending on the line,  
20 they're pretty comparable. Depending on the film  
21 design, though, an optical film can tend to be a  
22 higher-cost product, and a higher selling price as a  
23 result, yes. Similar for solar. But there are some  
24 thin films as well that tend to be higher cost and  
25 higher price, too.

1                   But when you talk the commodities, no,  
2                   that's not the case.

3                   VICE CHAIRMAN WILLIAMSON: Okay. Thank you.  
4                   Anyone else have anything to add to that?

5                   MR. WINN: Yes.

6                   VICE CHAIRMAN WILLIAMSON: Okay, Mr. Winn.

7                   MR. WINN: I'd just like to add there are  
8                   certainly some thin-gauge products. For example,  
9                   there's a window film industry here in the U.S. that's  
10                  thin products, that's 12-micron, 48-gauge-type  
11                  products. Sometimes a little thicker.

12                  And it's very difficult to produce, but we  
13                  produce it on the same line that we make commodity  
14                  packaging films on. And the equipment is the same, at  
15                  least in the case of the thin, between these product  
16                  types. But the yields are much lower on the specialty  
17                  product.

18                  In the case of a thick versus thin, if you  
19                  just take a, let's say a very plain commodity-type  
20                  product, maybe Todd can give a better feel, but we  
21                  sell this product on basically a per-pound basis. And  
22                  it's roughly, roughly the same, that base commodity-  
23                  type films, thin versus thick.

24                  But then the optical grades are certainly  
25                  much higher quality. Cleanliness is, has more

1 requirements. Some of the raw materials are more  
2 expensive, and so the price is certainly higher for  
3 those types of films.

4 VICE CHAIRMAN WILLIAMSON: You mentioned a  
5 thin film that you use in windows. Is that sort of in  
6 between say layers of the glass?

7 MR. WINN: In many cases the film is  
8 actually just layered on top of the glass. In the  
9 case of an after market. In some cases, when they  
10 preconstruct the window, the polyester may be placed  
11 in different places, but generally that's an after-  
12 market product. And it's just simply placed flat on  
13 the glass.

14 VICE CHAIRMAN WILLIAMSON: And it's intended  
15 to stay there for the life of --

16 MR. WINN: Yeah, yeah.

17 VICE CHAIRMAN WILLIAMSON: Now, is that a  
18 growing market? Is that growing use?

19 MR. WINN: That particular market has been  
20 traditionally a U.S. market, and the growth has been  
21 relatively flat here in the States, so it's a  
22 relatively small market. But it is exploding in Asia.  
23 There will be lots of window film-type products to be  
24 produced, generally a lower grade in Asia right now,  
25 but that market is growing in Asia.

1                   VICE CHAIRMAN WILLIAMSON: Okay, thank you.  
2 Mr. Eckles?

3                   MR. ECKLES: Just to expand a little bit on  
4 what Carlton said. Our film lines at Toray make a  
5 variety of films, and depending on what the film does  
6 in the marketplace would warrant how we produce it.  
7 So for instance, solar window films tend to be very  
8 clear and difficult to handle, and are usually sold at  
9 higher prices. Whereas maybe some packaging-grade  
10 films or some low-grade industrial films actually are  
11 lower cost to produce, but the selling price in the  
12 market is much lower, as well.

13                   So it's hard to say that thick or thin is  
14 cheaper than the other because of the markets that we  
15 serve from the film lines that we use.

16                   VICE CHAIRMAN WILLIAMSON: Okay, thank you.  
17 Ms. Byerson, I know you addressed some of this in your  
18 statement, but I was wondering, why is SKC U.S.  
19 supporting continuation of the orders? Of the order?

20                   MS. BYERSON: SKC, Inc.?

21                   VICE CHAIRMAN WILLIAMSON: Yes.

22                   MS. BYERSON: Because we are a U.S.  
23 manufacturer. When I started SKC in 2000, one of the  
24 main reasons was opportunity. At that point they were  
25 predicting 10 manufacturing lines. At that point, we

1 were running three.

2 Over the years we haven't been able to  
3 accomplish the 10, or to add seven additional lines,  
4 because of competition. Not only from Korea, but from  
5 the other countries that we've been actively  
6 monitoring.

7 So would we, would I like to see the  
8 opportunities in Covington for seven additional lines?  
9 Maybe another five, six hundred employees? Yes. So  
10 that is the reason, you know, we, SKC, would like for  
11 this order to stay in place.

12 Not only against Kolon, as explained, SKC  
13 Ltd. is our parent company. And although they don't  
14 ship to customers directly here into the U.S., but  
15 ship to SKC, Inc., niche products that we can't make  
16 here, or we don't make here, you know, if the order is  
17 revoked, we don't know. They will have that option.  
18 It will be wide open, for even SKC Ltd.

19 I'm not saying they would do that, because  
20 they do have an affiliate over here. But in addition  
21 to that, SKC, the other smaller Korean companies,  
22 Kolon, in addition to what we're facing now, we also  
23 have to, I think in the back of all of our minds, is  
24 that the FTA, the Free Trade Agreement pending, we  
25 don't know what's going to happen there. But that

1 will also open, you know, more opportunities.

2 But we are dedicated to growing the facility  
3 here in Covington, hoping to expand to those original  
4 predicted forecasted nine lines.

5 VICE CHAIRMAN WILLIAMSON: You mentioned in  
6 your statement that the two companies really operate  
7 independently. And I was wondering, either now or  
8 post-hearing, if you could sort of maybe elaborate on  
9 that, and give us additional examples. What does that  
10 mean, practically?

11 MS. BYERSON: Well, we use the same  
12 manufacturing process as all these other guys. We  
13 source raw materials from various companies around the  
14 U.S. We plan our marketing strategy, our sales  
15 strategy, our manufacturing. We are responsible for  
16 our own P and L.

17 Although we get guidance from Korea, it is  
18 strictly our, you know, decision in Covington which  
19 would go.

20 So in saying that if we, yes, they are one  
21 of our shareholders, and we do try and focus on making  
22 a profit. But I think they understand this anti-  
23 dumping. We, SKC Ltd., currently we pay 1.1-percent  
24 anti-dumping, or they do, on all the imports that they  
25 import into the country. They understand that, we

1 understand that. But the majority of the film SKC,  
2 Inc. sells is normally made on the lines in Covington,  
3 Georgia.

4 VICE CHAIRMAN WILLIAMSON: Okay. Thank you  
5 for those answers.

6 MS. BYERSON: Okay.

7 VICE CHAIRMAN WILLIAMSON: Now I'll turn to  
8 Commissioner Lane.

9 COMMISSIONER LANE: Good morning, I, too,  
10 welcome you to this hearing this morning.

11 Does this review present any issues relating  
12 to captive consumption?

13 MR. McLAIN: Yes, Commissioner, it does.  
14 Because you've got significant U.S. production that is  
15 captive, and is insulated from import competition.  
16 And I know that the Commission has said that the  
17 statutory captive production provision applies in  
18 investigations, but not in sunset reviews.  
19 Nonetheless, the statute also says the Commission is  
20 to take into account all relevant economic factors.

21 And in this area, there are two highly  
22 relevant economic factors. The first is the  
23 significance of captive production. And then looking  
24 at the merchant producers, how significant they are  
25 relative to overall U.S. production, and also looking

1 at their results over the review period.

2 And so that gives you a much better feel for  
3 what's going on in the market than just a superficial  
4 look at the top line.

5 COMMISSIONER LANE: Okay, thank you. You  
6 touched on this a little bit in your testimony, about  
7 the business cycle and the trends that you are seeing.  
8 In your prehearing brief you talk about the business  
9 cycle, and you state that the PET film industry  
10 experienced a peak profitability year in 2010, but  
11 prior to that, in a prolonged period, the domestic  
12 industry regularly suffered losses.

13 As for the future, you state deteriorating  
14 economic conditions beginning in the second quarter  
15 2011, which you do not give reason for optimism.

16 Given this history and outlook, what new and  
17 creative measures are being undertaken by the domestic  
18 industry to ensure its survival?

19 MR. McLAIN: I think they can speak to, each  
20 of the companies can speak to how they are looking  
21 forward and trying to deal with, with the challenges  
22 that they face. You know, point one, historically  
23 this has been a battered industry that has grappled  
24 with the cycles that do exist, and they have seen the  
25 cycle in an upturn. And they wish that that upturn,



1 the peak performance period that we've talked about,  
2 would last.

3 But they are already seeing signs that it is  
4 not lasting. And so as you've heard, and maybe they  
5 can speak more specifically, one of the goals is to  
6 develop a capability to move up the value chain to  
7 develop products at the higher end, because they have  
8 higher margins.

9 But as we've also heard, that one of the  
10 challenges of this case is the possibility, and indeed  
11 the likelihood, that you'll have the squeeze being  
12 faced by the domestic producers, not only at the lower  
13 end, but now also at the higher end, because of the  
14 excess capacity in Asia and in Korea.

15 So perhaps Todd or Carlton, you can speak to  
16 how you're trying to deal with the next few years as  
17 you face what seems to be already the deterioration of  
18 the peak period.

19 MR. ECKLES: Ron is absolutely right. Like  
20 Kolon and other Korean manufacturers, we also are  
21 trying to seek out new markets that are insulated from  
22 the effects of low-priced imports.

23 We try to develop our products and introduce  
24 them to customers that make our product unique; that  
25 make us in a position to supply and sustain our

1 margins when we sell those products. It's really  
2 about new product development, mostly.

3 We all have looked at cost-cutting measures  
4 throughout the course of the last five years and more.  
5 And we've identified many, and we continue to look at  
6 that as well, as a way to manage the total cost of  
7 producing a product when you're competing with low-  
8 priced imports.

9 MR. WINN: In our case, and I think it's  
10 true for all of us, that we're all seeking out markets  
11 that we can get reinvestment economics. Is that a  
12 commodity packaging film, or is that a specialty  
13 product, really doesn't matter that much to us. We'd  
14 like to support our domestic customer base.

15 But the realities that we have been taught  
16 is trying to do that on the commodity side, with so  
17 many, such a large volume of low-priced imports coming  
18 in, that large expenditures, like we did in 2003, we  
19 built a mega-film line, size film line in 2003 to  
20 support the domestic industry. And quite frankly, we  
21 were punished. We were not rewarded for taking that  
22 risk and trying to support the industry, when all of  
23 these low-cost imports were coming in.

24 So one thing that we're doing is also  
25 looking for higher volume in the specialty area. But

1 I can tell you, after doing this as a stated strategy  
2 for many, many years now, the U.S. market in the  
3 specialty area is not large enough to support large  
4 volumes. So we still need the commodity volumes to do  
5 this, to make our business viable.

6 One other way that we have recently  
7 announced is a new way of reprocessing polyester that  
8 is used in a liner process, as opposed to material  
9 going to the dump. We have found a way to bring that  
10 back in and reuse it. This is very attractive to one  
11 of the large industrial segments of the U.S.  
12 marketplace.

13 We are continuing to support this industry  
14 in U.S. Even though we're not building large film  
15 lines and adding capacity that way, we are continually  
16 upgrading existing film lines. And this is a very  
17 capital-intensive industry. Even upgrades cost a lot  
18 of money.

19 MR. KASOFF: Ron Kasoff. I'll also add to  
20 what Carlton and Todd said around additional ways, in  
21 addition to looking for new markets with new products.  
22 And Carlton just mentioned this, around process  
23 technology, improving the film line process  
24 technology, incremental investment to improve our  
25 yields and our throughputs, and try to improve the

1 assets that we currently do have so they can run at a  
2 more economical rate.

3 In addition to that, we are also looking at  
4 other raw material processes and strategies that will  
5 enable us to make some improvements to the way we run  
6 our process. Thank you.

7 COMMISSIONER LANE: Okay. One other  
8 question that I have relating to this. In looking at  
9 the information that we have on 2011, which is  
10 business proprietary, do you have current information  
11 that leads you to believe that the current trends are  
12 not going to continue?

13 MR. KASOFF: We do have two, two out of  
14 three months of the second quarter complete. The  
15 third month, we should have financial results by the  
16 first week in July or so, and could contribute that  
17 after the fact.

18 COMMISSIONER LANE: And is that why you're  
19 testifying that things aren't looking good for you?

20 MR. KASOFF: We've already seen it in both  
21 demand and pricing.

22 COMMISSIONER LANE: Okay, thank you. The  
23 prehearing staff report talks about -- this is for  
24 DuPont -- plans to consolidate all PET film production  
25 at your Hopewell, Virginia facility, and plan to close

1 another facility.

2 I understand that you did close that  
3 facility. And have you managed to relocate some of  
4 the jobs to the Hopewell facility, as planned? And if  
5 so, how many?

6 MR. KASOFF: Yes, we have closed the  
7 facility. In the last five years we've actually  
8 closed two facilities. One was in Circleville, Ohio,  
9 with one line, and the other was Florence, South  
10 Carolina, with three lines.

11 And we have been able to place approximately  
12 50 to 70, I don't know the exact number, employees at  
13 various DuPont Teijin Films and DuPont locations. In  
14 addition, we had the Trade Adjustment Assistance Act,  
15 and that helped with placement and some of the folks  
16 get placement. There are some industries in Florence  
17 that are beginning to develop, so many of the folks  
18 there have been able to find new employment. But I  
19 don't think everybody has.

20 COMMISSIONER LANE: Would you be able to  
21 tell me, probably in post-hearing, what percentage of  
22 your employees you were able to relocate to some of  
23 your other facilities?

24 MR. KASOFF: Yes, I would.

25 COMMISSIONER LANE: Okay, thank you. Thank

1 you, Mr. Chairman.

2 VICE CHAIRMAN WILLIAMSON: Commissioner  
3 Pearson.

4 COMMISSIONER PEARSON: Thank you, Mr.  
5 Chairman. Permit me to extend my welcome to all  
6 witnesses; it's good to have you here today.

7 Because the views of the Respondents might  
8 be different, I wanted to go into a little bit of  
9 detail to get your views on the demand picture for PET  
10 film in the U.S. market.

11 As we look back at the past several years,  
12 have we seen a rising demand trend, which is affected  
13 by the recent recession? Or is the trend sideways, or  
14 is the trend down? How do you see the demand?

15 MR. ECKLES: Well, we certainly hit a bump  
16 in the road in the first quarter of 2009. So I would  
17 say that from that point forward, we're still  
18 recovering from that.

19 I would say that the growth in the U.S.  
20 market for polyester film is relatively flat. There  
21 is not significant growth. Some markets have declined  
22 because of technology replacing them, and others have  
23 grown because of new technology.

24 But as a general rule, I would not say that  
25 we've seen significant growth.

1 COMMISSIONER PEARSON: Mr. Winn?

2 MR. WINN: Yes, I agree with Todd. It was  
3 certainly, I think the bump in the road with the  
4 recession, it was a very big bump. But there was a  
5 recovery.

6 And one of the items that is somewhat  
7 interesting about the U.S. industry is, even though  
8 the numbers are relatively flat, if you look at the  
9 earlier years, let's say 2003, '04, '05, '06, there  
10 was considerable magnetics as part of the demand. And  
11 that has now gone away.

12 So if you were to strip that away, and look  
13 at demand without the magnetics, one could look and  
14 see that the U.S. market demand is improving a little  
15 bit. But an average, or in summary, I think I agree  
16 with everything that Todd has said.

17 COMMISSIONER PEARSON: Okay. So just to  
18 make sure I understand, the loss of demand on the  
19 magnetic side has been replaced to some degree by  
20 demand for other products.

21 MR. WINN: Yes.

22 COMMISSIONER PEARSON: And the overall trend  
23 then is somewhat level.

24 MR. WINN: Yes.

25 COMMISSIONER PEARSON: Okay. Obviously,

1 with a dip for the recent recession. Okay. So  
2 looking ahead a couple years, how do you see the  
3 likely, likely demand trend? Are we going to pick up  
4 what we lost in the recession, and get back at least  
5 to the levels that we had in the 2005/2006 timeframe?  
6 Ms. Byerson.

7 MS. BYERSON: Good question. And I think  
8 Carlton hit on it earlier. Although our main business  
9 is PET film here, we need to continue to invest,  
10 continue to expand. Commodity-gauge film is a staple.  
11 We need that business in order to keep those lines  
12 running. But we also need to look into the more  
13 value-added film types. The LCDs, the optical-grade  
14 films for the LCDs. The different, you know,  
15 technology-type films.

16 And we are focusing in that area, looking at  
17 the more value-added. Part of the captive market, x-  
18 ray films and things like that. Although we have some  
19 of that business, that is going away, too. We see a  
20 huge decline in that.

21 So what do we do? We have to keep  
22 reinventing. We have three lines in Covington. If we  
23 can't position ourselves to start another line to  
24 handle the value-added films, because of competition,  
25 we may have a problem.



1                   PET is the main business for SKC, but  
2                   outside of that we are also looking into other areas.  
3                   So I agree with these guys; value-added is the key  
4                   here.

5                   COMMISSIONER PEARSON: Okay, just to  
6                   clarify. You indicated that SKC also manufactures  
7                   other products, and I believe that's probably true for  
8                   the other firms.

9                   MS. BYERSON: Well --

10                  COMMISSIONER PEARSON: Does it, can any of  
11                  your PET equipment be converted to the manufacture of  
12                  other products?

13                  MS. BYERSON: No, not in this case. We are  
14                  building a completely new plant for the PV, photo-  
15                  vitec films, for the solar industries. That is  
16                  scheduled to come on line in September, but we  
17                  continue to look for other investments.

18                  COMMISSIONER PEARSON: Okay. Another  
19                  clarification. Would that PV product be non-subject  
20                  product under the terms of this order?

21                  MS. BYERSON: Right, it would be non-  
22                  subject.

23                  COMMISSIONER PEARSON: Okay. Mr. McLain.

24                  MR. McLAIN: Commissioner, I would just  
25                  encourage Ron or Todd or Carlton to also talk about

1 their, their views of likely future demand in the U.S.  
2 market.

3 MR. KASOFF: Yes, Ron Kasoff. We have, if  
4 we look at the history of the last many years, it has  
5 been relatively flat. A big dip down in '09, and a  
6 catch-up, not all the way up, as I mentioned.

7 We do see growth and optimism in a few  
8 areas. Packaging is an area where growth continues to  
9 happen, with both commodity and specialty packaging.  
10 Industrial areas, there's many applications where film  
11 is used in laminating to paper and other things, areas  
12 like that, where there is still a lot of use, and a  
13 lot of new innovative ways that the film is used,  
14 because it's such a versatile film.

15 If we look at, and we mentioned the LCD  
16 market and other new optical markets, tablets and  
17 other handhelds. In the electronics market, there is  
18 a pretty good-sized area of growth there. If we look  
19 at the solar cells, that's a big wild card. That  
20 could be huge, or it could be eh. It depends on a lot  
21 of, a lot of things, such as governmental support.

22 And then if you look at some of the older  
23 technologies, we've lost some big chunks of business  
24 in the last few years, maybe less so in the last five,  
25 however. And we don't really see a huge vulnerability

1 in that area.

2 So on the downside is, well, there will  
3 always be some applications that go away and get  
4 replaced by other things. But in general, we don't  
5 see a huge area of loss that we would expect. So that  
6 would help us keep moving on the rise. I don't think  
7 it will be a hockey stick up, but it should be a  
8 continued steady growth.

9 COMMISSIONER PEARSON: Okay. Mr. Winn.

10 MR. WINN: Yes, we see pretty much the same  
11 types of trends. Certainly packaging is a growing  
12 market in the U.S.

13 We also see several industrial areas there  
14 growing. One area that is important for us is a  
15 release liner part of the market. That continues to  
16 grow maybe a little bit faster than the other parts of  
17 the market.

18 Certainly optical is, has certainly exploded  
19 in Asia. And we know and believe that there is growth  
20 of that for applications here, here in the U.S., not  
21 only for applications here, but also semi-production  
22 that is exported to other parts of the world.

23 But this polyester molecule, it just  
24 reinvents itself. I mean, I was going back, looking  
25 through some of the old testimony, and I'm looking at

1 the products that, we just don't make them any more.  
2 VHS tapes used to be the largest market for polyester  
3 film. It just disappeared. Disruptive technology  
4 just disappeared it almost overnight.

5 The polyester industry found a way to  
6 survive that, and find new applications. Even before  
7 VHS, was microfiche. I think that was the largest  
8 thick-gauge market, I don't know, I think before my  
9 time, maybe 30 years ago. Now we're talking about  
10 thick, and with this optical business, but 30 years  
11 ago it was the microfiche market here in the U.S.

12 So in spite of the fact that we see the  
13 demand being, you know, growing a little bit, in the  
14 future we certainly are hopeful, and certainly from  
15 the expenditures and investment in the company, we  
16 expect something to come up new in the polyester area.

17 COMMISSIONER PEARSON: I can confess that at  
18 least some here are old enough to remember microfilm,  
19 having worked with it. It was a distinct improvement  
20 over the paper that preceded it.

21 MR. WINN: Yes, yes. Thank you.

22 COMMISSIONER PEARSON: Just a quick  
23 additional question. There have been various mentions  
24 of optical display PET film. How much of that is  
25 likely, if it's manufactured in the United States, how

1 much is likely to be used here, versus being exported  
2 to some other country where there is, you know, the  
3 actual manufacture of panel TV displays?

4 MR. KASOFF: Ron Kasoff. A large percentage  
5 will go to other countries to be fabricated into TVs  
6 and phones, and that sort of thing. There are some  
7 firms that do that sort of work, more on a specialty  
8 basis, in the U.S. But a large percentage. I don't  
9 know an exact number, though.

10 COMMISSIONER PEARSON: Okay. Well, perhaps  
11 for post-hearing, if you have information you can  
12 find. A quick comment now?

13 MR. ECKLES: One more additional comment.  
14 There's a lot of converters in the U.S. that are  
15 starting to produce products that are used when a TV  
16 is assembled. So it may be adhesive, it may be a  
17 release finder, it may be something along those lines.  
18 And the U.S. industry is making those products here,  
19 and exporting them to Asia.

20 So the optical film business, although it's  
21 not exactly the LCD screen, it's still peripheral  
22 products that go into a TV. So it's an important  
23 distinction. When you say optical films, it may still  
24 use some optical films here in the U.S. to provide  
25 components of a TV in Asia.

1                   COMMISSIONER PEARSON: Okay, thank you for  
2 that. Mr. Chairman, my time has expired.

3                   VICE CHAIRMAN WILLIAMSON: Thank you.  
4 Commissioner Aranoff.

5                   COMMISSIONER ARANOFF: Thank you, Mr.  
6 Chairman. And I, too, want to welcome all the  
7 witnesses, and thank you for coming today.

8                   Commissioner Lane started asking about  
9 captive production in this industry, and I wanted to  
10 follow up on that. This is an order that's been in  
11 effect for quite some time.

12                   Can you tell me, since the original period  
13 of investigation, what the trend has been in terms of  
14 the percentage of domestic production that's captively  
15 consumed? Is it more now? Less now?

16                   MS. BYERSON: Well, right now it is less,  
17 but we can provide definite data to you in the post-  
18 hearing. I'll let anybody else who has that  
19 information. But we see a decline in that area, too.

20                   COMMISSIONER ARANOFF: And is that because  
21 the end uses where it's been captively consumed are  
22 declining?

23                   MS. BYERSON: Yes. Especially when you look  
24 in the area of x-rays, and so on and so forth.

25                   COMMISSIONER ARANOFF: So the industry as a

1 whole, its exposure to the merchant market you would  
2 say is greater now than it was at the time of the  
3 original investigation.

4 MS. BYERSON: Yes, I believe so. Ron?

5 MR. KASOFF: Yes, I would agree.

6 COMMISSIONER ARANOFF: Okay. You've  
7 testified to some difficult operating conditions for  
8 domestic producers. There are producers that have  
9 closed lines. And yet, we do see this large  
10 investment by one, or potentially two, new entrants to  
11 the market on the drawing board.

12 And I'm interested in the domestic producers  
13 who are here's views on what incentive it is that's  
14 drawing that new investment to the U.S. market, if you  
15 consider the market to be already adequately supplied.

16 MR. ECKLES: Most of those recent  
17 announcements are by companies that have previously  
18 imported films to the U.S. So they have established  
19 sales here in the U.S. And I believe that the reason  
20 why they're announcing these is to basically try to  
21 get around anti-dumping orders, and produce film here  
22 domestically. Which is good, because it creates jobs  
23 for the U.S. market, and it supports U.S. customers.

24 MR. MELTZER: May I jump in, Commissioner?  
25 Another factor as well is these same producers are

1 facing anti-dumping-duty orders in third countries.  
2 And so what happens is that as they open new lines and  
3 have extensive import penetration around the world,  
4 new dumping orders are imposed. And that's the case  
5 here, as well.

6 And so to the extent that they are coming  
7 here, rather than face continuing struggles with anti-  
8 dumping-duty orders, we're saying that the law is  
9 working.

10 COMMISSIONER ARANOFF: Well, that makes  
11 sense to me. There was some implication in the  
12 testimony of one of the witnesses this morning, and I  
13 don't remember which one it was, that in particular  
14 the U-Flex investment, which I think is the one that's  
15 further along, was still kind of tentative. And I  
16 just wanted to ask all your impressions about how far  
17 along that is. Whether permits have been issued,  
18 whether ground has been broken, whether any funds have  
19 actually been spent. Or whether there is just an  
20 announcement.

21 MR. KASOFF: At this point, all that we have  
22 heard is an announcement. And we do not believe that  
23 ground has been broken. We think it is on a facility  
24 where they have some other operation already going. I  
25 don't know anything about the permits, however.



1                   And we also have heard recent rumors,  
2                   although it's just rumors, that there's a delay.

3                   COMMISSIONER ARANOFF:   Okay.  If there's  
4                   anything that you can add to the record for the post-  
5                   hearing that would help us assess whether that plant  
6                   is going to come on line in what we would call the  
7                   reasonably foreseeable future.  It was projected, it  
8                   was announced to be coming on line by the end of 2012,  
9                   which probably would be the reasonably foreseeable  
10                  future, but I don't know whether we have the most  
11                  accurate information yet in the record.

12                  MR. MELTZER:   Will do.

13                  COMMISSIONER ARANOFF:  Thanks.  With respect  
14                  to lines that have been closed -- and Mr. Kasoff, you  
15                  spoke to this -- would you say that these lines were  
16                  being closed primarily because they're making products  
17                  that the market isn't demanding any more?  Or because  
18                  the technology is older and inefficient, and is being  
19                  replaced by newer technology to make the same  
20                  products?  Or is there something else going on?

21                  MR. KASOFF:  The closure of those lines was  
22                  in context of the entire business, not just that  
23                  specific plant.  The lines there were acceptable  
24                  lines.  The technology was up-to-date enough to make  
25                  reasonable products for the marketplace.  The costs to

1 manufacture, they were also reasonable.

2           However, with the pricing that we have been  
3 seeing, mostly because of low-priced imports, we were  
4 squeezed on margins throughout the entire business.  
5 So it was a rationalization, and something that was  
6 needed.

7           COMMISSIONER ARANOFF: If the announced new  
8 investments, those that are being made by the  
9 companies here today as well as the new entrants that  
10 have announced that they are going to participate in  
11 the U.S. market, if those come on line within the  
12 reasonably foreseeable future, is that going to make  
13 the U.S. market less attractive for Korean exports?

14           MR. MELTZER: I think maybe I can jump in,  
15 at least at a pricing level. I think if you compare  
16 the price levels in the U.S. market and the supply-  
17 demand balances, there's still, it's a difficult chore  
18 to be able to sell and make product here and profit  
19 here. But in many ways, it's still an attractive  
20 market in comparison to other parts of the world,  
21 particularly now in Asia.

22           So there is no doubt, if other companies  
23 like U-Flex come here and open significant lines, then  
24 things could change. But you know, I think SKC, Inc.  
25 is a good case-in-point. They came here, and the plan

1 was to open 10 lines. And after how many years? It's  
2 probably -- yes, so after almost 20 years, they only  
3 have three lines that are up and running.

4 So whoever comes here faces the same sets of  
5 import competitive conditions that these four  
6 companies face.

7 MR. McLAIN: And, Commissioner, I think some  
8 of our industry representatives can talk about just  
9 the inherent attractiveness of the U.S. market,  
10 because it is such a big market. Global players who  
11 export want to be here, and I think Todd maybe can  
12 talk about that.

13 MR. ECKLES: Right. There's a lot of very  
14 large U.S. converters that are very attractive  
15 customers, because they buy large quantities of film  
16 of the same product. So if you can secure a position  
17 with a couple of those big suppliers, you solve your  
18 problem pretty quickly, rather than having 30  
19 different customers who are smaller.

20 So the sheer size of the U.S. market is  
21 always attractive, for anyone who has to produce film  
22 every day of the year, you know, to fill up capacity  
23 and manage their capacity utilization.

24 COMMISSIONER ARANOFF: Is this the kind of  
25 industry where you can't add capacity incrementally?

1 When you want to add it, you have to add a big chunk,  
2 and then wait for demand to catch up in a kind of a  
3 stair-step sort of process? Is that a fair way of  
4 describing this industry? Or are there incremental  
5 ways to increase capacity?

6 MR. ECKLES: Well, the product mix change is  
7 one way that you can increase capacity. If you  
8 increase your line speeds, if you change the product  
9 that you're making, maybe thin to thicker, you end up  
10 producing more pounds per day. So that's a very small  
11 increase, not to the scale of producing and installing  
12 a new film line. But that's one way to have nominal  
13 increases in capacity.

14 MR. WINN: This is Carlton Winn. I agree  
15 with the comment, that in some cases, especially let's  
16 say real thin film lines, 48s, 36 gauge, versus  
17 running let's say a 92-gauge or something thicker, the  
18 rates that you can run that line can be much higher.  
19 So you can actually, the product mix will increase the  
20 output.

21 You know, you mentioned the word  
22 "incremental," and I don't know the description of  
23 that. But certainly our industry, certainly  
24 Mitsubishi has been working very hard the last five or  
25 six years trying to squeeze out every little bit that

1 we can out of the machines. Whether that's a small  
2 improvement of a temperature control, or adding this  
3 or adding that, we have certainly done that. And we  
4 have had some incremental increases in capacity, but  
5 it's nothing like what a new film line would be.

6 In our case, in our industry, new film lines  
7 are very expensive, but also upgrades are very  
8 expensive. Some of the technology that's required to  
9 make some of the higher-grade products, such as gauge  
10 control or special-surface casing, is very expensive  
11 to install. Thank you.

12 COMMISSIONER ARANOFF: Okay. My time is up.  
13 I appreciate those answers. Thank you, Mr. Chairman.

14 VICE CHAIRMAN WILLIAMSON: Commissioner  
15 Pinkert.

16 COMMISSIONER PINKERT: Thank you, Mr.  
17 Chairman. And I thank all of you for being here today  
18 to help us understand what's happening, and likely to  
19 happen, in this industry.

20 I want to begin with a question for those on  
21 the panel with affiliates in the subject country. Is  
22 it possible for SKC Korea or Toray Sahon to  
23 significantly increase their presence in the U.S.  
24 market without hurting their domestic affiliates?  
25 That is, their U.S. affiliates.

1           MR. ECKLES: Yes, I'll comment on that. You  
2 know, our facility in Rhode Island produces thin  
3 films, so we need to import other films that we don't  
4 produce in order to enhance our product offerings to  
5 U.S. customers.

6           So we depend on our Toray Korea to support  
7 that aspect of our business. And they have continued  
8 to supply films in the U.S. market, even during the  
9 tightness here in the last year and a half.

10           So it is possible for them to increase their  
11 volume to the U.S., but it would be managed by our  
12 office in Rhode Island. And we would make sure that  
13 we sell our product in line with the laws that we have  
14 in the United States.

15           COMMISSIONER PINKERT: Thank you. Ms.  
16 Byerson?

17           MS. BYERSON: And for SKC, Inc., we operate  
18 basically the same way as Toray. SKC Ltd. will not  
19 sell directly to customers here, but any sales will be  
20 made through SKC, Inc., where we will manage and  
21 monitor, also.

22           COMMISSIONER PINKERT: Thank you. Mr.  
23 Meltzer.

24           MR. MELTZER: Yes. I just wanted to make a  
25 simple point that's probably already apparent to you,

1 which is you have four companies here representing the  
2 U.S. industry. And we're all aligned today to come  
3 before you and try to ensure that the order is  
4 retained.

5 But outside of today, these are four  
6 companies that vigorously compete with one another,  
7 every single day. So although SKC Korea brings  
8 product in to SKC U.S., and SKC U.S. competes with  
9 DuPont, Mitsubishi, and Toray, and the same is true of  
10 Toray against the other members of the U.S. industry.

11 So you have to think of it not only in terms  
12 of the alignment that goes on with the Korean producer  
13 and the U.S. affiliate, but also think in terms of if  
14 more product is coming in from Korea and it's filling  
15 up the product categories that are not being produced  
16 in the United States by their affiliate, that can have  
17 a big impact on the other members of the U.S.  
18 industry.

19 And so that dynamic is an important part of  
20 what's going on, and what has been going on over time.

21 COMMISSIONER PINKERT: Thank you, Mr.  
22 Meltzer. Now, I want to ask the same two witnesses  
23 whether, in their view, what we heard this morning in  
24 the opening testimony, or opening statement from  
25 Kolon, is correct; that this case is really about

1 whether Kolon is going to increase their presence in  
2 the U.S. market, or injure the domestic industry in  
3 the event of revocation.

4 MS. BYERSON: I don't think it is just about  
5 Kolon, as Mr. Winn presented. Or was it, you talked  
6 about Korea, or Todd?

7 There are new companies, and we do have  
8 smaller companies in Korea, and there's an additional  
9 new company coming on line in Korea. And then there's  
10 SKC. They are our parent company, but they do operate  
11 separately from us.

12 So no, we're looking at the country of  
13 Korea, not a company in Korea.

14 MR. ECKLES: Right. Kolon's got a head  
15 start, because they have the assets on the ground and  
16 they produce the product. They've been a proven  
17 supplier here in the U.S. market. These other new  
18 entries are going to take time to enter the U.S.  
19 market, but they will likely target the U.S. market to  
20 sell their over-capacity.

21 COMMISSIONER PINKERT: Would anybody else on  
22 the panel like to comment on whether or not this case  
23 is really focused more on Kolon than anybody else? Or  
24 are the new entrants that Mr. Eckles just testified  
25 about a significant concern in the imminent future?



1           MR. WINN: Well, I testified earlier about  
2 the expected over-capacity that we believe is going to  
3 happen in Korea. And so it's not just Kolon; it's  
4 really all of the Korean producers are going to need  
5 to find a place to move their film to. Otherwise,  
6 they'll have an extremely low capacity utilization.  
7 And in this industry, if your lines aren't running  
8 full, you simply can't, you cannot survive.

9           So I truly believe that there will be  
10 pressure really on all of the producers to find homes  
11 for their additional capacity that they are going to  
12 have in Korea.

13           COMMISSIONER PINKERT: Now, I'm going to  
14 repeat a statement that was made in the brief filed by  
15 Kolon. And the statement is that the domestic  
16 industry is principally responsible for the large  
17 volume of non-subject imports in the U.S. market.

18           What I mean by that is not imports from  
19 Korea, but imports from other countries, or imports  
20 from Korea that are not subject to the order.

21           Is the U.S. industry principally responsible  
22 for the large volume of those imports in the U.S.  
23 market? And if so, can you explain that?

24           MR. WINN: I'm not sure I understand, so let  
25 me say what I think you said. If you look at all the

1 imports coming into the U.S., that we, as producers  
2 and affiliates of companies in Japan and Korea, that  
3 we are the ones importing most of the material.

4 COMMISSIONER PINKERT: Yes.

5 MR. WINN: And I can tell you that's, well,  
6 certainly can tell from our information, Mitsubishi is  
7 not a big importer. But if you look at the import  
8 statistics, it's pretty clear that the group of Indian  
9 producers are by far the largest of the importers in  
10 recent times.

11 COMMISSIONER PINKERT: Let me just clarify.  
12 I was referring to non-subject imports. I think you  
13 understood that, but I just want to make it clear.  
14 I'm not talking about imports from Korea that are  
15 subject to the order, but imports from Korea that are  
16 not subject, or imports from anywhere else than Korea.

17 And I don't think your answer conflicts with  
18 that clarification, but I just want to make it clear.

19 MR. ECKLES: Well, Toray imports from our  
20 locations abroad. One of the larger ones is from  
21 Korea; again, I mentioned earlier today that it's  
22 really to support the product offering of the films  
23 that we produce here in Rhode Island.

24 I would say that you'd have to look at that  
25 in terms of the markets of the film that's coming in

1 from the affiliates, versus the products that are  
2 coming in from the subject importers. A predominantly  
3 large amount of film is coming in at 48-gauge corona-  
4 treated film in the past, and has caused great injury  
5 to us here in the U.S.

6 But in the future, I don't know if that's  
7 true. Because the lines that are being installed  
8 today are very sophisticated, and they are starting to  
9 learn how to make better products that meet higher  
10 grade applications.

11 So that's why I testified earlier that I  
12 think there's a new threat upon us, which we haven't  
13 seen in the past, and I expect that it will cause  
14 additional injury to domestic producers. And who  
15 knows, maybe we will stop importing some of those  
16 films from our affiliates abroad because we lose  
17 share, like what happened in commodity films.

18 MR. McLAIN: And, Commissioner Pinkert, we,  
19 in the post-hearing brief, we'd be happy to discuss  
20 the BPI data specifically related to your question.

21 COMMISSIONER PINKERT: That would be very  
22 helpful, thank you.

23 Now, Mr. Kasoff, how does DuPont Teijin's  
24 affiliation with a non-subject producer affect its  
25 interests in this particular proceeding?

1           MR. KASOFF: DuPont Teijin Films does import  
2 films from our affiliates around the world, in Europe  
3 and in Asia. We supplement the capacity that we have  
4 in the U.S., or the product range that we have in the  
5 U.S., to meet the needs of the customers in the U.S.

6           So while there's going to be some products  
7 that we import that are comparable, many of the ones  
8 that we do are not comparable to subject imports at  
9 the moment. As Todd mentioned, as the subject imports  
10 go up the value chain and compete a little bit more  
11 with some of the higher-end products that we do  
12 import, then we will see some additional amount.

13           So I think there is some overlap, but it's a  
14 small overlap, is my overall assessment.

15           COMMISSIONER PINKERT: Thank you. Thank  
16 you, Mr. Chairman.

17           VICE CHAIRMAN WILLIAMSON: Thank you. One  
18 question, I forgot who. In talking about production  
19 in the U.S., you talked about that there was demand  
20 for components of LCDs; not the finished product, but  
21 the components.

22           And I don't think we've seen much on that.  
23 So I was wondering if anybody, maybe post-hearing,  
24 wanted to go into more detail about how significant is  
25 this use, you know, forecast trends or anything else,

1 that gives us a bigger, better handle on this. Since,  
2 you know, people keep saying well, the product, most  
3 of the electronic products that we're talking about  
4 are produced in Asia, so why would the production of  
5 PET be used in that.

6 And so this angle of the components is  
7 something I don't think we've seen before, or heard  
8 very much about.

9 MR. MELTZER: We'd be glad to provide more  
10 information in a post-hearing brief.

11 VICE CHAIRMAN WILLIAMSON: Okay, thank you.

12 MR. McLAIN: And Mr. Chairman, if I could  
13 just add on this point.

14 VICE CHAIRMAN WILLIAMSON: Sure.

15 MR. McLAIN: When a producer says it's going  
16 to make optical display film, it can use that line for  
17 other things, like in a situation where all this  
18 speculative Asian capacity is saying oh, we're going  
19 to make LCD screens, and there is far too much supply  
20 for the demand that's actually coming on line.

21 So maybe some of the U.S. industry  
22 representatives here can just talk about, you know,  
23 when that over-capacity hits, and it's already  
24 starting to happen, they're going to use that line for  
25 something else.

1           MR. ECKLES: Right. So you know, the intent  
2 may be to produce an optically clean and clear film  
3 for LCD applications, but there are a lot of people  
4 putting in new lines in Asia. So there is speculation  
5 that that market will be saturated with this new film,  
6 and they'll be forced to adapt their original plan and  
7 target other markets to keep their lines running, and  
8 keeping them full.

9           This has happened, you know, in the past to  
10 all of us, when we expect that a market would be  
11 there, and it's not. A perfect example of that is the  
12 fact that we produced a film for T-120 videotapes in  
13 the 1990s, and that market is completely gone now. So  
14 we have had to have been forced to produce other  
15 products to fill our lines.

16           So you can't always depend on the  
17 application that you designed a line for to keep it  
18 full, for any period of time.

19           VICE CHAIRMAN WILLIAMSON: Along that line,  
20 you talked about this again, this over-capacity,  
21 particularly this over-capacity in Asia. And I was  
22 wondering what evidence you can put on the record for  
23 us, maybe post-hearing, to sort of document that. And  
24 why isn't it that, you know, growth rates in Asia seem  
25 to be the strongest in the world, every time you turn

1 around there's a new electronic product.

2 And so why shouldn't we think that there  
3 won't be the products that need the film as we go  
4 forward? Particularly since, you know, no one is  
5 saying that things are going to slow down in Asia.

6 MR. MELTZER: I think we can put that  
7 information on the record, sort of reflecting the  
8 comments that Carlton Winn made this morning about the  
9 very large, looming supply-demand imbalance that has  
10 already started, and will continue to grow in Asia.  
11 So we can certainly supplement the record in the post-  
12 hearing brief on that point.

13 VICE CHAIRMAN WILLIAMSON: Okay. And also,  
14 the evidence that, you know, there won't be the  
15 products there that need the film put on it.

16 MR. MELTZER: Sure.

17 VICE CHAIRMAN WILLIAMSON: Okay, thank you.  
18 I was wondering, could you describe in a little more  
19 detail what the uses are for release films? You  
20 already indicated this market will expand, but I don't  
21 think we really clearly understand, what is release  
22 film, and how significant is it in I guess an  
23 industrial application?

24 MR. WINN: Yes, Carlton Winn. Release liner  
25 film, as well as release liner paper, is used here in

1 the United States for any product, or any label that  
2 goes onto a product. It's laminated onto a backing.  
3 We call it the liner. We call it the release liner,  
4 because we end-line-coat a silicone coating on the  
5 film, so that the label can strip off very easily and  
6 be put onto the product.

7 One of the biggest advantages for polyester  
8 film over paper is that it can be used in very fast  
9 operations, and in some cases more wet operations, or  
10 higher temperature applications. And so this is a  
11 market that in general is more robbing the paper  
12 market than a polyester, you know, robbing other.

13 In other words, our growth in liner is not  
14 taking market share from other domestic producers or  
15 other producers in other parts of the world; it's  
16 actually replacing paper. And it's certainly one of  
17 the areas that we have elected to spend capital  
18 expenditures with a new process that allows us to  
19 recover that liner, which normally is thrown in the  
20 dump or sold at very low prices, and we're bringing it  
21 back into our process. It's a very proprietary  
22 process that we developed. But it does cost capital  
23 money to do this.

24 But it's an area of growth in the industrial  
25 market, just one of them.



1                   VICE CHAIRMAN WILLIAMSON: Now, is this the  
2 kind of film that when you release, you know, take it  
3 off, you still can read the instructions on the  
4 packaging?

5                   MR. WINN: I don't think so. I mean, in  
6 this case, the liner itself is not part of the end  
7 product. In the case that you just mentioned, the  
8 label would be printed on two sides, and when it was  
9 stripped off you'd have the adhesive and the printing  
10 that you could see.

11                   But the liner is usually one-time use, and  
12 it's thrown away.

13                   VICE CHAIRMAN WILLIAMSON: And also, since  
14 I'm on the recycling committee at my apartment  
15 building, is this something else that I should be  
16 recycling?

17                   MR. WINN: What, labels? Yeah.

18                   VICE CHAIRMAN WILLIAMSON: Yes, okay. Thank  
19 you.

20                   MR. WINN: Yes. Please do.

21                   VICE CHAIRMAN WILLIAMSON: Okay, good.

22                   MR. ECKLES: Just to build on that comment.  
23 Release liners are used for other applications, other  
24 than just labels. It's used for pressure-sensitive  
25 tape. It's used for solar window film; they peel it

1 off after they put it onto the window of a car. So  
2 there's a lot of applications, other than label  
3 applications. That's just the most common one that we  
4 all know.

5 VICE CHAIRMAN WILLIAMSON: Okay, thank you  
6 for the clarification. Let's see.

7 This would be for post-hearing. You've  
8 argued that the Korean industry is export-oriented.  
9 Please comment, post-hearing if necessary, on the  
10 confidential data at the bottom of Table 4-4 of the  
11 prehearing report. Let's see.

12 How does the domestic industry differentiate  
13 between commodity and specialty product applications  
14 within the different categories of PET film? I mean,  
15 is it sort of something, most things start off as  
16 specialty, and wind up as commodity? Or what's --

17 MR. KASOFF: Usually, the specialty products  
18 are, there's something unique about that, where it's a  
19 little bit more expensive to make, or there's a  
20 special feature. And usually costs more. But also,  
21 there's a higher price to it.

22 Commodities are ones where we could run  
23 large runs, and the same product can be sold in vast  
24 quantities. And 12-micron treated is the biggest  
25 example of that, but there are others, as well.

1                   VICE CHAIRMAN WILLIAMSON: Okay, thank you.  
2 Okay.

3                   MR. WINN: I would like to add, in many  
4 cases in a commodity-type product, film lines have  
5 become much wider today than they've been in the past.  
6 And one of the attributes of a commodity product is  
7 usually there are many customers that buy the same  
8 grade, let's say the 48-gauge corona product that's  
9 interchangeable. Lots of customers, lots of widths,  
10 so it's very easy to fill out and have very high  
11 conversions on these lines.

12                   In many cases the specialty products have a  
13 much smaller --

14                   VICE CHAIRMAN WILLIAMSON: By conversion, do  
15 conversions mean --

16                   MR. WINN: The polyester is produced in a  
17 wide sheet. And usually the sheet is too wide for one  
18 customer.

19                   So just for an example, a 200-inch-wide  
20 sheet will be cut into 10 20-inch-width rolls to go to  
21 customers.

22                   VICE CHAIRMAN WILLIAMSON: Okay.

23                   MR. WINN: In the case of specialty, the  
24 number of customers are much smaller, and that  
25 conversion can be much, much lower. So in addition to

1 the additional cost that's involved in making that  
2 specialty product, in many cases just the base yield  
3 is much lower with a specialty product.

4 VICE CHAIRMAN WILLIAMSON: Okay, thank you  
5 for those answers. Commissioner Lane.

6 COMMISSIONER LANE: Building up on that  
7 question, can you tell me what the current and  
8 projected volume split is between commodity and  
9 specialty films in the United States?

10 MR. KASOFF: We'll have to address that in  
11 post-hearing brief.

12 COMMISSIONER LANE: Okay. And percentage-  
13 wise would be okay. Thank you.

14 The staff report, at page 2-26, notes that  
15 seven purchasers stated that there has been at least  
16 one failure to qualify the product since 2005. Is it  
17 new products that are failing to qualify? Because  
18 obviously Mitsubishi, DuPont, and SKC have failed to  
19 qualify, but they're not new suppliers.

20 MR. MELTZER: I think that probably involves  
21 some kind of confidential information, and perhaps it  
22 would be best addressed in the post-hearing brief.

23 COMMISSIONER LANE: Okay, thank you. How  
24 can the Commission find likely significant adverse  
25 price effects in light of the Respondent's argument

1 that U.S. prices for PET film have increased?

2 MR. McLAIN: Well, Commissioner, first of  
3 all, as we've heard testimony today, price, the recent  
4 price increase is proving to be a short-lived peak.

5 Second of all, that's under the effects of  
6 the order. Under the effects of the order, we've  
7 already seen significant underselling by subject  
8 imports, though not to the degree seen in the original  
9 investigation, which is actually the most probative.

10 So take the order away; you have import  
11 volumes already, subject importers that are  
12 significant. They will be even more significant in  
13 the absence of the order. You have undercutting now,  
14 not as much as it was in the original investigation.  
15 Take the order away; you'll have more undercutting.  
16 And it will be across the product range, and that will  
17 suppress and depress U.S. producer prices.

18 COMMISSIONER LANE: Okay. And you may have  
19 just answered this, but I didn't quite hear you. Have  
20 the price increases that were announced in 2010 and  
21 '11 held?

22 MR. McLAIN: I think the industry could  
23 respond here.

24 MR. KASOFF: I would say that it's in, we're  
25 in the middle of it, and many of the prices have not

1 held. And they are falling. We've seen examples of a  
2 25-percent drop in price on some, some of the  
3 commodity products.

4 On some of the specialty products, we do see  
5 prices falling, as well. And I do think it does  
6 depend on industry and customer. But in general, the  
7 prices are dropping.

8 MR. WINN: One thing I'd like to add is just  
9 on the cost side, that certainly during the recession  
10 we saw all prices and the corresponding supply-demand  
11 situation with the products that you make polyester  
12 film dropped. And in the recent times, in the last 12  
13 months, raw materials have just escalated month after  
14 month, including through March/April of this year,  
15 probably the highest cost for polyester resin in the  
16 history of the business.

17 So even though our prices maybe even were  
18 holding steady for a period of time, and now they're  
19 dropping. But during that late part of the first  
20 quarter and the beginning of the second quarter, raw  
21 material costs escalated very rapidly.

22 MR. ECKLES: I would comment that you'd have  
23 to look at the global PET film market as far as  
24 pricing. If you look at Asian and European situation  
25 right now, they are well on their way to price

1 erosion. Every single day there's a new price offer.  
2 And we hear these comments from our affiliates every  
3 time we open our in box for our e-mails.

4 The U.S. market is a little bit more  
5 fortunate. We haven't been at the same accelerated  
6 rate that they are, but we are moving fastly in that  
7 direction. And we anticipate that we will continue to  
8 see price erosion for quite a while, based on the  
9 amount of announcements of new capacity that have been  
10 out there.

11 COMMISSIONER LANE: Yes, Mr. McLain.

12 MR. McLAIN: Commissioner, on the level of  
13 the U.S. economy, I just want to underscore what a  
14 fast-moving situation this is. That, you know, we've  
15 all heard in the news that the picture for the U.S.  
16 economy, projections of GDP growth by the OECD, by the  
17 Fed, have been revised downward. So even the people  
18 whose job it is to, you know, look at how we're going  
19 to come out of this recession have erred, and they've  
20 projected too high and they've had to come back down.

21 So a lot of this stuff you read from  
22 2009/2010 about the strong picture for demand, it's  
23 not bearing out. And that's being reflected in the  
24 very up-to-date pricing that the industry is talking  
25 about. Thank you.

1                   COMMISSIONER LANE: Okay. For post-hearing,  
2 I would like for each of the companies that are  
3 represented here today to tell me how much the  
4 increases were that you were trying to get. And then  
5 follow through with that as to what your actual  
6 experience has been on getting those price increases.

7                   On page V-3 of the staff report, one market  
8 participant alleges that the U.S. PTA is more  
9 expensive than Asian PTA, thus creating a competitive  
10 disadvantage for U.S. PET film producers.

11                   Approximately how much more expensive is  
12 U.S. PTA than Asian PTA? And what effect does that,  
13 any difference have on the U.S. PET film prices? That  
14 was a mouthful.

15                   MR. WINN: And I get to track it on a daily  
16 basis. Yeah, I'd like to answer that, that here in  
17 the United States, the price of PTA is based on what's  
18 called -- it's proprietary, but everybody knows it's  
19 based on the BP PTA formula. And this is a fixed  
20 formula based on an upstream product. So there's no  
21 room for market changes, supply-demand of PTA.

22                   In the case of PTA in Asia, it is under  
23 normal supply-demand circumstances. And there are  
24 periods of time when PTA -- in fact, last year, and  
25 perhaps for 18 months, the Asians enjoyed a very high



1 margin on PTA.

2 One affiliate, or one of our companies in  
3 Mitsubishi Chemical produces PTA, and it was a very  
4 profitable product. And an e-mail from him about  
5 three months ago said the party is over, and the  
6 margins have dropped dramatically, almost to cash  
7 levels, for PTA. And this occurred very quickly,  
8 maybe over three or four months.

9 The difference in price can vary anywhere  
10 from five cents a pound, kind of a typical value, but  
11 during periods of time, during periods of time of this  
12 order in the last five years, I've seen that  
13 difference as much as 15 cents a pound.

14 And when you compare that with PTA, you have  
15 to multiply it; there's a stoichiometric chemical  
16 formula. You take the PTA price that delta and  
17 multiply it by .87, and you get a direct delta to  
18 polyester, the cost of polyester resin. And 10 to 15  
19 cents per pound on a commodity product that you're  
20 getting squeezed on, low-cost imports that are selling  
21 for 90 cents to a dollar a pound, that's a huge  
22 difference in that price.

23 COMMISSIONER LANE: Okay, thank you. There  
24 has been some talk about converters here. And I'd  
25 just like a little bit more of an explanation as to

1 what we're actually talking about.

2 Are those the end users, or is that a  
3 middleman before you get to the end use?

4 MR. ECKLES: Right. Traditionally, it's a  
5 middleman who converts the product, sometimes  
6 assembles it on behalf of the end user.

7 COMMISSIONER LANE: And so a large segment  
8 of your market is to a converter? And if you have a  
9 big converter as a customer, that's very important?

10 MR. ECKLES: Exactly.

11 COMMISSIONER LANE: And do those converters  
12 sometime dual-source both from subject and from the  
13 domestic?

14 MR. ECKLES: Sure, absolutely.

15 COMMISSIONER LANE: Okay, thank you. Mr.  
16 Chairman.

17 VICE CHAIRMAN WILLIAMSON: Commissioner  
18 Pearson.

19 COMMISSIONER PEARSON: Thank you, Mr.  
20 Chairman. This is a question for Mr. Meltzer and  
21 McLain, probably most appropriately handled in post-  
22 hearing. But there has been a fair amount of  
23 discussion about corporate behavior, and how the  
24 behavior of affiliates might affect the market in the  
25 United States.

1           I have no trouble agreeing that irrational  
2 behavior by corporate affiliates could injure the U.S.  
3 market. It's less clear to me that rational corporate  
4 behavior would injure the U.S. market. And I'm sure  
5 you'll have more to say about that in the post-  
6 hearing.

7           But specifically, as you do that, could you  
8 take a look at Sorbitol? In which we had, the  
9 Commission made a determination, or had an opinion on  
10 how Roquette in France and Roquette in the United  
11 States might operate. And you know, that played a  
12 role in our decision there. So take a look at that,  
13 and explain to me how this case either is similar or  
14 different from Sorbitol.

15           MR. MELTZER: You know, we have seen that  
16 case, and know how it plays out. And it is quite  
17 different from this case.

18           One of the big differences is the number of  
19 domestic producers and the role of the foreign  
20 affiliate, vis-a-vis the other domestic producers in  
21 the market. So we would be glad to expound at  
22 appropriate length about this, because we don't think  
23 that that case binds with this case.

24           COMMISSIONER PEARSON: Okay. Mr. McLain?

25           MR. McLAIN: Yeah, and there's a key

1 difference. In Sorbitol there was a pretty direct  
2 relationship. You had the French producer matching up  
3 very closely with its affiliate, and therefore no  
4 incentive to ship additional product.

5 Here, you've got Korean subject producers  
6 with no U.S. production, and that we already have  
7 significant volumes in the United States as we speak.  
8 Then you've got subject producers with a U.S.  
9 production affiliate, but there is not a total  
10 congruence between the product lines.

11 So while SKC Korea may not ship identical  
12 things to what SKC U.S. produces, it can and does ship  
13 things that SKC U.S. doesn't produce. It might not  
14 injure SKC U.S., but it's harmful to the rest of the  
15 domestic industry.

16 COMMISSIONER PEARSON: Yes, okay. But as  
17 long as those imports are being managed by the U.S.  
18 affiliate, then one has to wonder how heavily the U.S.  
19 affiliate would be willing to step on its domestic  
20 competitors' toes, given that U.S. producers will be  
21 vulnerable to countervailing actions by other  
22 competitors. At least this is based on my commercial  
23 experience some years ago.

24 MR. McLAIN: Well, I think the U.S. industry  
25 can attest to the vigor with which they compete

1 against each other.

2 COMMISSIONER PEARSON: Oh, yes. Yes, I have  
3 no doubt at all. That's why there are kind of limits  
4 to the push and pull, and how far one firm can go,  
5 before there will be some, before there is likely to  
6 be some countervailing response in the marketplace. I  
7 mean, if you want to comment on that, you may, but I  
8 can't imagine that this marketplace is too much  
9 different from some other ones with which I have  
10 greater familiarity.

11 MR. McLAIN: And Commissioner, if I could  
12 just add one thing. A related point, and a key  
13 difference with Sorbitol, is you have big subject  
14 producers with U.S. sales affiliates, and no U.S.  
15 production. Which you did not have in Sorbitol. And  
16 you've, in other cases, found that that makes the  
17 likelihood of significant volumes even greater,  
18 because there's an established channel, they're  
19 already here, no one needs to reinvent the wheel.

20 COMMISSIONER PEARSON: Okay, good. Well,  
21 I'm already looking forward to the post-hearing  
22 briefs. Go for it.

23 From Table 4-7 in the public staff report,  
24 on page 4-16 -- you don't even need to look it up --  
25 but it's Korea's exports to the world have been

1 relatively stable over the past, I guess we have six  
2 years of data. But its imports have risen such that  
3 it's become a relatively smaller net exporter. It's  
4 now, in 2010, a net exporter of only about 201 million  
5 pounds, whereas in 2005 it had been net export of 282  
6 million pounds.

7 Does this trend indicate that subject  
8 imports from Korea would be less likely to lead to  
9 injury now, if the order is revoked, than would have  
10 been the case say in 2005?

11 MR. McLAIN: Commissioner, I don't think it  
12 really makes a material difference. Korea is still  
13 the largest net exporter of PET film. The U.S. is the  
14 second-largest destination for Korean PET film  
15 exports.

16 In 2010, you know, the import data for the  
17 U.S. in Kolon's own brief shows that imports from  
18 Korea were number two in terms of sources of imports  
19 coming to the United States.

20 So you know, it's true there has been some  
21 change, but it doesn't make a material difference in  
22 terms of the statutory criteria of significant volumes  
23 causing injury. It's well beyond that threshold. And  
24 especially when you consider, you know, it's worth  
25 touching on here, the causation standard, which is

1 more than tangential. You know, by all of those  
2 criteria, we are way beyond tangential.

3 COMMISSIONER PEARSON: Oh, yes. Causation  
4 is more likely than not in the case, right?

5 MR. McLAIN: More likely, it's more likely  
6 than not that injury will occur. But subject imports  
7 need not be the sole source of that injury. You take  
8 into account the vulnerability of the U.S. industry.

9 COMMISSIONER PEARSON: Right.

10 MR. McLAIN: Which is, in some part,  
11 influenced by the recession and other factors.

12 COMMISSIONER PEARSON: Okay, another  
13 question. Kolon indicates in its brief that it  
14 expects to become non-subject again later this year,  
15 following an annual review by Commerce.

16 Now, if Kolon at this moment was non-  
17 subject, would that change your evaluation regarding  
18 the likelihood of recurrence of injury, if the order  
19 was to be revoked?

20 MR. McLAIN: I think it could make a  
21 difference, because Kolon is big and important. But  
22 you know, we have all been in this trade law business  
23 a while, and if you could sort of predict whether you  
24 were going to win a case, boy, that would be  
25 impressive.

1           So I don't think Kolon can count its  
2 chickens before, you know, we've had our say in front  
3 of the Commerce Department, and the Commerce  
4 Department has made its findings. Even if Kolon gets  
5 a zero margin in this third review, it's not a forgone  
6 conclusion that Commerce will let Kolon out.

7           A key consideration is the fact that when  
8 Kolon was out before, they dumped, and they were  
9 brought back in. So they have a recidivist past that  
10 should be taken into account.

11           COMMISSIONER PEARSON: Okay. Well, and we  
12 don't look behind Commerce's margins, of course, but  
13 just looking at what they are, not real huge in this  
14 case. So perhaps the Respondents will have something  
15 to say.

16           MR. McLAIN: Well, again, that's under the  
17 influence of the order. And you have a Commerce  
18 Department ruling about the likely magnitude of  
19 dumping in the absence of the order, and Commerce said  
20 for Kolon it's over 21 percent. And you know, that's  
21 a factor that the statute permits you to take account  
22 of.

23           COMMISSIONER PEARSON: Okay. Well, this  
24 gets me to my last question. You have made the case  
25 that recurrence of injury would be possible if the



1 order is revoked; that's come through quite clearly in  
2 your testimony. So how do we get over the hurdle to  
3 find that it's more likely than not?

4 I mean, this is causation. I mean, in the  
5 facts of this case, one country, a small number of  
6 firms, a known amount of production capacity, a known  
7 history of shipments to the United States, either  
8 under an order or not under an order. If we take the  
9 order away, why does that change so much that we now  
10 would find that recurrence of injury would be more  
11 likely than not?

12 MR. MELTZER: Well, I think one factor  
13 that's important to keep in mind is the weakened  
14 condition of the industry. And as Pat indicated, you  
15 have to look at what the incremental effect of  
16 increased shipments to the United States would be.

17 And this industry has shown that marginal  
18 supply can have a significant impact. And we're not  
19 talking about marginal supply here. I think you heard  
20 from Carlton Winn what the extent of over-capacity is  
21 in Korea, and the need for the underlying production  
22 economics is that you need to fill out your production  
23 lines. And the excess capacity in Asia will find its  
24 way here.

25 So marginal or not, and it's probably much

1 more marginal, there will be increased shipments here  
2 from Korea, and in particular from Kolon. And that  
3 will have an impact on an industry that's already been  
4 battered, and been shown to be battered, and been  
5 determined by this Commission to be battered in the  
6 past.

7 COMMISSIONER PEARSON: Okay. I'm on  
8 borrowed time, Mr. McLain, so a quick response.

9 MR. McLAIN: Just to point out that the  
10 Commission, in prior reviews of this order, recognized  
11 the sensitivity of the U.S. industry to even small  
12 changes in prices. That that makes a big difference  
13 for the health in their bottom line, and especially  
14 when they're in a vulnerable condition, as they are.

15 COMMISSIONER PEARSON: Okay, thank you. I'm  
16 sure we'll see more in the post-hearing brief on that  
17 issue, as well.

18 Mr. Chairman, thank you for your indulgence.  
19 I have no further questions, so I would like to  
20 express my appreciation to all panelists.

21 VICE CHAIRMAN WILLIAMSON: Commissioner  
22 Aranoff.

23 COMMISSIONER ARANOFF: Thank you, Mr.  
24 Chairman. Commissioner Pinkert started asking about  
25 non-subject imports and the amount of total non-

1 subject imports that are brought in by domestic  
2 producers. And he asked the question somewhat gently.

3 But our data do show that domestic producers  
4 were responsible for a substantial majority of imports  
5 from non-subject sources during the period of review.

6 And so my question to you, which you can  
7 answer either now or post-hearing, is what does that  
8 tell us about the likelihood that subject imports  
9 would replace non-subject imports, as opposed to  
10 domestic production, in the event that this order were  
11 revoked?

12 MR. McLAIN: We'd be happy to handle that in  
13 the post-hearing brief.

14 COMMISSIONER ARANOFF: Okay, thank you very  
15 much. For the producers that are here today, are you  
16 seeing competition in the U.S. market currently, from  
17 the facility that U-Flex put up in Mexico?

18 MR. WINN: You know, I think if you look at  
19 the import statistics, a fairly large number of, or  
20 fairly large volume has increased about the same time  
21 that this facility was opened. So you simply look at  
22 the volumes that were coming in on this fairly  
23 substantial. And yes, they are, they are a competitor  
24 in the market now.

25 COMMISSIONER ARANOFF: Are they the only

1 producer in Mexico? So that I can look at the  
2 statistics and say that's them?

3 MR. WINN: It's my understanding they're the  
4 only film producer. And unless there are folks that  
5 are circumventing anti-dumping, one can assume that  
6 that's the majority of the imports.

7 COMMISSIONER ARANOFF: Okay. The plant that  
8 they have announced for the U.S., I think they said it  
9 was going to make packaging films. Is that different  
10 from what they're making in Mexico?

11 MR. WINN: I think it's the same type of  
12 film line, at least what we have heard. I don't know  
13 if you guys have anything to add. Packaging and some  
14 general industrial-type film.

15 COMMISSIONER ARANOFF: Okay, thank you. One  
16 of the things that Kolon argues in their brief is that  
17 although they switched from being a non-subject to a  
18 subject producer in the middle of this period of  
19 review, if you look at total imports from Korea during  
20 the period of review, they've been fairly stable.

21 Why doesn't that suggest that this order is  
22 not having that much of an effect on the volume of  
23 imports? And that Kolon in particular is likely to  
24 export about the same volume of product, regardless of  
25 whether it has an order in effect against it or not?

1           MR. MELTZER: Well, I think one important  
2 fact, looking forward, is the data that Carlton has  
3 cited about the increased capacity added by Kolon.  
4 And that should change the way in which Kolon will  
5 behave in the U.S. market. And so that is a  
6 significant change than what happened in the past.

7           MR. McLAIN: And Commissioner, I'd just like  
8 to underscore that you described the level of imports  
9 from Kolon as fairly stable, but I would add stable  
10 and significant. And as we've described earlier, they  
11 will have compelling incentives to increase those  
12 volumes if the order is revoked.

13           COMMISSIONER ARANOFF: Okay. I've been  
14 trying to figure out how to approach this question, so  
15 I've saved it kind of until the end. But in your  
16 brief, the domestic industry argues that this industry  
17 is subject to what I would have to say is one of the  
18 most ruthless business cycles I've seen described in  
19 many of the cases that come before the Commission,  
20 with many years of poor performance, a very short  
21 period of good performance, and then the cycle repeats  
22 itself.

23           Are there sort of objective analysts,  
24 outside of the producers, who would agree with that  
25 description, that that is, in fact, how this industry

1 works?

2 MR. McLAIN: Commissioner, you're obviously  
3 drawing on the market analysis of one of the industry  
4 members, and so we might be able to sort of respond  
5 more fully to that in the post-hearing brief. And  
6 certainly, to the extent that's corroborated  
7 elsewhere, provide you material on that.

8 COMMISSIONER ARANOFF: Okay, appreciate  
9 that. Because what I'm really interested in is if  
10 that's really an accurate description of how this  
11 industry operates, that it's an industry that's seldom  
12 profitable, or at least profitable beyond a very small  
13 margin, how should the Commission weigh the industry's  
14 arguably low profit levels during most of this period  
15 of review in assessing vulnerability and likely  
16 injury, if that's, you know, if that's just the normal  
17 state? And you know, people are willing to invest and  
18 operate in this business, then should the Commission  
19 be finding that to be a sign of vulnerability?

20 MR. McLAIN: Certainly, Commissioner. And  
21 you know, there is a track record of this. It's  
22 normal for this U.S. industry, but it's not good or  
23 healthy. And there is a track record of this industry  
24 being injured by unfairly traded imports, as this  
25 Commission has found on numerous occasions, and it's

1 renewed orders on several occasions.

2 So it's in a very difficult position. And  
3 it's entirely appropriate to find both that the  
4 industry is vulnerable and the likelihood of injury is  
5 enhanced by that, those difficult long periods of low  
6 margins.

7 MR. WINN: This is Carlton Winn. If I could  
8 add, in my opening testimony I had indicated that we  
9 have capacity in many parts of the world. Our  
10 strategy is to have capacity where the markets are.

11 And in the case of the U.S., or really, for  
12 that matter, any region, if our company as a whole  
13 just decided to cherry-pick where we're making a  
14 profit this year, or let's say this five years, just  
15 shut down the capacity and go make money in another  
16 part of the world; and when the markets pick back up  
17 in the other area, suddenly we reappeared; I don't  
18 think we'd have a very big customer base.

19 So you know, we have the belief that  
20 polyester, polyester film is a very strong product.  
21 It's going to be, as we discussed earlier, it's going  
22 to reinvent itself. We believe in the product. And  
23 yes, it's been many years since we've seen, you know,  
24 a nice profit, with the exception of 2010. So we keep  
25 trying.

1                   COMMISSIONER ARANOFF: Okay, I appreciate  
2 that answer. The staff report notes that PET film  
3 market participants have often expressed frustration  
4 with the high and volatile cost of raw materials.

5                   Are there any steps that domestic producers,  
6 or your customers perhaps, can take to make yourself  
7 less vulnerable to this cost variability? And in  
8 particular, are there any pricing mechanisms, like  
9 surcharges or indexing, that domestic producers can  
10 use to pass on raw material costs to your customers?

11                   MS. BYERSON: Carlton would be the perfect  
12 person to answer that question, but I wanted to  
13 explain. We do use those various indexes. When we  
14 price our film, naturally we look at our raw material  
15 costs. And I made the statement earlier, based on  
16 where we are in that raw material cost, it's very  
17 difficult based on the different, the three different  
18 products that go into making up that resin, the main  
19 part of that polyester film.

20                   But when we look at contracts and agreements  
21 with customers, we try and tie that margin when we  
22 make that film, and pass that on to the customer. And  
23 that was my comment earlier. With the increased  
24 levels of inventory that we are seeing now, inventory  
25 that was made when raw materials are up here, raw



1 material prices are still up here, but we're seeing a  
2 decrease in pricing.

3 So we're selling it at the lower price;  
4 we're going to have to cover that gap between raw  
5 material and the selling price.

6 MR. WINN: In the U.S., and really it's  
7 worldwide as well, raw material costs as you said are  
8 very volatile.

9 We've attempted over the years in many cases  
10 to come up with raw material formula. Part of it's  
11 raw material, part of it is a market-base-type  
12 formula.

13 But frankly, when our customers have their  
14 customers, who have the potential to buy from other  
15 sources that are much lower to begin with, we simply  
16 can't pass on that additional raw material cost to  
17 them. If raw materials will stay going up or stay  
18 steady for a period of time, we could kind of find  
19 this equaling point. But in many cases, when --  
20 sorry, almost out of time.

21 COMMISSIONER ARANOFF: It's okay, you can  
22 finish.

23 MR. WINN: If you have a spike in raw  
24 materials of two or three months, it's extremely  
25 difficult to pass that on. And we have truly

1 attempted to find something that was fair both to us  
2 and our customers.

3 COMMISSIONER ARANOFF: Well, if you can't  
4 pass costs through on the selling end, I mean, do you  
5 hedge on the buying end?

6 MR. WINN: We don't. We really researched  
7 that, and attempted to find a way that didn't have a  
8 lot of risk. And we have been unable to find a way to  
9 hedge the raw materials.

10 COMMISSIONER ARANOFF: Okay. Well, I  
11 appreciate those answers, and I don't have any further  
12 questions. I do want to thank everyone on the panel  
13 for your answers this morning.

14 Thank you, Mr. Chairman.

15 CHAIRMAN WILLIAMSON: Thank you.

16 COMMISSIONER PINKERT: Recognizing that the  
17 legal standard is somewhat different, how does the  
18 threat posed by Korea today compare with the threat  
19 posed by Thailand in 2008? Of course that was an  
20 investigation in 2008 and this is a sunset review, but  
21 how do they compare?

22 MR. McLAIN: I think one of the key things  
23 is look at the presence of Korean subject imports  
24 already in the U.S. market. An established,  
25 significant presence, and a track record of

1       undercutting the U.S. domestic like product and also  
2       as you said, the standard is different. One of the key  
3       things to take into account here is your prior injury  
4       determination where you found that you can just look  
5       at the import penetration of subject imports in the  
6       recent times, compare that with the import penetration  
7       at the original investigation where you found material  
8       injury.

9                   I think it's a much different situation  
10       versus Thailand where you found that there just wasn't  
11       enough to come here to matter.

12                   COMMISSIONER PINKERT: Mr. Meltzer, I see  
13       you thinking.

14                   MR. MELTZER: I echo what Pat said. The key  
15       is to look at Korean imports over time. They may be  
16       stable, but they're very very large, one of the  
17       largest sources of imports in the United States.  
18       Kolon has been here for many many years. It has  
19       established channels, and it's had very significant  
20       impact over the years, so that's a bit difference than  
21       in the Thai case.

22                   COMMISSIONER PINKERT: For the post hearing  
23       could you look at both capacity and the incentives  
24       faced by the Thai producers versus capacity and the  
25       incentives faced by the Korean producers in this case?

1 MR. McLAIN: We'd be happy to.

2 COMMISSIONER PINKERT: Thank you.

3 There's representation in the brief filed by  
4 the Respondent that imports from Thailand have not  
5 surged into the U.S. market since 2008 when we made  
6 the determination that there was no threat from  
7 Thailand. Do you agree with that? Do you disagree  
8 with that? Can you take a look at those numbers for  
9 us?

10 MR. MELTZER: Sure, we can take a look at  
11 that and we'll deal with that in the post hearing  
12 brief as well.

13 COMMISSIONER PINKERT: Thank you.

14 And finally, would you say that the domestic  
15 industry benefitted from the affirmative  
16 determinations that the Commission made both in  
17 investigations and five year reviews that were  
18 completed back in 2008?

19 MR. MELTZER: I think it has, and again, we  
20 can detail the ways in which it has over time in the  
21 post hearing brief. I think it has had a very  
22 significant impact on pricing. And we will detail  
23 that in terms of the benefit of the discipline of an  
24 order and what is likely to occur without that  
25 discipline if the order is lifted.

1 COMMISSIONER PINKERT: Thank you.

2 Mr. McLain?

3 MR. McLAIN: I would just say look at  
4 Chinese import volumes. It's pretty clear. But at  
5 the same time, the Korean subject imports are still  
6 here. There's tons of new capacity in China. So the  
7 notion that the Chinese imports which can't come here  
8 with such freedom, the notion that the Koreans are  
9 going to sell all of their product into the massive  
10 electronic goods production system in China, it just  
11 doesn't hold up.

12 COMMISSIONER PINKERT: Thank you. If you  
13 want to expound on that in the post hearing, that  
14 would be helpful, particularly if you put in the  
15 figures associated with the argument you just made.

16 Thank you.

17 Thank you, Mr. Chairman, I have no further  
18 questions. I appreciate the testimony today.

19 VICE CHAIRMAN WILLIAMSON: Thank you. I  
20 just have a couple of questions.

21 You argue on pages 16 and 17 in your brief  
22 that optical display films are used in producing LEDs.  
23 How much U.S. production of LEDs exists now, and how  
24 much is likely to exist over the next few years? You  
25 can either answer that now or post hearing.

1 MR. MELTZER: Why don't we do that in post  
2 hearing.

3 VICE CHAIRMAN WILLIAMSON: Particularly  
4 about the production in the U.S.. Thank you.

5 Our records show that raw material costs are  
6 a large share of the cost of production. Does this  
7 reduce the importance of maintaining a very high  
8 capacity utilization rate?

9 MR. KASOFF: While they are a large share  
10 they're not all of it. There's a good chunk of costs  
11 that are fixed costs that are spread over the pounds  
12 of product that are made. We continually work to  
13 reduce the fixed costs involved, a lot of which are  
14 labor costs, but there are the costs to operating  
15 supplies and what not, maintenance. But those costs  
16 do have to be spread and that's a significant cost as  
17 well. Not as much as variable costs, but it is  
18 certainly a very good chunk of the cost.

19 VICE CHAIRMAN WILLIAMSON: Anyone else want  
20 to add anything on that?

21 (No audible response.)

22 Okay. Thank you.

23 I have no further questions. Does any other  
24 Commissioner have any questions?

25 (No audible response.)

1 Thank you.

2 Does staff have any questions?

3 MR. McCLURE: Jim McClure, Office of  
4 Investigations.

5 Mr. Chairman, the staff has no questions.

6 VICE CHAIRMAN WILLIAMSON: Do Respondents  
7 have any questions?

8 MR. PARK: Respondents have no questions.

9 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.  
10 We'll take a lunch break until 1:10.

11 I want to remind you not to leave any  
12 confidential business information because this room  
13 will not be secured during the lunch break.

14 With that, we'll adjourn until 1:10.

15 (Whereupon, a recess was taken from 12:10 to  
16 1:12 p.m.)

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1           MR. KWON: Good afternoon. My name is James  
2 Kwon and I manage Kolon Industries' Film Business Team  
3 within the company's Film Business Center.  
4 I have been selling PET film for 23 years. In my  
5 current position which I have held for four years I  
6 oversee the team that is responsible for selling PET  
7 film in Korea and abroad, including to the USA.  
8 With me today is Mr. J.K. Kim who is the Deputy Senior  
9 Manager on my sales team. Given our positions we are  
10 very familiar with the competitive conditions in the  
11 global PET film market.

12           This order has been in effect now for 20  
13 years, but a lot has changed over that time. Most  
14 important is the fact that of Korea's three largest  
15 producers of PET film, which are SKC, Toray and Kolon,  
16 the U.S. affiliates of two of these companies, SKC and  
17 Toray, have U.S. production facilities and are now  
18 part of the Petitioners. Their goal is now to keep  
19 antidumping duties in place against Kolon, but Kolon  
20 competes fairly in the USA and we believe this order  
21 should be revoked.

22           Kolon was founded in 1957. In its nearly 55  
23 years in operation Kolon has established itself as an  
24 innovator. Our company's roots were actually in  
25 nylon. Kolon was the first Korean company to produce

1 nylon yarn and its investment in this product helped  
2 stimulate Korea's textile production which in turn  
3 played an important role in Korea's strong economic  
4 growth.

5 In the last 1960s and early 1970s Kolon  
6 turned its attention to polyester with the  
7 construction of a polyester filament plant in Gumi,  
8 Korea.

9 Kolon first began producing PET film in  
10 Korea in 1985. Since then Kolon has diversified its  
11 operations and today it is a leader in its four major  
12 business areas -- film and electronic materials,  
13 industrial material, chemicals, and fashion.

14 Kolon has sold PET film in the USA since  
15 1986. We were revoked from the antidumping order in  
16 1996 after the DOC found that Kolon had not dumped for  
17 three consecutive years. Even though we were exempt  
18 from antidumping duties, Kolon maintained very stable  
19 shipment levels of fairly priced products in the USA.  
20 However, the DOC reinstated Kolon in the order through  
21 a changed circumstances review proceeding in late  
22 2007. Although it calculated a very low antidumping  
23 rate of 1.52 percent, the DOC found that rate was  
24 sufficient to make Kolon once again subject to duties.

25 In the two following reviews the DOC has

1 calculated de minimis duty rates for Kolon, proving  
2 once again that Kolon fairly prices its PET film in  
3 the USA.

4 Kolon produces PET film at three production  
5 facilities in Korea. Historically we have focused on  
6 producing packaging films which are thinner films  
7 widely used in general packaging, printing,  
8 laminating, labels, and coated products. In the past  
9 couple of years our company has made the strategic  
10 decision to change the focus of its film business by  
11 increasing its production and sale of optical display  
12 film. This type of film is widely used in LCD and  
13 plasma display panels because of its special  
14 properties. The prices for optical display generally  
15 are much higher than for standard packaging film.

16 Kolon strongly believes that investing in  
17 optical display film and other high value-added  
18 products such as photovoltaic film which is used in  
19 solar panels, will have the company become a stronger  
20 global leader in this industry and lay a foundation  
21 for its future growth.

22 In recent years demand for optical display  
23 film has had the strongest growth of any end use, and  
24 I expect this trend will continue. For this reason in  
25 2007 Kolon opened a new production line dedicated to

1 producing optical display film and photovoltaic film.

2 In 2010 Kolon opened another new production  
3 line dedicated to producing optical display film,  
4 including hard coating film for use in touch screen  
5 devices, and photovoltaic film.

6 We believe that demand for optical display  
7 film will continue to grow, particularly as new uses  
8 for such film, such as touch screen use hard-coating  
9 film continue to develop.

10 It is important that I emphasize that this  
11 demand is mostly in Asia. Much of the global  
12 production of LCDs, plasma display panels, and other  
13 devices that incorporate optical display film is in  
14 Korea, Japan, Taiwan and China. We are not aware of  
15 any significant channels in the USA for optical  
16 display film, if they do exist. In fact only 0.1  
17 percent of our 2010 sales activity to the USA was  
18 optical display film.

19 For this reason Kolon has for the past few  
20 years decreased its focus on the USA and has increased  
21 its shipments within Korea and exports to neighboring  
22 countries.

23 Because Kolon has longstanding relations  
24 with USA customers we will continue to sell our PET  
25 film in the USA, but we expect that our export volumes

1 will continue to remain the same or decline. We have  
2 no plans or intention to increase our shipments to the  
3 USA whether or not the Commission decides to revoke  
4 the order. The future is optical display film and  
5 other similar high-value films, and the USA does not  
6 provide the types of opportunities that we need to  
7 grow in this area.

8           Even if circumstances change and demand for  
9 packaging film increases in the USA, Kolon could not  
10 just shift its production away from optical display  
11 film. Our production lines for optical display and  
12 photovoltaic film are designed to produce 400 gauge  
13 film or greater. These production lines cannot  
14 produce film that is thinner than 400 gauge. The most  
15 common thickness for packaging film is 48 gauge. In  
16 fact PET film of any kind that is 400 gauge or greater  
17 make up less than two percent of our sales to the USA.

18           Our production lines for optical display and  
19 photovoltaic film cannot and will not be used to  
20 supply packaging film to the USA.

21           I'd also like to mention that Kolon, like  
22 other producers in Korea and in the USA, was hurt by  
23 the global recession in late 2008 and 2009. However,  
24 things have improved in 2010 due largely to the  
25 optical display film sales in Asia. I believe there

1 will be significant growth in demand within Korea and  
2 the rest of Asia, particularly because of the growing  
3 number of television and other electronics  
4 manufacturers in Asia that consume PET film as a  
5 material input.

6 Kolon's shipments to the USA have been  
7 relatively low and declining, and we expect that trend  
8 will remain the same in the future.

9 Thank you very much.

10 MR. LEE: Good afternoon. My name is Bruce  
11 Lee and I'm the General Manager of Kolon USA's  
12 Marketing and Sales Team. Thank you for the  
13 opportunity to speak here today.

14 Kolon USA, or KUSA, was established in 1986,  
15 shortly after Kolon expanded into the PET film  
16 business. We are located in Fairfield, New Jersey,  
17 and up until now we have been at the same location for  
18 our entire existence. As the U.S. sales subsidiary of  
19 Kolon Industries, our business is selling Kolon  
20 merchandise.

21 The PET film business is very much a  
22 relationship business. In my experiences purchasers  
23 are very conservative in terms of changing their  
24 suppliers. They evaluate suppliers not only by the  
25 quality of their products, but also by their

1 reliability and assurance of supply over time.

2           Therefore, it has been important for KUSA to  
3 establish itself as a reliable supplier and maintain  
4 strong relationships. This strategy has worked. Some  
5 of our most important customers date back to KUSA's  
6 earliest days.

7           Historically, KUSA has concentrated on  
8 selling PET film for packaging and industrial end uses  
9 which have been the bread and butter of the U.S.  
10 market.

11           As Mr. Kwon just explained, however, the end  
12 uses of PET film are changing in the world market,  
13 particularly in Asia where new customers are demanding  
14 optical display PET film for use in LCD, plasma, and  
15 other display devices.

16           But I just do not see that same demand in  
17 the U.S.. KUSA has over 30 customers, and of them  
18 only one has purchased these higher-end films. Indeed  
19 these sales made up only 0.1 percent of my sales in  
20 2010.

21           I have been selling PET film for 21 years  
22 and I know or know of all the major purchasers. To  
23 the extent that there is demand in the U.S. for  
24 optical display film, it is very small niche products.

25           Therefore, KUSA will continue to follow its

1 long-established strategy of selling packaging and  
2 industrial end use film. Unfortunately for us, as our  
3 parent company increases its production of optical  
4 display and similar films for sale in Asia, it is  
5 reducing its production of products that we have  
6 traditionally sold here in the U.S..

7           This is because devices such as LCD displays  
8 require multiple layers of PET film in addition to  
9 optical display film. For example, a single LCD  
10 screen typically requires two or three different types  
11 of optical display film as well as up to four layers  
12 of a thinner release liner PET film.

13           While Kolon has invested in new production  
14 lines dedicated to the production of the thicker  
15 optical display and photovoltaic film, for the thinner  
16 LCD use release liner, Kolon has simply shifted some  
17 of its thinner PET film production for packaging film  
18 to the LCD use release liner film. As a result, it is  
19 much more difficult for KUSA to obtain the products  
20 that our customers require.

21           You can see in our questionnaire response  
22 that KUSA's imports were stable from 2005 through  
23 2008, and since then they have declined.

24           The petitioning companies claim that if the  
25 Commission revokes the order KUSA will significantly



1 increase its U.S. imports. This is simply not true  
2 and the Commission only needs to look at our past  
3 actions to understand this.

4 For example, Kolon invested in new  
5 production lines in 2007 and again in 2010 for optical  
6 display and photovoltaic film. Moreover, Kolon's  
7 shipments of PET film have been subject to a zero  
8 percent antidumping deposit rate since November 2009.  
9 But in 2010 when price for PET reached record levels  
10 in the U.S., KUSA's imports of Pet film remained  
11 relatively stable, increasing only slightly in 2010  
12 compared to 2009. In fact, KUSA's imports in 2010  
13 were the second lowest in the period of review. Our  
14 imports have also decreased in the first quarter of  
15 2011 compared to the first quarter of 2010.

16 In short, given the competitive conditions  
17 in the U.S. and global markets as well as our parent's  
18 new business focus, KUSA will not increase its imports  
19 from Korea in the future.

20 Thank you.

21 MR. MICHALKIEWICZ: Good afternoon. Thank  
22 you for the opportunity to address this hearing today.  
23 My name is Gary Michalkiewicz and I am the Manager of  
24 Raw Material Sourcing for the Bemis Company.

25 Bemis is a Nina, Wisconsin based global

1 supplier of packaging and pressure sensitive  
2 materials. Commissioner Lane, we are a converter.

3 Bemis was established in 1858 in St. Louis,  
4 Missouri, as a manufacturer of machine sewn cotton  
5 bags for milled food and grain products. Bemis is now  
6 a global supplier of flexible packaging and pressure  
7 sensitive label materials headquartered in Nina,  
8 Wisconsin.

9 Bemis shares have been traded on the New  
10 York Stock Exchange since 1964, and in 2010 had  
11 revenues of almost \$5 billion.

12 Bemis operates 80 facilities in 12 countries  
13 and has over 20,000 employees.

14 Bemis was recognized in 2010 by Fortune as  
15 one of the world's most admired companies; by Forbes  
16 as one of America's 100 most trustworthy companies;  
17 and by Newsweek as one of the 500 greenest big  
18 companies in America.

19 Bemis serves its North American customers  
20 through its operating companies named Kirwood,  
21 Milprint, Perfect Seal, Clisar, Bemis Polyethylene  
22 Packaging, Bemis Paper Bag, and MacTac. Products in  
23 our packaging can be found in virtually every aisle of  
24 the grocery store.

25 We consider ourselves to be a material

1 science company and have many unique patented  
2 technologies and proprietary processes.

3 Chairman Williamson, you referred earlier to  
4 the peelable labels. That's what we make. And it's  
5 not PET, it's polyethylene is what we make that out  
6 of, but we make that peelable label, peel resale  
7 technology.

8 Our flexible packaging companies are experts  
9 in polymer chemistry, film extrusion, coating and  
10 laminating, and printing and converting. On the  
11 pressure sensitive side we specialize in advanced  
12 adhesive technologies for customers around the globe.  
13 Innovation is the cornerstone of our past success and  
14 of our future growth strategy.

15 PET film is a primary raw material used in  
16 our packaging. We purchase millions of pounds of PET  
17 film from our outside suppliers and we are also a  
18 producer of that film.

19 Our Kirwood operation manufactures PET film  
20 for our own internal use. The Kirwood internally  
21 produced films are manufactured using a proprietary  
22 process that results in different end use properties  
23 than those provided by outside PET film suppliers.  
24 However, the resins we purchase to produce these films  
25 are identical to those used by all the PET film

1 producers.

2 Bemis also uses various and similar other  
3 grades of PET resin in other applications and  
4 processes. Bemis therefore is very familiar with  
5 resin costs and the drivers that change them.

6 Light gauge, 48 gauge corona treated and  
7 chemically treated films are primary products used in  
8 flexible packaging. These light gauge packaging films  
9 account for approximately 90 percent of our PET film  
10 purchases.

11 In the past year, however, there has been a  
12 major shift in the availability and supply of PET film  
13 in the U.S.. All of the U.S. PET film producers have  
14 either exited the light gauge packaging market or have  
15 severely limited supply of these films to the flexible  
16 packaging market.

17 In this regard it is important to understand  
18 that the four U.S. film producers that comprise the  
19 Petitioners in this case are some of the largest PET  
20 film producers in the world and they all have PET film  
21 production in multiple countries.

22 From what I understand, they do not produce  
23 the same type of PET film in each facility, but rather  
24 diversify their production capabilities at each  
25 facility.

1           Therefore they will produce, export and  
2 import that film as needed in each country to round  
3 out their available product mix. Indeed, I believe  
4 that the U.S. PET film producers alone account for a  
5 significant portion of the PET film imports into the  
6 U.S. from around the world.

7           As a result, even though Bemis purchased  
8 over 80 percent of its annual PET film requirements  
9 from domestic suppliers prior to 2010, the actual PET  
10 film that they supplied could have been produced in  
11 any one of the various facilities around the world.  
12 Their decision to source from various locations was  
13 based on the nature of their own global structure,  
14 rather than having anything to do with Kolon or the  
15 current antidumping order against Korea.

16           Moreover, as demand within the global PET  
17 market has changed, these U.S. producers have also  
18 made strategic decisions to focus on higher end PET  
19 film products and move away from the light gauge  
20 packaging market. As a result, DuPont Teijin Films  
21 discontinued supplying Bemis domestically produced 48  
22 gauge corona and chem-treated films for packaging in  
23 July of 2010.

24           DTF also announced their intent to  
25 discontinue supply of 48 gauge corona to Bemis from

1 their joint venture in China by the end of 2010 which  
2 was a source DTF used to supply Bemis for more than  
3 ten years.

4 Mitsubishi Polyester Film discontinued  
5 supply of 48 gauge corona to Bemis by the end of July  
6 2010. And SKC discontinued supply of 36 gauge corona  
7 to Bemis by October of 2010.

8 This shift in supply created an acute  
9 shortage of light gauge packaging films in the U.S. by  
10 the third quarter of 2010. Bemis and other polyester  
11 film consumers were forced to find other sources  
12 outside the U.S. for PET film to meet our needs.

13 For Bemis, this was not how we historically  
14 purchased PET films. We have a long history of  
15 sourcing the majority of our PET film requirements  
16 from domestic suppliers.

17 As I mentioned, prior to 2010 Bemis  
18 purchased over 80 percent of its annual PET film  
19 requirements from U.S. producers which they then chose  
20 to supply from either U.S. or foreign production.

21 In 2010 this domestic supply dropped to 58  
22 percent and in 2011 domestically supplied Pet film  
23 will make up less than 25 percent of our purchases.  
24 This was not by our choice, but due to the domestic  
25 suppliers executing a strategy to shift focus to

1 higher end products similar to the other large  
2 producers of PET film such as Kolon. Pricing was not  
3 the limiting factor as we were paying higher prices to  
4 off-shore suppliers than we were paying domestic  
5 suppliers for the same or similar products. Domestic  
6 suppliers would simply not supply the products that  
7 they historically supplied to Bemis.

8 In Table 14 of the Petitioner's public pre-  
9 hearing brief they note there was a 9.27 percent  
10 reduction in the domestic producer PET film capacity.  
11 This reduction in capacity, however, was based on  
12 strategic decisions by the U.S. industry to eliminate  
13 old and obsolete production facilities. At the same  
14 time U.S. producers have announced other expansion  
15 plans within their global network. For example,  
16 Mitsubishi has announced capacity expansion in China,  
17 and SKC has announced expansion in the U.S. but not  
18 for flexible packaging.

19 Meanwhile PCI Films Consulting in their 2010  
20 World PET Film Market Friends Report on page 78 in  
21 Table 31 reported that North American demand increased  
22 from 352 kilotons in 2004 to 378.4 kilotons in 2009  
23 for a 7.5 percent increase in demand.

24 Interestingly, two off-shore suppliers have  
25 chosen to invest in the U.S. in 2012, primarily to

1 supply the packaging market in North America and take  
2 advantage of the increasing demand. Despite this  
3 added capacity coming to the U.S. by 2012 we still  
4 will require supply from other suppliers in the  
5 interim. Suppliers like Kolon have been able to  
6 provide us with a limited supply of packaging film and  
7 we feel that it is important to maintain our  
8 relationship with Kolon. Nevertheless Kolon itself is  
9 also shifting its focus to higher end products and has  
10 therefore limited our supply since Q3 of 2010 and  
11 increased prices far exceeding those charged by  
12 domestic suppliers for similar films. In fact Kilon  
13 has been unable to fully meet its commitments to Bemis  
14 in the second half of 2010 and early 2011.

15 We know that revocation of antidumping order  
16 against Korea will not impact our supply situation  
17 with Kolon. As Kolon continues to shift high end  
18 products, its ability to supply us may be further  
19 limited even without an antidumping order. However,  
20 with such limited availability from our traditional  
21 U.S. suppliers we feel that we must maintain any and  
22 all of our supply relationships.

23 Thank you for your time today.

24 MR. GOLDFEDER: Good afternoon, Mr.  
25 Chairman, Commissioners, and staff. I am Jarrod



1 Goldfeder from Akin Gump, counsel to Kolon. I will  
2 discuss the Commission's volume, price and impact  
3 analyses.

4 The likely volume of subject Korean imports  
5 will not be significant if the order is revoked, and  
6 on that let me begin with four important points.

7 First, the domestic industry contends that  
8 subject import market share increased in the second  
9 half of the POR but they make barely any mention of  
10 the fact that Kolon was excluded from the order from  
11 November 1996 through October 2007. This means that  
12 Kolon's exports were non subject for the first half of  
13 this POR, thus giving the false impression that  
14 subject producers abruptly changed their shipping  
15 patterns midway through the POR. But this was not the  
16 case.

17 When considering total subject and non  
18 subject Korean imports, the trends show that Korea's  
19 U.S. presence declined. The same is true when looking  
20 solely at Kolon's pattern of U.S. exports from 2005  
21 through interim 2011.

22 Second, Toray Korea, the Korean affiliate of  
23 domestic producer Toray Plastics and one of the big  
24 three Korean producers, was excluded from the order  
25 throughout this POR. As a non subject producer any

1 capacity increases that Toray Korea has made or plans  
2 to make or that company's likely export behavior if  
3 the order is revoked are not relevant when evaluating  
4 the likely future volume of subject imports.

5 Third, SKC which is one of the domestic  
6 producers seeking continuation of this order is  
7 affiliated with SKC Korea, the only other large  
8 subject Korean producer, yet to date SKC has chosen  
9 not to submit a foreign producers questionnaire. Even  
10 this morning the Commission still received no  
11 assurance from the domestic panel that SKC would  
12 actually provide this response.

13 In any event, SKC has little incentive to  
14 increase its U.S. imports given the substantial  
15 investment it has made in U.S. production. Indeed  
16 this morning you heard that SKC would likely ship only  
17 niche products to the U.S. and also that SKC U.S.  
18 would control the import levels so as not to adversely  
19 affect its U.S. operations.

20 Fourth, Korean imports are not subject to  
21 antidumping duties in third country markets. In fact  
22 Korea imposed high antidumping duties against imports  
23 from China and India which is even more reason for  
24 Korean producers to continue focusing on serving home  
25 market demand as they have been doing throughout this

1 POR.

2 Now to support its volume argument the  
3 domestic industry makes various claims that  
4 individually and collectively are not supportable.  
5 For instance, they assert that subject imports will  
6 increase because Korean capacity has increased.  
7 However the record evidence confirms that capacity  
8 increases by Korean producers including Kolon and SKC  
9 are targeted toward production of higher value optical  
10 display film and related projects.

11 You've just heard testimony that limited  
12 U.S. demand exists for optical display film, whereas  
13 much of this already existing demand is concentrated  
14 in Korea and in other Asian countries, and that Asian  
15 demand for all PET film, including for optical  
16 display, is forecast to grow rapidly for the next few  
17 years.

18 Thus the Korean capacity increases will not  
19 be used to increased U.S. exports. Even with its  
20 additional capacity it's important to note that Kolon  
21 achieved very high capacity utilization rates, yet it  
22 reduced its exports to the U.S.. The market study  
23 that Kolon provided with its pre-hearing brief reports  
24 that SKC also has limited unused capacity and sells  
25 principally in Korean and Asian export markets.

1           The domestic producers also allege that  
2 Korea will increase its U.S. exports simply because  
3 Korea is the world's third largest exporter of PET  
4 film according to the Global Trade Atlas data in the  
5 pre-hearing staff report. This GTA data in Table 4-7  
6 necessarily includes export data of non subject  
7 producers Toray Korea and and HS Industries, which  
8 means the total export level of subject merchandise  
9 are overstated. In any event, the GTA data does  
10 confirm that Korean exports to the U.S. were much  
11 lower in the 2010 than in 2005. This is consistent  
12 with Kolon's questionnaire response which confirms  
13 that its exports to all markets including the U.S.  
14 declined significantly over the POR as it began to  
15 focus more on serving the growing demand in Korea.

16           The domestic industry also claims that Kolon  
17 has an established and significant U.S. presence.  
18 Although Kolon continues to serve its long-term  
19 customers in the U.S. as you just heard, it has not  
20 been increasing its presence. Even with its zero  
21 percent antidumping rate, Kolon's exports to the U.S.  
22 have been declining and as Mr. Lee of KUSA just  
23 testified, the U.S. is becoming less important for  
24 Kolon's business operations as the focus of Kolon  
25 Korea has shifted to higher end films.

1           Taken together the record evidence  
2 demonstrates that subject imports are not likely to  
3 increase significantly within a reasonably foreseeable  
4 time if the order is revoked. Subject imports are  
5 equally unlikely to cause adverse price effects.

6           Subject producers are not in a position to  
7 influence U.S. prices to any significant degree. This  
8 is because subject Korean imports have had very low  
9 market share. The four U.S. producers appearing  
10 before you today are regarded as the price leaders in  
11 the U.S. market and one of the two major subject  
12 exporters during the POR, SKC as you now know well, is  
13 affiliated with a major U.S. producer which means that  
14 its import prices are likely set either by or in  
15 conjunction with its domestic producing affiliate.

16           More importantly, the extensive pricing data  
17 shows that subject imports did not depress or suppress  
18 U.S. producers' prices during the POR.

19           The domestic industry focuses heavily on the  
20 instances of Korean underselling but ignores both the  
21 numerous instances of overselling and the fact that  
22 the percentage of comparisons in which underselling  
23 occurred is far below that from the original  
24 investigation.

25           Our pre-hearing brief contains extensive

1 analysis of each of the seven pricing products which  
2 relies on proprietary pricing data so unfortunately I  
3 can't say much here. Suffice it to say that the U.S.  
4 producer and subject import price trends from the time  
5 Kolon was reinstated in the order until the end of the  
6 POR do not support the domestic industry's price  
7 arguments. Moreover the significance of any  
8 underselling is limited by the fact that purchases  
9 ranked several non-price factors as very important to  
10 their decision-making including product consistency,  
11 reliability of supply, availability, quality and  
12 delivery time.

13 Finally, the domestic industry's claim that  
14 continuation is necessary because it is vulnerable is  
15 not supported.

16 They attempt to paint a very dire picture of  
17 their condition by comparing their 2005 performance to  
18 those later years impacted by the recession and then  
19 they dismiss their strong performance in 2010 and  
20 interim 2011 as a fleeting peak in an implausibly long  
21 business cycle.

22 As you heard this morning, the industry  
23 contends that their business cycle is marked by one  
24 year peak profits over a very long period of time,  
25 although that specific length of time is business

1 proprietary.

2           They claim, and I quote that the "modest to  
3 minuscule sales margins from 2005 to 2009 are typical  
4 of the low returns the domestic industry reaps during  
5 normal periods of the business cycle."

6           Leaving aside the unlikeliness of their  
7 claims regarding the business cycle, they cannot  
8 reasonably claim to be currently vulnerable, yet at  
9 the same time assert that they are operating at the  
10 peak of their business cycle and that they otherwise  
11 operated consistent with their normal business cycle.

12           To support their claim that they are in a  
13 weakened condition the domestic industry relies on  
14 their capacity reductions during the POR and the  
15 corresponding decline in production and shipments.  
16 But when you look at the facts it's clear that this is  
17 not a sign of vulnerability.

18           In a 2008 investigation against PET film  
19 from several other countries, DuPont Teijin  
20 acknowledged that one of its plants had obsolete and  
21 inefficient equipment and the Commission concluded in  
22 its final determination there that this problem was  
23 unrelated to competition with subject imports. Since  
24 then DuPont Teijin has rationalized its operations and  
25 other U.S. producers have likewise invested to improve

1 their operations.

2 As you have also heard, U.S. producers have  
3 largely decided to no longer produce flexible  
4 packaging film in the U.S., choosing instead to  
5 refocus their domestic operations on higher value  
6 specialty film. Importantly, the domestic industry's  
7 capacity utilization remained stable throughout the  
8 POR, despite these changes to production capacity and  
9 their business focus.

10 The industry restructuring when combined  
11 with a strong U.S. demand and higher prices in 2010  
12 and interim 2011 have already benefitted the U.S.  
13 industry. Commercial shipments, capacity utilization,  
14 net sales prices and value, ending inventories,  
15 productivity and return on investment all improved  
16 substantially since 2009. Operating income was 514  
17 percent higher in 2010 than in 2009, and in interim  
18 2011 has already improved by 361 percent over interim  
19 2010.

20 Net income shows similar trends.

21 Also the industry had positive cash flows  
22 throughout the POR, meaning that even in years where  
23 they had net losses there was no shortage of cash.

24 The domestic industry achieved its peak  
25 market share in 2009 when their U.S. shipments were at



1 their lowest level. Its market share declined a bit  
2 in 2010 and 2011, even as its shipments increased.  
3 But they did not lose market share because of Korean  
4 imports which declined in absolute and relative terms  
5 in this period. Rather, it was due to the increasing  
6 share of non-subject imports.

7 The fact that imports from non subject  
8 sources increased over the course of the POR is also  
9 not a sign of vulnerability. How can it be when  
10 domestic producers were responsible for 87 percent of  
11 imports from non subject countries in 2010?

12 U.S. producers have found it more economical  
13 to serve their customers by importing PET film as part  
14 of a global sourcing strategy.

15 The strength and optimism of the U.S.  
16 industry going forward is best evidenced by the  
17 continuing capital and R&D expenditures that they made  
18 during the POR as well as the plans of two foreign  
19 companies to establish new U.S. production facilities,  
20 with one of them, Uflex, making ground next month.

21 This is not the sign of a shrinking  
22 industry.

23 Given the projected growth of U.S. demand  
24 and U.S. producers' recent price increases, the record  
25 shows that this industry is not currently vulnerable.

1 On the contrary, it has put itself in a strong  
2 position going forward.

3 With that, that concludes our panel's  
4 affirmative remarks. Thank you very much.

5 VICE CHAIRMAN WILLIAMSON: Thank you. I  
6 want to express our appreciation to all the witnesses  
7 for coming today, and some have come from quite far  
8 away.

9 Before we begin our questioning, I just  
10 wanted to recall what I stated earlier, if any of the  
11 companies here still need to get data to the staff  
12 please do so as soon as possible so our record can be  
13 as complete as possible. Thank you.

14 We will begin our questioning session with  
15 Commissioner Lane.

16 COMMISSIONER LANE: Good afternoon and  
17 welcome to this afternoon's panel.

18 Could you tell me what are the most common  
19 types of PET film produced in Korea?

20 MR. KWON: Would you mind repeating your  
21 question again? My English is not good, so please,  
22 slowly.

23 COMMISSIONER LANE: What are the most common  
24 types of PET film produced in Korea?

25 MR. KWON: In Korea the popular type will be

1 the optical display film.

2 COMMISSIONER LANE: I'm sorry, the optical  
3 display?

4 MR. KWON: Film. F-I-L-M. Optical display.

5 COMMISSIONER LANE: So the most common type  
6 of film that you produce is the optical display film?

7 MR. KWON: In Korea.

8 COMMISSIONER LANE: And of your capacity of  
9 your facility, what percentage of that is the optical  
10 display film?

11 MR. KWON: In Kolon, 26 percent. But it's  
12 getting more.

13 COMMISSIONER LANE: What are the other types  
14 of film that you produce?

15 MR. KWON: About 40 percent we have  
16 producing packaging, 12 micron.

17 COMMISSIONER LANE: I'm sorry, say that  
18 again.

19 MR. KWON: Packaging grade, 12 micron.

20 COMMISSIONER LANE: Is that 40 percent at  
21 Kolon?

22 MR. KWON: Yeah. Produce 12 micron for  
23 packaging grade.

24 COMMISSIONER LANE: And what other kinds of  
25 film do you produce?

1 MR. KWON: About 10 to 13 percent for  
2 electronical insulation. At this moment I don't  
3 remember exact figure, but at this moment we are  
4 producing the cable wrapping, about 10 to 13 percent.  
5 And about 20-25 percent for the industrial use.

6 COMMISSIONER LANE: Thank you.

7 What are the predominant Korean film types  
8 shipped to the United States?

9 MR. LEE: At Kolon USA.

10 Mostly dominating part of film imported to  
11 United States is 48 gauge of corona treated film.

12 COMMISSIONER LANE: I'm sorry, what kind?

13 MR. LEE: 48 gauge corona treated film.  
14 That's for packaging.

15 COMMISSIONER LANE: Thank you.

16 Please comment on statements in your pre-  
17 hearing brief in part 2-E that the U.S. domestic  
18 industry has made the strategic decision to reduce its  
19 production of commodity grade packaging film.

20 MR. MICHALKIEWICZ: I can probably take that  
21 one.

22 From a consumer's standpoint as I stated in  
23 my statement, we have seen the U.S. suppliers reduce  
24 supply of commodity grade packaging film, or just  
25 packaging films in general, to Bemis. I stated that

1 DuPont Teijin had stopped supplying film produced in  
2 the U.S. in July and actually stopped supplying us  
3 film for packaging that was produced in China by the  
4 end of the year. They actually did extend that out  
5 into 2011 at our request, but then discontinued doing  
6 that.

7 Mitsubishi has continued to reduce our  
8 volumes. None of this was by our desire or choice.  
9 We were approached by them and we were approached by  
10 Mitsubishi and asked to reduce our volumes. They  
11 stopped supplying us 48 gauge corona by mid-year.  
12 Actually we acquired Alkan packaging in March of 2010  
13 and back then they had actually stopped sending film  
14 to their locations in early 2010.

15 So for us and what we're seeing in the  
16 market is an exit or a severe decline in their  
17 willingness to supply packaging films in the U.S.  
18 market.

19 COMMISSIONER LANE: Thank you.

20 The data from the responding Korean  
21 producers suggests that capacity utilization is high.  
22 Capacity utilization has increased significantly over  
23 the period of review and was still being added as of  
24 2010. What amounts to full capacity in the practical  
25 sense?

1           MR. KIM: My name is J.K. Kim. Also my  
2 English is not good, so please understand.

3           Just reviewing period, sunset period from  
4 2005 to 2010, basically the production capacity is  
5 increasing, but we have an investment for optical  
6 display line on 2007 and 2010. So the main reason to  
7 increase the figure of production capacity is for our  
8 optical display production line expansion.

9           COMMISSIONER LANE: Okay, thank you.

10          Do you have plans to expand your capacity  
11 further?

12          MR. KIM: Yeah. Basically we will have  
13 investment on 2012 by one more production line for  
14 optical display and photovoltaic.

15          COMMISSIONER LANE: Can anything else be  
16 produced on an optical display production line?

17          MR. KIM: In the case of optical display  
18 line, the thickness is very restrictive. We can only  
19 produce over 100 micron polyester film. So as in our  
20 statement, the over 100 micron polyester film for  
21 general usage is very small application. The main  
22 item is the optical display and photovoltaic.

23          COMMISSIONER LANE: Thank you.

24          On pages 25 and 26 of your pre-hearing  
25 brief, you talk about the expansion of the Asian

1 market. How do you respond to Petitioner's claim that  
2 your home market cannot absorb the expansion of  
3 Koreans' capacity?

4 MR. KIM: Would you mind express again? I'm  
5 not following your question.

6 COMMISSIONER LANE: In the pre-hearing brief  
7 it talks about the expansion of the Asian market.

8 MR. KIM: Yes.

9 COMMISSIONER LANE: How do you respond to  
10 Petitioner's claim that your home market cannot absorb  
11 the expansion of Korean capacity?

12 MR. KIM: I don't think so. In Korea  
13 including my company and parent company, some  
14 Petitioners, SKC and Toray, also decide to make an  
15 investment for optical display and photovoltaic lines.  
16 So our company's forecast that application market will  
17 be increased basically and maintained.

18 COMMISSIONER LANE: Thank you.

19 Mr. Chairman.

20 VICE CHAIRMAN WILLIAMSON: Thank you.

21 Mr. Pearson?

22 COMMISSIONER PEARSON: Thank you, Mr.

23 Chairman.

24 Permit me to extend my greetings to all of  
25 you, particularly those of you who have flown quite

1 long distances to get here. We appreciate very much  
2 your testimony to this proceeding.

3 This morning I asked the domestic industry  
4 to provide their perspective on the demand trends in  
5 the U.S. market. How we should understand the demand  
6 trend over the past few years and what we might expect  
7 looking ahead the next two years.

8 What is your perspective on demand in the  
9 U.S. market? It's a little bit challenging to analyze  
10 it because we have the recession just in the middle of  
11 it. Do you have any thoughts? Mr. Lee?

12 MR. LEE: Next three years might be quite  
13 stable in our prospective. 2009 was really very  
14 exceptional case and U.S. is getting out of the  
15 trouble and I guess to be very stable.

16 Thank you.

17 COMMISSIONER PEARSON: That's for the next  
18 two years going forward.

19 As we look back over the period of review we  
20 had a higher level of imports from Korea into the  
21 United States in 2005-2006 than we see now.

22 Is the decline due only to the recession or  
23 have there been other factors driving it?

24 MR. LEE: Is it about our import decline  
25 lately, or --



1                   COMMISSIONER PEARSON: Let's look at overall  
2 imports into the United States first.

3                   MR. LEE: I understand that the U.S. demand  
4 throughout, before the crisis has increased, and again  
5 there was hiccup of some line and it's getting over  
6 now. But the import level of Kolon has been stable  
7 because we have sort of approach allotment for each  
8 region and we had made a commitment to the customers,  
9 basically we cannot quickly shift, something like  
10 that.

11                   I'm not sure it answers t your question.

12                   COMMISSIONER PEARSON: A partial answer.

13                   Any other observations? Mr. Goldfeder?

14                   MR. GOLDFEDER: Yes, Commissioner Pearson.

15                   In our pre-hearing brief we submitted a  
16 market research report which gives the unbiased third  
17 party perspective as to where the market has been and  
18 where it's going. What that report states is that as  
19 the apparent consumption data in the pre-hearing staff  
20 report also shows is that demand was slower in the  
21 POR. It definitely was affected slightly by the  
22 recession.

23                   What it also shows going forward over the  
24 next five years or through 2014 and what Respondents,  
25 purchasers, producers, importers, seem largely to

1 agree, that U.S. demand will be far stronger than it  
2 was in the POR going forward over the next four years.

3 COMMISSIONER PEARSON: Thank you.

4 There was discussion this morning also of a  
5 change in the composition of the different types of  
6 PET film that are used in the U.S. market. The  
7 disappearance of the magnetic film, for instance and  
8 the microfilm going away.

9 Has that change in composition of the types  
10 of PET film being consumed, has that played to the  
11 advantage of disadvantage of the Korean industry in  
12 terms of being able to serve the changing marketplace  
13 in the United States?

14 MR. LEE: In the United States actually  
15 Kolon, I don't think we have sold for videotape  
16 application. There was not, our business here in  
17 United States. Mostly packaging industry or as we  
18 were not in the supply for videotape grade, I don't  
19 think that had affecting much for Kolon USA import.

20 COMMISSIONER PEARSON: Mr. Michalkiewicz, am  
21 I close on the pronunciation?

22 MR. MICHALKIEWICZ: Very good.

23 COMMISSIONER PEARSON: Sometimes even I get  
24 lucky.

25 What's your perspective on the demand for

1       PET film in the United States? I understand Bemis  
2       uses a certain set of products and you don't try to  
3       use the whole range. For instance you're not much  
4       interested in the optical films, I would guess. But  
5       what have you seen for your products, the products  
6       that you buy? Has the demand been fairly strong or  
7       did it take a dip in the recession and now it's coming  
8       back?

9               MR. MICHALKIEWICZ: Actually I think our  
10       demand has remained fairly strong. The packaging  
11       industry is a little bit recession proof in that when  
12       times are bad people stay home and go to the grocery  
13       store. That's our products. As I mentioned in my  
14       statement, you can find our products in every aisle of  
15       the grocery store.

16              So we've seen I think fairly, actually  
17       probably some increases in demand even over the last  
18       four years. We would expect our demand to continue to  
19       increase as our business grows. Packaging and  
20       specifically flexible packaging becomes a bigger part  
21       of our culture in the types of convenience packaging  
22       that you're seeing today and microwavable products and  
23       so on.

24              COMMISSIONER PEARSON: Shifting to the  
25       supply side of the equation, I think I understood your

1 testimony to be that the domestic supply, domestic  
2 availability, or the availability from domestic  
3 producers of the types of packaging products you need  
4 has been somewhat limited and perhaps declining for  
5 some products.

6 MR. MICHALKIEWICZ: It has been declining  
7 dramatically to the point where, and I think if any of  
8 my fellow converters or PET film consumers were here  
9 today, especially those consuming packaging films,  
10 would agree that last year was an absolute crisis in  
11 the supply of polyester film.

12 As I mentioned, Mitsubishi stopped shipping  
13 us film, supplying us film by mid year. They were one  
14 of our largest suppliers, especially after the  
15 acquisition of AlKan. They were an extremely large  
16 supplier to Bemis. They basically exited that market.

17 I think what made it a crisis was I think  
18 the increased demand for other products, optical  
19 display and photovoltaic last year, there were some  
20 large increases in requirements for those globally  
21 which limited our ability to get film in other  
22 markets.

23 COMMISSIONER PEARSON: So give me a sense of  
24 how Bemis responded to the tightening supply in the  
25 United States for packaging grades. Does Bemis

1 directly import? Did you look around the world for  
2 other sources of supply, either subject or non  
3 subject?

4 MR. MICHALKIEWICZ: Yes. In fact probably  
5 for the first time in your history we became an  
6 importer of film on our own in 2010. That is not  
7 typically how we purchase films.

8 As I mentioned, 80 percent of our purchases  
9 in the past before 2010 were from domestic supply.  
10 That changed. The number was 58 percent in 2010 and a  
11 lot of that was film that we had to go out and source  
12 elsewhere, and in some cases because the importer of  
13 record, which was not our track record.

14 COMMISSIONER PEARSON: Has there been any  
15 discussion within the industry of the possibility that  
16 another line or two would reopen to manufacture  
17 packaging grade film? Or are the returns on making  
18 that product in the United States so low that it's  
19 better just to allow that demand to be served by  
20 imports?

21 MR. MICHALKIEWICZ: I can't speak to that.  
22 While we are a producer, we don't produce the kind of  
23 volumes and so on that the U.S. producers do. But I  
24 think two other suppliers have answered that question  
25 and have decided to invest in the U.S. for packaging

1 films. Obviously there are some businesses that feel  
2 that that is important.

3 Related to bringing back assets that have  
4 been shut down, the majority of the assets that were  
5 shut down in the U.S. were old, obsolete assets. I  
6 know I heard some discussion this morning that they  
7 were viable assets. I guess I wonder why would a  
8 business, when we were literally screaming for film in  
9 2010, why would you shut down assets if they were  
10 viable? I can't answer that question. Maybe they  
11 could.

12 There was a severe shortage of film. They  
13 shut down assets during that severe shortage. And so  
14 obviously those assets were not viable.

15 COMMISSIONER PEARSON: My time has expired  
16 but quickly, is it plausible that a new facility  
17 optimized for the production of packaging film could  
18 be globally competitive producing in the United  
19 States?

20 MR. MICHALKIEWICZ: I believe they can, yes.

21 COMMISSIONER PEARSON: Thank you very much.

22 VICE CHAIRMAN WILLIAMSON: Thank you.

23 Commissioner Aranoff?

24 COMMISSIONER ARANOFF: Thank you, Mr.

25 Chairman. Welcome to this afternoon's panel. We

1 really appreciate your being here.

2 I wanted to continue where Commissioner  
3 Pearson left off.

4 This morning the domestic producers  
5 testified that the level of demand in 2010 really  
6 caught them by surprise. That they had reduced  
7 production, laid off workers during the recession, and  
8 that there was such a sudden spike in demand in 2010  
9 that they couldn't bring lines back on, bring workers  
10 back fast enough to meet that demand. That sounds  
11 like an alternate explanation for what Bemis was  
12 experiencing.

13 So I'm really trying to sort out whether  
14 when the domestic industry said they weren't going to  
15 supply these products in 2010 they meant not now or  
16 not ever? They also testified this morning that since  
17 the market has softened in 2011 they've gone back to  
18 customers that they were unable to supply in 2010 and  
19 tried to get that business unsuccessfully.

20 MR. MICHALKIEWICZ: As I mentioned, I'm not  
21 aware that SKC, Mitsubishi or Toray shut down any  
22 capacity in 2010 or in late 2009. DuPont Teijin did.  
23 They shut down their Circleville facility and then  
24 made a decision in 2010 to shut down their Florence  
25 facility. They continued that shutdown throughout the

1 year. I believe some of the lines went down in the  
2 first half of the year and I know at least one line  
3 was scheduled to go down in July and they did make a  
4 decision to keep that line open longer into the year  
5 because of the increased demand.

6 But I don't think there was, in reality, my  
7 understanding, and we buy from three of the four, have  
8 been large, long time suppliers to Bemis. I was not  
9 aware they had actually shut down any facilities, any  
10 of the other three had shut down any facilities or,  
11 it's possible they could have laid off workers and we  
12 wouldn't have been aware of that, but they had the  
13 capacity available in 2010 that they had in 2009.

14 COMMISSIONER ARANOFF: I'm finding this very  
15 difficult to sort out, so I invite both sides, if  
16 there's anything you can add to help the Commission  
17 really clarify what the current availability is of  
18 packaging film in the U.S. market, that would be very  
19 helpful.

20 Mr. Kwon testified, I believe it was Mr.  
21 Kwon, that the new lines that Kolon has brought on in  
22 2007 and 2010 are dedicated to these newer products,  
23 optical display and photovoltaic. You mentioned the  
24 company's focus on the older products has been  
25 reduced. But have you closed any of the preexisting



1 lines that you have that were making all of the other  
2 range of products and the thing product? Or are you  
3 still operating precisely the same amount of  
4 production capacity for those products?

5 MR. KWON: In 2007 and in 2010 we have new  
6 capacity for the optical display and photovoltaic.  
7 Until now we have never stopped these lines. We are  
8 fully operating and are selling to domestic and Japan  
9 and even Taiwan market. So I believe this demand will  
10 still be growing. Also new application is coming out,  
11 like hot coating film for touch screen. So the demand  
12 is growing.

13 That's why Kolon decided to have another new  
14 line in 2012 and Toray and Mitsubishi, manufacturers  
15 who has technology want to have new lines for this.

16 COMMISSIONER ARANOFF: I understand that  
17 part, but the plants that you had operating before  
18 2007 that are making packaging and industrial, are  
19 they still making those products or have you closed  
20 them down?

21 MR. PARK: Commissioner, just to clarify  
22 because of language issues, I think Bruce Lee  
23 testified earlier today that they, they have the  
24 thicker lines now that are coming on-line, that  
25 produce the new optical display. The thinner lines

1 are what was producing the packaging film and they  
2 still have all of those lines. The only difference,  
3 and what Mr. Lee testified today in terms of him  
4 having difficulty sourcing packaging film is in  
5 addition to the optical display that goes into an LCD  
6 panel there are also these additional LCD, thinner LCD  
7 PET film that goes into LCD panels in addition to  
8 those. So they've shifted some of their thinner line  
9 production to support these additional LCD panels.

10 So they still have the production in place  
11 and they haven't gotten rid of it. They've just  
12 shifted the thinner focus to support some of the LCD  
13 screens that also require, in addition to the optical  
14 display, these liners that go into them.

15 COMMISSIONER ARANOFF: Thank you. That's a  
16 very helpful clarification. For post-hearing if you  
17 could actually give us numbers of how much of the thin  
18 capacity is going into that end use, that would be  
19 really helpful.

20 MR. PARK: Absolutely.

21 COMMISSIONER ARANOFF: Thank you.

22 This morning one of the witnesses for the  
23 domestic industry had testified that even on a line  
24 that's making the thicker film for the new  
25 applications, that there are some industrial, more

1 traditional applications that you can use thick film  
2 for and that it would be easy for a Korean producer to  
3 switch over to serving industrial applications if the  
4 order were revoked.

5 Is there any response you want to make to  
6 that argument?

7 MR. PARK: Again, just to point to Mr.  
8 Kwon's statement earlier today.

9 The optical display lines produce film that  
10 is no thinner than 100 microns or 400 gauge.  
11 Currently while these lines are dedicated, I think  
12 what he was mentioning is it is possible to produce  
13 other thicker gauge products. However for them, their  
14 U.S. market any types of even the non-optical display  
15 products that are over 400 gauge make up less than two  
16 percent of their sales to the U.S. So for them,  
17 thicker gauge products of any kind are not really  
18 their marketplace here in the U.S..

19 COMMISSIONER ARANOFF: That's helpful. I  
20 invite you and also the domestic industry, if there's  
21 anything you want to add to complete our record on the  
22 issue of whether these thick film lines can be used to  
23 serve traditional end uses in the U.S. market, that  
24 would be very helpful.

25 Let me turn to one other question. Kolon

1 has argued that you're committed to markets that  
2 really don't exist in the United States, and that you  
3 have customers in Asia and I think in Europe as well  
4 you said in your brief, and for that reason a product  
5 wouldn't be sent to the U.S. market in excess of  
6 current levels in the event of revocation. That's an  
7 argument that obviously the Commission has found  
8 persuasive in a number of sunset reviews. But usually  
9 based on fairly detailed evidence that I'm not sure we  
10 have on the record here. So I want to know whether  
11 you'd be able to supply anything in those categories.

12 We've had people provide us with long term  
13 contracts for specific volumes. We've had people  
14 provide us with sort of the names and identities of  
15 major customers and what volume they've been buying  
16 over a period of years to show that production is  
17 committed. We've had people show us statistics  
18 showing that a very small percentage of the company's  
19 total production has been sent to North America,  
20 showing focused on other regions.

21 I don't see anything that specific on the  
22 record here.

23 Do you think that's something that you would  
24 be able to supplement for us?

25 MR. PARK: For purposes of the post-hearing

1 we will definitely look into that. I think one of the  
2 issues that we do have on the record is a perception  
3 of how big the optical display market in the United  
4 States really is. As we've discussed earlier today,  
5 these new lines are really committed to that. And the  
6 reason they're selling in Korea and these other  
7 markets is that's simply where the manufactures are.  
8 They aren't here.

9 And even though some of the information is  
10 proprietary, some of the information you collected  
11 from questionnaire responses on purchasers on their  
12 perception of how large the market actually is in the  
13 United States shows that it's actually quite  
14 minuscule. But we'll see what else we can do to  
15 supplement the record to show that.

16 COMMISSIONER ARANOFF: I appreciate that.

17 I think the question does go beyond the  
18 optical display and the photovoltaic because I think  
19 in response to Commissioner Lane's question right at  
20 the beginning, the point was made that a majority of  
21 Kolon's production is still, though that area is  
22 growing, a majority of production is not going into  
23 that area, it's going into other traditional areas. I  
24 thin that's the capacity that we might be interested  
25 in hearing about.

1 MR. PARK: Absolutely. We'll address that  
2 in post-hearing.

3 COMMISSIONER ARANOFF: Thank you very much.  
4 Thank you, Mr. Chairman.

5 VICE CHAIRMAN WILLIAMSON: Thank you.  
6 Commissioner Pinkert?

7 COMMISSIONER PINKERT: Thank you, and I join  
8 my colleagues in thanking you all for being here  
9 today.

10 I want to begin with an issue that is raised  
11 by the domestic industry. That has to do with what's  
12 happening to the price level in the United States  
13 since 2010? We've talked a lot about 2010 and what  
14 kind of a year it was, but what's happening to the  
15 price level since that time?

16 MR. MICHALKIEWICZ: On the domestic side  
17 pricing has increased. Domestic suppliers since  
18 January of 2011 have had two price increases that they  
19 announced in the market and that they implemented.

20 Now pricing from off-shore suppliers has  
21 actually been moderating and we've seen some decreases  
22 in film. The off-shore prices increased dramatically  
23 more than domestic pricing did. As I mentioned in my  
24 testimony, we were paying Kolon a much larger price  
25 for similar products that we were even paying

1 Mitsubishi for a similar product we buy from them.

2 So prices from off shore have moderated.

3 The reason domestic prices have increased is, I think  
4 they mentioned they saw an increase in raw material  
5 costs and they followed raw material costs up in the  
6 first quarter and were able to get those increases.

7 We have seen absolutely no decreases at all  
8 to date from domestic suppliers for the products that  
9 we buy from them.

10 COMMISSIONER PINKERT: That answer actually  
11 raises a question in my mind about something we heard  
12 testimony on earlier today, and that is the ability of  
13 the domestic industry to pass on increases in raw  
14 material costs.

15 I take it that your view is somewhat  
16 different from what we heard earlier today, that, to  
17 paraphrase, it seemed that the domestic industry was  
18 saying that they don't have contract mechanisms or  
19 other mechanisms like hedging strategies that would  
20 enable them to cope with significant raw material  
21 increases.

22 MR. MICHALKIEWICZ: I can tell you directly  
23 that we have an agreement with Mitsubishi that is  
24 absolutely tied to raw material increases. And PTA.  
25 so as those raw materials increase, we took a similar

1 increase based on an index to those products and a  
2 formula and we accepted an increase from Mitsubishi  
3 for the products we buy from them in the first quarter  
4 of this year, actually second quarter, and it was tied  
5 to raw materials.

6 Again, all of the U.S. suppliers announced  
7 increases for January and I believe it was for  
8 March/April timeframe, and to my knowledge the all  
9 were successful in implementing those increases.  
10 Those were based on raw materials.

11 COMMISSIONER PINKERT: That's helpful.

12 Can I get the other folks on the panel to  
13 comment on this ability to pass on raw material cost  
14 increased?

15 MR. LEE: I am not aware about USA  
16 manufacturers' behavior on that.

17 COMMISSIONER PINKERT: Thank you.

18 Perhaps for the post-hearing if Mr. Park or  
19 Mr. Goldfeder could help to collate or compile some  
20 information about that that would just fill out our  
21 understanding of the marketplace, that would be very  
22 useful.

23 MR. PARK: Absolutely.

24 COMMISSIONER PINKERT: Thank you.

25 According to market research that's cited at



1 page 12 of the domestic industry's brief, there's  
2 expected to be a significant increase in global PET  
3 film capacity by 2013. Do you have any information  
4 either available right now or available for the post-  
5 hearing that supports or undermines that claim?

6 Now you also heard earlier today when the  
7 domestic industry was presenting its arguments that in  
8 the last sunset review of this order we found that the  
9 high fixed costs of operating a plant required  
10 manufacturers to sustain high capacity utilization in  
11 order to maintain profitability and that even small  
12 increases in subject import volume could therefore  
13 have a significant impact on profitability. Is that  
14 still true about the domestic industry or has that  
15 condition of competition changed since the last time  
16 we looked at that?

17 MR. GOLDFEDER: The record here I think  
18 shows that that is not the case currently. When you  
19 look at the data, what you see and what the Commission  
20 found -- let's step back a second.

21 What the Commission found in the past was  
22 based on the Petitioner's representations that they  
23 needed to have high capacity utilization rates and  
24 fill out their productions with high volumes of  
25 production of the standard, the commodity grade what

1 they called the standard to films.

2           What you've seen in the current review  
3 period is they've moved away from those types of films  
4 towards the end of the POR into higher end films which  
5 would have lower production volumes. Yet, what you  
6 then saw in the last year of the POR in 2010 and in  
7 interim 2011 was the domestic industry achieving  
8 record profits. Record profits even when they had  
9 shifted away from what they had historically produced  
10 into the higher end. And they still throughout been  
11 able to achieve their higher capacity utilization  
12 rate.

13           So what the record is showing is that the  
14 domestic industry has restructured its operations.  
15 It's taken on a new focus, and yet it's discovered a  
16 way, it's found a way to still achieve profitability  
17 and higher profit levels than in the past. So I would  
18 say no to that, that finding does not apply here, at  
19 least not in that form.

20           COMMISSIONER PINKERT: Thank you. That  
21 leads nicely into my next question, which is -- it's  
22 more of a legal question and it has to do with the  
23 issue of vulnerability. What time frame should we be  
24 looking at in determining whether or not this industry  
25 is vulnerable for purposes of a sunset review finding?

1       Should we be looking at say 2010, or should we be  
2       looking at the entire business cycle, whatever you  
3       think that cycle might be, or how should we view that  
4       issue?

5               MR. PARK: We can address it in greater  
6       detail in the post-hearing brief, but I think it  
7       really goes to the legal question of the reasonably  
8       foreseeable future, and we can see that that might be  
9       different for different industries. Although, as you  
10      look into the reasonable foreseeable future, I think  
11      the current time period is a good measure of again how  
12      they will be affected in the reasonably foreseeable  
13      future.

14             There can be industries where a business  
15      cycle should also be taken into account in terms of  
16      vulnerability, but we think that's hard to reconcile  
17      in this particular instance with the business cycle  
18      that's being claimed by the domestic industry. We  
19      wouldn't know how to take that into account for that  
20      type of a business cycle.

21             And in that instance, as Mr. Goldfeder  
22      mentioned earlier today, if you were to look at it  
23      from that perspective of their business cycle where  
24      they simply are normally not profitable for  
25      considerable periods of time, then we think if you

1 were to take that into account then clearly they  
2 aren't vulnerable in any case.

3 So I think were we ultimately come out is  
4 whether you look at the full business cycle that  
5 they're claiming or you look really at the most recent  
6 year to get into the reasonable foreseeable future.  
7 We're saying we don't see any vulnerability there.

8 COMMISSIONER PINKERT: Let me ask the  
9 question a little bit differently. Suppose that I'm  
10 going to focus on 2010 for purposes of vulnerability  
11 analysis, not for purposes of the entire sunset  
12 analysis, but just for purposes of vulnerability.  
13 What should I benchmark 2010 performance against?

14 MR. PARK: Again, normally, if you did have  
15 a more typical business cycle you could benchmark it  
16 against other years. And again, if you were to take  
17 their explanation of what their business cycle is,  
18 then again the most recent years, or 2010 would be  
19 their peak year.

20 But again, given that they are claiming that  
21 regardless, their normal business cycle suggest years  
22 upon years of not being profitable again you can still  
23 use the rest of the years as the benchmark. But I  
24 think that shows ultimately that they are not  
25 vulnerable if again 2010 shows that they were at their

1 peak, and in fact, the numbers show it.

2 COMMISSIONER PINKERT: Thank you. Thank  
3 you, Mr. Chairman.

4 CHAIRMAN WILLIAMSON: In looking at this  
5 supply and demand and just global supply and demand,  
6 Commissioner Pinkert had asked a question I think  
7 about the supply situation going out to 2010 and 2011.  
8 I'd also would like you to address the particular  
9 nation and also address the demand situation.

10 And in that context, I was wondering if you  
11 could say what do you think the impact of the  
12 earthquake in Japan is going to have on Korean  
13 producers and also on the Asian market. I mean Japan  
14 is a major supplier and consumer, so I was just  
15 wondering what impact do you see the earthquake  
16 having?

17 MR. KIM: Okay, simply say it's a very not  
18 usual situation, but in the case of polyethylene  
19 industry in Korea, I think that's a good event to our  
20 company. That might be some more demand in Japan. I  
21 mean we can have a good chance to sell the  
22 polyethylene to Japan.

23 CHAIRMAN WILLIAMSON: So you might say you  
24 expect increased sales to Japan, and how long might  
25 those -- I mean is that going to be a temporary thing

1 or how long might that last, do you think?

2 MR. KIM: I think this effect will not be  
3 longer, so I think six months wait. The third part of  
4 this year we think the special demand from Japan will  
5 finish and get back to normal. But they once more  
6 press for release liner for coating. Then we expect  
7 the film for release liner will be increased  
8 continuously.

9 CHAIRMAN WILLIAMSON: Okay.

10 MR. KWON: You may know also Japan has a lot  
11 of the demand in the optical display. Now --  
12 explained release liner means the application of  
13 optical display for LDC and PDP. So we will have more  
14 chance to sell to Japan for optical display.

15 CHAIRMAN WILLIAMSON: Okay. Do you think  
16 those developments will have any impact on how the  
17 Korean producers view the U.S. market, either their  
18 interest in selling to the U.S. market, their ability  
19 to sell and thing like that?

20 MR. KWON: It's true the domestic market and  
21 Japanese market wants more film from us, but in the  
22 United States we have about 30 customers that we have  
23 a very relationship and we made a commitment to  
24 supply. So I think we try to supply you know very  
25 stable quantity, maybe a little bit decreasing. So in

1 a short time period there may be, you know, three  
2 years to five years later we might expect.

3 CHAIRMAN WILLIAMSON: Okay. Thank you.

4 This morning the domestic producers --  
5 excuse me. I'd also invite the domestic producers --  
6 I mean the Petitioners to address the question of the  
7 earthquake impact in their post-hearing comments.

8 This morning the Petitioners had made the  
9 point that they expected the increase in capacity in  
10 Asia would be greater than the demand and that there  
11 would be a problem of excess capacity. And I was just  
12 wondering what are your views on that, as we look  
13 forward to the next couple of years? In other words,  
14 will the Asian market be able to absorb all the  
15 capacity that's coming online?

16 MR. KWON: The capacity is increasing in  
17 Asia, but there are two differences. Japan and Korea  
18 and Taiwan most manufacturers expend their capacity  
19 for the peak films, over 480 films for the optical  
20 display and portable take and now at the hard coating  
21 for touch screen the demand is growing very fast.

22 And in China, they increased the capacity  
23 for all packaging use, all packaging application. So  
24 there are two differences.

25 CHAIRMAN WILLIAMSON: Okay. And as the

1 supply -- is there a reasonable balance in both those  
2 areas? In other words, the capacity that's coming  
3 online is it going to take care of the demand in both  
4 those areas, both the packaging and I guess you say  
5 the industrial?

6 MR. KWON: Yes, I think so because China  
7 they spent their best for the packaging application  
8 because the demand is growing very fast. And 1.5  
9 billion people and getting richer and richer, so we  
10 expect the demand for the -- film for packaging use is  
11 growing, increasing very quickly and especially Japan  
12 and Korea and Taiwan. So I think that the demand for  
13 the hard coating for touch screen will be increased  
14 tremendously, I think. That's why many -- not many.  
15 You know exist few manufacturer not exist, not exist  
16 many manufacturer -- you know the Korean petrol  
17 company also announced they will increase their  
18 production line for optical display and also portable  
19 films. So the demand I'm sure I think will increase  
20 very much in the future.

21 CHAIRMAN WILLIAMSON: Thank you.

22 As I asked the Petitioners this morning, if  
23 there's any studies, any documentation that you can  
24 produce post-hearing that will help us to address this  
25 question, since we do have some conflicting views here



1 about what's going to happen in the future in terms of  
2 the balance of supply and demand in Asia, that would  
3 be helpful. Thank you.

4 I asked this morning about the difference  
5 between commodity and specialty products in the  
6 different end use categories. I don't know. You may  
7 have heard what was said this morning. I was  
8 wondering whether you want to add anything to that or  
9 disagree with it or agree, or how would you define  
10 those? Mr. Lee?

11 MR. LEE: Yes, this question between  
12 commodity and high value added most of the case I  
13 agree what the Petitioner did. If we can add one more  
14 thing is that if there is excess, it's closely -- it  
15 can be also specialty even there is no, you know, cost  
16 factor or value. But there is always excluded from  
17 other competition that can be categorized as a  
18 specialty, even if there's no technology or what have  
19 you.

20 CHAIRMAN WILLIAMSON: You said the cost was  
21 higher?

22 MR. LEE: Even it doesn't cost more, but if  
23 one supply can dominate the supply for some reason if  
24 other cannot access to that business, then it can be  
25 categorized as a specialty.

1                   CHAIRMAN WILLIAMSON: Good. Thank you. And  
2 my time is about to expire, so thank you for the  
3 answers to those questions. Commissioner Lane?

4                   COMMISSIONER LANE: Thank you. I just have  
5 a few more questions.

6                   We talked this morning, and to a certain  
7 extent this afternoon about the use of PET film in  
8 solar applications. Is there much of a market in the  
9 United States for PET for solar applications? And if  
10 not, why not?

11                  MR. LEE: I'm Bruce Lee. From my knowledge,  
12 there is some application or demand for -- application  
13 in the United States. But to our understanding, it is  
14 relatively smaller than other countries and it is more  
15 dependent on government support or -- so my  
16 understanding it is at very early stage. Still need  
17 time to take up to the level of in commercial base,  
18 something like that.

19                  And one thing I'd like to add about it is  
20 that most of the -- for solar panel like other display  
21 stuff USA might not have the component assembly  
22 industry. There are more in China and in my  
23 understanding a lot of basic components were  
24 manufactured and imported from other low-cost  
25 countries. So for me, in terms of -- film business, I

1 don't see sizable market in United States.

2 COMMISSIONER LANE: What about in Korea? Is  
3 there a large market for the solar components in  
4 Korea, and is there a large demand for the end product  
5 in Korea, the solar panels themselves?

6 MR. LEE: I think that one need to be  
7 answered by --

8 MR. KIM: Comparing with the portable --  
9 it's the same situation. The main manufacturing  
10 countries -- China, Korea, and Japan.

11 COMMISSIONER LANE: Does Korea make large  
12 use of solar panels for its electricity?

13 MR. KIM: Yes. Right. That's correct.

14 COMMISSIONER LANE: And is that use growing?

15 MR. KIM: Yes.

16 COMMISSIONER LANE: And so has Kolon  
17 increased its production of solar or the PET film for  
18 solar uses?

19 MR. KIM: Yes, we installed a new line on  
20 2007 and 2010. It can be manufactured -- it can be  
21 produced optical display as well as the portable tape.  
22 Yes, solar cell.

23 COMMISSIONER LANE: And does all of that  
24 production stay in the Korean market, or does it go  
25 elsewhere?

1           MR. KWON: We are exporting to Europe, so we  
2 have three big customers in Europe. Also, we are  
3 selling to Japan. So we have now one or two. I'm not  
4 sure. One customer, but they are buying big quantity.  
5 And we are looking for customers in China now because  
6 the biggest market in the world is China for portable  
7 tape. Because end of last year so the revocation for  
8 the anti-dumping against Korean production, right,  
9 disappeared, finished. So earlier this year, we tried  
10 to find customers in China.

11           COMMISSIONER LANE: Thank you.  
12 How do you respond to the domestic industry's argument  
13 that subject imports were priced below the domestic  
14 product and non-subject imports during the period of  
15 review?

16           MR. GOLDFEDER: Just repeat your question,  
17 the argument being that subject imports were priced  
18 below domestic producers during the POR?  
19 The product specific pricing data shows -- I think two  
20 conclusions you can draw from that is (a) that the  
21 under selling/over selling is mixed. It's about close  
22 to 50/50. Second, if you look at the price trends  
23 over the POR, Korean prices and what the AUV data also  
24 supports is that Korean prices increased over the  
25 course of the POR.

1           They also rely heavily on AUV data. Because  
2 there's a lot of differentiation with the different  
3 PET film products, the AUV data I think viewed with a  
4 bit of caution because you've got significant product  
5 mix issues there. So I would say that -- but trends,  
6 what you see in the pricing data I think are more  
7 reliable indication that subject imports didn't cause  
8 any adverse price affects during the POR. The way the  
9 trends have been moving that that would still be the  
10 case in the future.

11           COMMISSIONER LANE: Thank you.

12           In your view, do all imported Korean films  
13 compete directly with U.S. produced films in terms of  
14 both quality and price?

15           MR. MICHALKIEWIEZ: I can answer that. Yes,  
16 I think from a standpoint of the types of films that  
17 we buy specifically from Kolon that they compete with  
18 quality and price. In fact, there is a one film that  
19 we buy that has a very tight specification and is very  
20 critical for us in a very large piece of business that  
21 we source from Kolon and they price it competitively.  
22 I can tell you in 2010, late 2010 and into early 2011,  
23 we actually paid Kolon more for that film than we paid  
24 for domestically-produced film.

25           COMMISSIONER LANE: And you're saying that

1 the quality was better?

2 MR. MICHALKIEWIEZ: The quality was  
3 equivalent. It was a good as domestically-produced  
4 film.

5 COMMISSIONER LANE: Then why did you pay  
6 more?

7 MR. MICHALKIEWIEZ: Because we couldn't get  
8 it domestically.

9 COMMISSIONER LANE: Okay. Okay.

10 According to the staff report, raw materials  
11 represent a large percentage of the cost of producing  
12 PET film. However, while the prices of oil and  
13 natural gas rose substantially in 2008, few of the  
14 Commission's pricing products show a substantial rise  
15 in the price of PET film in 2008. Do you have any  
16 explanation for that?

17 MR. MICHALKIEWIEZ: I know we experienced  
18 price increases in 2008 for PET film. They weren't as  
19 substantial as they were in 2010, but in 2008 all raw  
20 materials that we purchased increased fairly  
21 dramatically and PET film was one of those that  
22 increased in 2008. I don't know any specific figures  
23 at this time, but we did see price increases in 2008  
24 from PET film.

25 COMMISSIONER LANE: The Petitioners claim

1 that the domestic industry is vulnerable. Would  
2 anybody care to respond to that assertion?

3 MR. PARK: Commissioner Lane, as we  
4 discussed a bit earlier as well, given again the  
5 business cycle that they're claiming where they're  
6 claiming normally the industry on a normal regular  
7 basis experiences years of where they're not  
8 profitable and currently they're enjoying the highest  
9 profits they've had in years, we would say that they  
10 are not currently vulnerable.

11 COMMISSIONER LANE: So do you agree with how  
12 the Petitioners define or characterize the business  
13 cycle?

14 MR. PARK: To be honest, we've never seen a  
15 business cycle of that kind. And in terms of our  
16 industry members, they were not aware -- they don't  
17 agree with that. They don't necessarily have a  
18 particular business cycle in mind and some of the data  
19 is proprietary, but they don't believe that the  
20 business cycle is extraordinarily long. So I'm not  
21 sure we agree. We're just not sure we've ever seen  
22 such a business cycle before.

23 COMMISSIONER LANE: If you think some more  
24 about it, if you want to respond to it in your  
25 post-hearing brief that would be appreciated.

1 MR. PARK: Absolutely.

2 COMMISSIONER LANE: Thank you. Thank you,  
3 Mr. Chairman.

4 CHAIRMAN WILLIAMSON: Commissioner Pearson?

5 COMMISSIONER PEARSON: Thank you,  
6 Mr. Chairman. In table 4-7, on page 4-16 of the  
7 public version of the staff report, we see that  
8 Korea's exports to the world of PET film have been  
9 relatively stable over the past six years at a little  
10 bit more than 300,000 pounds. And yet, during the  
11 same time frame imports to Korea of PET film have  
12 increased substantially in the neighborhood of 90  
13 million pounds, something like that. Why is that  
14 happening and what types are being imported into  
15 Korea?

16 MR. KWON: We are importing mostly from  
17 Japan for optical display.

18 COMMISSIONER PEARSON: I'm sorry? For what?

19 MR. KWON: Optical display and portable tape  
20 film.

21 COMMISSIONER PEARSON: So this would be the  
22 specialty, high value end of the market, not more  
23 basic commodity products.

24 MR. KWON: Yes. So after we had the new  
25 line, so the imports from Japan -- the quantity import



1 from Japan is reducing now.

2 COMMISSIONER PEARSON: Thank you.

3 Perhaps this question is best addressed to counsel,  
4 but how should we interpret the declining position of  
5 Korea as a net exporter in looking at the potential  
6 volume of exports that might be sent to the United  
7 States? Does it have any influence at all on our  
8 volume analysis?

9 MR. PARK: We believe it does. And it shows  
10 that the whole market is actually a growing market.  
11 As Mr. Kwon was mentioning, part of the imports into  
12 Korean are, again, the growing production of the  
13 products that require these high-end products. And so  
14 from our perspective, when you see Korean being less  
15 of a net exporter, it shows that other export markets  
16 are less important. And in fact, there's a  
17 concentration.

18 Indeed, this is the very reason why Kolon  
19 and other companies are investing in these high-end  
20 PET film products to supply primarily Korea, but other  
21 Asian markets as well. But I think it does go to show  
22 that the focus of these companies and of PET film  
23 generally are shifting to the higher end markets. And  
24 it shows that the U.S., at least for them is less  
25 important. And it shows the less likelihood of

1 shifting to the U.S.

2 COMMISSIONER PEARSON: Mr. Kwon, do you know  
3 was some percentage of the increase in imports coming  
4 from affiliated firms? Firms that are affiliated with  
5 Korea and companies where a specialty product is  
6 produced in another country and then brought into  
7 Korea?

8 MR. KWON: I do not know exactly. But I  
9 heard as USA export in the specialty films to Korea  
10 and some -- I don't know Mitsubishi what rate, but  
11 some Japanese companies import specialty films from  
12 outside, not from Japan. You know from China and  
13 Malaysia. I do not know, but I heard in the market.

14 COMMISSIONER PEARSON: And we don't know  
15 based on this information whether some amount of the  
16 increase in Korea's imports was product originating in  
17 the United States.

18 MR. PARK: That's correct. We don't know  
19 from the data there.

20 COMMISSIONER PEARSON: If there's anything  
21 to add to that in the post-hearing, go ahead. I find  
22 it a somewhat interesting fact pattern, not that it's  
23 necessarily dispositive to the case.

24 MR. PARK: Absolutely.

25 CHAIRMAN WILLIAMSON: Okay.

1           MR. GOLDFEDER: I'd like to actually just  
2           make one addendum, which is, and focusing just on the  
3           exports and what I had mentioned earlier in my  
4           testimony, that the data in the staff report from the  
5           global trade out list is focusing on all exports out  
6           of Korea, which would then include exports from the  
7           two non-subject producers, one which is a very large  
8           company, Toray Korea, and then a smaller one, H.S.  
9           Industries.

10           When looking at the staff report data, and  
11           what you noted Commissioner Pearson, the exports were  
12           fairly stable over the period. What you actually see  
13           from questionnaire data is that in absolute terms  
14           exports have declined while home market shipments have  
15           increased. And relative terms too when you look at  
16           the relative figures you see it's a much more  
17           pronounced shift. So that's what I just wanted to  
18           add.

19           COMMISSIONER PEARSON: Thank you.  
20           In your brief -- in the Kolon brief, it's suggested  
21           that Kolon is likely to become non-subject later this  
22           year, following a review by the Department of  
23           Commerce. What's the basis or this optimism?

24           MR. PARK: It's just based on Kolon's record  
25           in the past couple of reviews. There's been two

1 completed reviews since they've come back into the  
2 order and in both reviews they did receive de minimus  
3 margins. Their rates throughout have been fairly low.  
4 And in this third review that we are now currently  
5 participating in before the Department of Commerce,  
6 we're also anticipating that the rate will be quite  
7 low. So based on the consecutive years of de minimum  
8 margins, we believe that the likelihood of revocation  
9 is high.

10 COMMISSIONER PEARSON: And is that informed  
11 by an accounting system that Kolon might use to try to  
12 make sure that the pricing on a sale to the United  
13 States is at a level above what the Commerce  
14 Department would determine to be dumping?

15 MR. PARK: I think it's more generally based  
16 on their pricing overall. You heard the domestic  
17 industry say today that the margins before the  
18 Department of Commerce aren't necessarily indicative  
19 because they've always been the margins set forth  
20 under an existing order. But for Kolon, that's  
21 actually not the case. For Kolon, they've been out of  
22 the order for 11 years.

23 So when they were brought back into the  
24 order in 2007, that calculation was based on shipments  
25 to the United States that were not subject to the

1 order. And based on that calculation, they still came  
2 out to a very low rate of 1.5 percent and subsequently  
3 the rate has come down quite a bit. But I think that  
4 shows overall that even without the discipline of the  
5 order the pricing normally that Kolon engages in is  
6 actually at a sufficiently high price.

7 COMMISSIONER PEARSON: I would agree. It  
8 looks like Kolon is using a disciplined approach to  
9 pricing for whatever reason. I was just wondering if  
10 there was some institutional factor within the company  
11 that was helping it to managing its pricing into the  
12 United States because knowing full well that if they  
13 price too low, then the domestic industry aided by  
14 capable counsel would bring another case if this one  
15 is revoked. So I'm just trying to understand. If we  
16 were to take away this order, would Kolon's pricing  
17 behavior be the same and if so, why?

18 MR. PARK: I'm not aware of any -- having  
19 worked with the company on the Department Commerce  
20 side of the case, I'm not aware of any specific  
21 accounting system that they have. But I do know that  
22 their pricing is fairly disciplined. Again, it's the  
23 margin that was calculated in the changed  
24 circumstances review in 2007 is indicative because  
25 they had no reason to believe that they would be

1 pulled back into the Department of Commerce case.  
2 Indeed, they were out of the order for 11 years and it  
3 was a surprise to everybody when the Petitioners  
4 challenged or filed a change circumstances review,  
5 asking that Kolon be brought in. So I think the fact  
6 that even though they were caught off guard and it had  
7 been 11 years since they were caught under an order,  
8 the fact that their margin was only 1.5 percent shows  
9 that they are, just as a natural matter, disciplined  
10 in the prices that they sell to the United States. I  
11 think that's indicative also of the pricing going  
12 forward as well.

13 COMMISSIONER PEARSON: Mr. Kwon, did you  
14 have anything to add? You're comfortable with this  
15 analysis? Okay. Fine.

16 A question for counsel again, Mr. Park,  
17 Mr. Goldfeder. How would you compare this case with  
18 Sorbitol? There we had Roquette with the operation in  
19 France, operation in the United States and the way we  
20 looked at that case would you think we should look at  
21 PET film the same way or are there differences?

22 MR. PARK: We believe that you should look  
23 at it the same, and in fact, we do cite to Sorbitol in  
24 our pre-hearing brief as well. You do have one major  
25 Korean producer who is also a part of the domestic

1 industry, or two. But one that is still subject to  
2 the order. And what you heard today I think is  
3 consistent with what you heard in Sorbitol, which is  
4 they do coordinate in terms of their shipments and  
5 they do round out simply their shipment to the U.S. or  
6 simply to round out their production.

7 And so in terms of how you would evaluate  
8 SKC's behavior if the order were to go away, and again  
9 they haven't cooperated by providing a response to  
10 this case. But we think that you should look at it in  
11 the same light as Sorbitol where, again, having made  
12 such a large investment in the United States it  
13 wouldn't seem to make any business sense to compromise  
14 that.

15 MR. PEARSON: Thank you.

16 My final question is just a miscellaneous  
17 one because I'm curious about this. It has nothing to  
18 do directly with the case. Twenty years ago when the  
19 order first went into effect, the normal customs duty  
20 for imports into the United States was 4.2 percent.  
21 So we go through the Uruguay round, negotiate away  
22 down to zero a large majority of what had been minor  
23 tariffs on a whole bunch of products.

24 So we come to this review and we see that  
25 the normal custom's duty is still 4.2 percent. Is

1 there some reason why this product was not -- why the  
2 tariff was not reduced in the Uruguay round?

3 MR. PARK: I'm not sure I have an answer for  
4 that. I'm going to turn to others on the panel. I  
5 don't know the answer to that.

6 COMMISSIONER PEARSON: If counsel for the  
7 domestic industry has anything to say about this in  
8 the post-hearing, I'd be happy to know. It strikes me  
9 as somewhat of an anomaly compared to the vast  
10 majority of other products that we look at where we've  
11 seen reduction or complete elimination of tariffs,  
12 especially relatively small tariffs.

13 MR. MELTZER: We will cover that in our  
14 post-hearing brief because as you know the U.S. tariff  
15 cost is not anomalous.

16 (Laughter.)

17 COMMISSIONER PEARSON: Sorry. Perhaps poor  
18 use of language. Thank you very much.

19 With that, Mr. Chairman, I have no further  
20 questions and I thank this panel for its  
21 participation.

22 CHAIRMAN WILLIAMSON: Thank you.  
23 Commissioner Aranoff?

24 COMMISSIONER ARANOFF: Thank you,  
25 Mr. Chairman.



1           Just a few more questions. This morning the  
2 domestic producers testified that since the first  
3 quarter of 2011 prices for PET film have really been  
4 -- this wasn't their word, but imploding, coming down  
5 a lot in Asia and Europe. And they were a little  
6 vaguer about the U.S. I got the sense that they saw  
7 this on the horizon, but maybe it hadn't happened yet.  
8 And I know that Mr. Bemis testified that there's been  
9 some softening in prices from his non-U.S. suppliers  
10 in 2011. But for Kolon, as a global supplier, would  
11 you agree that there's been significant softening of  
12 prices in Asian and European markets since the first  
13 quarter of 2011?

14           MR. KWON: I agree since first quarter of  
15 2011. So the price in Asia and Europe has been  
16 decreased. Because there is one big reason. Indian  
17 manufacturers had to export their products to outside  
18 because domestic in India the demand has stopped  
19 because of the low -- the chewing cigarette -- you  
20 know for chewing cigarette the demand I heard more  
21 than 6,000 or 7,000 points per month. So from January  
22 this year, the Indian government you know stopped  
23 producing this chewing cigarette, so the film  
24 manufacturers had to sell their films to outside you  
25 know to operate their lines.

1           So that's why Indian offering the price for  
2 -- film dramatically lower. So maybe a 30 percent, 40  
3 percent decrease compared to January this moment. But  
4 I think the price maybe will be stable or a little bit  
5 decrease because still the -- price stay higher, I  
6 think. So maybe compromise and then a price decrease  
7 will be stopped and some day, maybe in first quarter  
8 of this year. I expect. But the price in Asia and  
9 Europe decreased a lot. I agree.

10           COMMISSIONER ARANOFF: So you see prices in  
11 India as driving that in both Asia and Europe. I  
12 think that's what I heard you say, that it's been  
13 Indian product that's been driving prices down in Asia  
14 and Europe? Yes. Okay. If there anything that  
15 either group would like to add to the record, the  
16 Commission is in the position of having seen in a very  
17 short period prior to when we have to make our  
18 determination very high prices and some indication of  
19 very low prices.

20           We need to make some assumptions about  
21 what's likely in the reasonably foreseeable future in  
22 terms of the relative incentive to sell in the United  
23 States versus to sell in other markets. And that  
24 requires us to make some predictions about how what's  
25 going on in Asia and Europe is going to affect prices

1 in the U.S. market. So anything you can provide to  
2 help us would be welcomed.

3 MR. MICHALKIEWIEZ: I could add something to  
4 that. I think what you have to do is put the pricing  
5 -- where pricing went in perspective. Pricing in  
6 worldwide globally more than doubled for PET film.  
7 And you heard testimony today from the Petitioners  
8 that even a small increase in price or price of their  
9 raw materials and so on can have a big impact on their  
10 profitability.

11 So if you take and double the price of  
12 polyester film, and again, by their own testimony that  
13 in 2010 raw material were flat, that pricing went up  
14 so significantly because of the severe crisis and  
15 severe shortage of polyester film that prices reached  
16 record levels, levels that we've never, ever seen  
17 before. So there has been some moderating in prices.  
18 Yes, we've seen it. But those prices are still at  
19 very high levels compared to where they were prior to  
20 or like in early 2010 and prior to 2010. Prices are  
21 significantly more yet than they were at that time.  
22 So I think, obviously, I understand the concerns of  
23 the Commission regarding prices falling. But prices  
24 were at almost ridiculously high levels. Even the  
25 U.S. Petitioners will admit that they had customers

1 coming to them in 2010 and saying I need film. How  
2 much do I have to pay? They weren't even concerned  
3 about price. They just needed film.

4 COMMISSIONER ARANOFF: Yes. Unfortunately,  
5 this review has covered a series of years which have  
6 had very unusual economic circumstances, both bad and  
7 good and it makes it hard to look at that record and  
8 make a reasonable projection about the future. So I  
9 appreciate that testimony.

10 Will the addition of Uflex, the plant that's  
11 supposed to go up in Kentucky as well as the other new  
12 entrant that's been announced to the U.S. market make  
13 the U.S. market less attractive for Korean producers?

14 MR. LEE: This is Bruce Lee. Yes, I think  
15 U.S. market will be less attractive once those two  
16 newcomers be produced in the United States as they  
17 will probably supply for packaging this market by  
18 their announcement.

19 COMMISSIONER ARANOFF: Mr. Lee, do you sell  
20 other products or do you foresee needing a new job?  
21 You don't have to answer that question.

22 MR. GOLDFEDER: Commissioner Aranoff, I feel  
23 like it's deja vu because I was sitting here three  
24 weeks ago where the discussion was about a new company  
25 establishing a production facility in Alabama and what

1 was impact on the analysis. And I think we agree here  
2 that with new entrants into the U.S. market and the  
3 corresponding increase in domestic production that the  
4 U.S. market will become less attractive for imports.

5 COMMISSIONER ARANOFF: You're right.  
6 Although, in that case they showed us slides with  
7 really big buildings on them. And in this case I  
8 don't think ground has been broken, so there is some  
9 difference in terms of how likely we can say that that  
10 capacity is going to come online in the reasonably  
11 foreseeable future.

12 MR. MICHALKIEWIEZ: I can attest to that to  
13 some degree. As far as Uflex's line in Kentucky, they  
14 haven't given me a specific date yet, but they've  
15 invited me to a groundbreaking ceremony in July. And  
16 I've asked them outright recently because there were  
17 some rumors in the market, indicating that they had  
18 changed their mind and they were not going to put that  
19 line up in the U.S. And they addressed that directly  
20 and said no that we are going ahead with that line.  
21 We are putting that line in the U.S. and again,  
22 indicated they would have a groundbreaking ceremony in  
23 July.

24 COMMISSIONER ARANOFF: So Mr. Kwon, based on  
25 the two lines that your company has recently added in

1 Korea, if one breaks ground in July of 2011, can one  
2 be producing the product in commercial quantities by  
3 the end of 2012? Is that a reasonable period of time  
4 to install a line and get it operating?

5 MR. KWON: Nowadays, I think one and half  
6 years and two years.

7 COMMISSIONER ARANOFF: It would take one and  
8 a half to two years to start a new facility?

9 MR. KWON: Yes.

10 COMMISSIONER ARANOFF: Thank you very much.  
11 With that, I don't have any further questions. But I  
12 do want to thank this panel very much, and especially  
13 express appreciation to those of you who traveled so  
14 far to be with us today.  
15 Thank you, Mr. Chairman.

16 CHAIRMAN WILLIAMSON: Commissioner Pinkert?

17 COMMISSIONER PINKERT: I just have a few  
18 additional questions.

19 Mr. Park, I've listened carefully to your  
20 answer about the effect of having affiliates in the  
21 United States, the affect on the subject producers of  
22 having affiliates in the United States. And I'm  
23 wondering what you make of the argument that the  
24 foreign affiliates wouldn't injure their U.S.  
25 affiliates, but they would and could go ahead and take

1 actions which would injure other U.S. companies in the  
2 domestic industry, but not their affiliates.

3 MR. PARK: I'm not sure -- I guess it is  
4 possible. In this particular instance, we have two  
5 companies, obviously. One that is already not subject  
6 to the order, a major company, Toray, that has already  
7 been exempt from the order. And I think its actions  
8 may be indicative of how a company may act. They are  
9 not currently doing that from what we understand.  
10 They have been exempt from the order since 1996, I  
11 believe, and their behavior may be indicative.  
12 In terms of what SKC may do going forward and how it  
13 might price in the U.S. market, we think based on what  
14 they're saying is their production, which is currently  
15 -- SKC is producing what the other U.S. manufacturers  
16 are producing. And in order for them to, under that  
17 scenario that you mentioned, come into the U.S. market  
18 to harm other producers that would necessarily mean  
19 that they would probably be bringing in the same  
20 product, which we think would be hurting their  
21 affiliate as well, if they're producing the same type  
22 of product.

23 So from a business perspective, we don't  
24 think that necessarily makes sense and therefore is  
25 probably not as likely, but rather that if the order

1 were to be lifted they would probably follow the same  
2 pattern that Toray is doing, which is simply to round  
3 out the production.

4 But again, here clearly as one of the points  
5 that we've mentioned here and wanted to highlight was  
6 the fact that, again, SKC, although they are still  
7 subject to the order very much wants to keep this  
8 order in place and as the parent company has even  
9 refused to provide a questionnaire response and we  
10 think that is indicative of -- for them they like the  
11 status quo, which is again not -- making it difficult  
12 for companies like Kolon.

13 Currently, SKC has a very low rate of about  
14 1.91 percent. And as you heard in testimony today,  
15 SKC can live with that rate. Part of the reason they  
16 can live with that rate is because they're also a U.S.  
17 affiliate as part of the domestic industry and no one  
18 is requesting administrative reviews of SKC. SKC has  
19 not been subject to review for many, many years and  
20 it's because they're on both sides of this.

21 As you may know, and Commissioner, as you  
22 know in particular administrative reviews are  
23 extremely burdensome for companies and they, in  
24 return, have not only requested reviews of Kolon every  
25 year, but they've brought them back under an order



1 after 11 years. So again, for them the status quo is  
2 fine. They're willing to pay the 1.91 percent because  
3 they know they're safe, that they won't have to  
4 participate in reviews because they are domestic  
5 industry. And so we think that action, that activity  
6 in itself is indicative of what they want out of this  
7 market, which is simply to maintain the status quo and  
8 keep companies like Kolon out.

9 COMMISSIONER PINKERT: Thank you.  
10 Now on page V3 of the staff report, one market  
11 participant alleges that U.S. purified terephthalate  
12 acid PTA is more expensive than Asian PTA, thus  
13 creating a competitive disadvantage for U.S. PET film  
14 producers. Could you respond to that either here or  
15 in the post-hearing?

16 MR. PARK: We will have to address that in  
17 the post-hearing.

18 COMMISSIONER PINKERT: In the post-hearing  
19 brief? Thank you.

20 And with that, I have no further questions.  
21 And I thank the panel.

22 CHAIRMAN WILLIAMSON: Thank you.

23 I have just two questions. The record,  
24 particularly, in the pre-hearing report at 2-10  
25 contains allegations from purchasers that they had

1 difficulty with PET film supply in the U.S. And I  
2 think it's been also testified to this afternoon. So  
3 the question I have to Korean producers is, if the  
4 audit were revoked why would Korean producers,  
5 including Kolon, not seek to serve such purchasers?  
6 In other words, if there are purchasers in the U.S.  
7 who are complaining about not being able to get  
8 supplied domestically, why wouldn't foreign suppliers  
9 come in?

10 MR. KWON: I'm sorry. Can you repeat the  
11 question? I'm sorry.

12 CHAIRMAN WILLIAMSON: If you know that there  
13 are customers in the U.S. who are unhappy with the  
14 domestic supply, they're not getting the supply that  
15 they need, why wouldn't a foreign supplier want to  
16 come into the U.S. market to serve those customers?

17 MR. LEE: Our supply availability from Korea  
18 probably there would not be any additional product to  
19 supply to new business. And of other countries,  
20 basically, I don't have an idea why they're not --  
21 they'll try probably. But for Kolon, we don't have a  
22 supply from Korea, so probably we cannot enter into a  
23 new business, other than supporting the current  
24 committed customers.

25 CHAIRMAN WILLIAMSON: Okay. Anyone else

1 have any comments on that?

2 MR. MICHALKIEWIEZ: As you heard testimony  
3 earlier on Kolon, they've gone just like the U.S.  
4 suppliers they've gone to other markets and they don't  
5 have capacity to supply and they have not supplied us.  
6 They have shorted us film in late 2010 and 2011, even  
7 from commitments that they made to us. I guess it  
8 makes you wonder why I'm here today in support of  
9 them, but we need their supply and that is why I'm  
10 here. Long-term testimony says I'm probably not going  
11 to have that supply even long-term as they continue to  
12 move to other sources of customers in other markets.  
13 But in the interim, as I mentioned we need their  
14 supply now, at least until that other supply is here  
15 in the U.S. And I think that's globally. The change  
16 in direction hasn't just occurred with the U.S.  
17 suppliers. It occurred globally, and that was one of  
18 the reasons why we had difficulty getting film in 2010  
19 and early 2011. It's just because it was not readily  
20 available anywhere in the world until really very  
21 recently.

22 CHAIRMAN WILLIAMSON: Thank you for that  
23 answer.

24 I guess Korea has anti-dumping duty orders  
25 on China and India. And what is the status of the

1 sunset review of those orders and when are they likely  
2 to be concluded? Can anybody tell me? Mr. Kim?

3 MR. KIM: October 2008, we started  
4 anti-dumping. From 2008, for three years. From  
5 October 2008 for three years we ordered anti-dumping  
6 duty.

7 CHAIRMAN WILLIAMSON: So does that mean  
8 there's going to be a review this year?

9 MR. KIM: Yes, this year. Yes, we're trying  
10 to extend the period. We reviewed whether to extend  
11 the period or not. Yes.

12 CHAIRMAN WILLIAMSON: Okay. Has there been  
13 a final decision on whether or not the order would be  
14 extended?

15 MR. KIM: I'm sorry?

16 CHAIRMAN WILLIAMSON: Has there been a  
17 decision on whether the orders will be extended, do  
18 you know?

19 MR. KIM: Not yet. It's processing.

20 CHAIRMAN WILLIAMSON: Thank you. And  
21 actually, with that I have no further questions.  
22 Commissioner Lane?

23 COMMISSIONER LANE: I have no further  
24 questions. But I want to thank this panel for their  
25 participation and their answers. Thank you.

1           CHAIRMAN WILLIAMSON: Any other commissioner  
2 have additional questions?

3           (No response.)

4           CHAIRMAN WILLIAMSON: I want to thank you  
5 for your testimony. Does staff have questions?

6           MR. MCCLURE: Jim McClure, Office of  
7 Investigations. Staff has no questions.

8           CHAIRMAN WILLIAMSON: Do supporters of  
9 continuation have any questions?

10          MR. MELTZER: No questions. Thank you.

11          CHAIRMAN WILLIAMSON: Good.

12                 The time remaining, those in support have 20  
13 for direct and 5 from cross, or a total of 25 minutes.  
14 and those in opposition to continuation have 21 direct  
15 and 5 from closing, so a total of 26.

16                 It's usually our custom to combine the time,  
17 and if you have no objection, we'll do that here. So  
18 in that case, I want to thank the members of this  
19 afternoon's panel and especially to those who traveled  
20 so far. And we'll ask you step back and then we'll  
21 have closing arguments. Thank you.

22                 (Pause.)

23          CHAIRMAN WILLIAMSON: Mr. McLain,  
24 Mr. Meltzer, you can proceed.

25          MR. MELTZER: Thank you very much. This

1 will take nowhere near 25 or 26 minutes.  
2 I'm an old timer and I've been through a lot of these  
3 PET film cases with many of you and I keep returning  
4 to sort of the enduring fundamentals of these cases  
5 which you've affirmed and analyzed in the past. But  
6 today we've heard a number of statements, which in my  
7 mind, taking a look at both this case and how the  
8 Commission has dealt with these cases in the past,  
9 really present real disconnects. And I wanted to talk  
10 about a bunch of different disconnects that we wanted  
11 to highlight and have you think some more about. And  
12 then Pat can add more youthful things about the case.  
13 But let me start out with these disconnects. What  
14 we've heard today is everybody wants to be in high-end  
15 film. Everybody wants to be in high-end film, yet the  
16 underlying reality is that everybody is stuck with the  
17 same production economics. Everybody's stuck with it,  
18 whether you're in Korea or the United States you still  
19 have to have high operating rates and you must fill  
20 out your lines as best you can with whatever product  
21 you can to fill out those lines.

22           And those two concepts coming crashing  
23 together many, many times. The desire to be in high  
24 end and the realities of what you have to do. And  
25 that crash as particular traction and impact when you

1 have an industry like this with high cyclicalality and  
2 when you have an industry like this where you're at  
3 the end of a cycle and you look at a looming change in  
4 that business cycle where you've heard Kolon say today  
5 already that they're beginning to see erosion in the  
6 Asian market, and that's what coming.

7 So one of the disconnects I want you to  
8 think about is between those two statements -- about  
9 the underlying reality of what PET film production is  
10 about and everybody's desire to be in high end, high  
11 end, high end.

12 The other thing that's important for you to  
13 keep in mind is a point that Commissioner Lane sort of  
14 inquired about, which is if you counted up the number  
15 of times you've heard the words "optical display"  
16 today it would fill this room. And yet, when  
17 Commissioner Lane asked Kolon what they actually  
18 produced 40 percent is commodity grade stuff. And  
19 what they bring to the United States significant  
20 amount is commodity grade stuff. So that's important  
21 to keep in mind.

22 MR. MCLAIN: And if I could just jet in  
23 there, 26 percent they said is optical display. So 74  
24 percent goes unmentioned. Most of what Kolon does  
25 went unmentioned today. And even that optical display

1 we've heard can be shifted to other applications.  
2 There are lots of people who are trying to do optical  
3 display. Kolon is not alone.

4 MR. MELTZER: Right. And you heard them  
5 admit today that optical display lines can be used for  
6 other thick film lines, okay? That's important.  
7 That's important for you to keep in mind because other  
8 thick films are an important part of the U.S. market.  
9 It's in the range of 25 to 35 percent of the U.S.  
10 market involve thick films. And these are some market  
11 segments that are growing thick film market segments.  
12 So this is an important part of the U.S. market.

13 Another disconnect that we heard today is  
14 somehow they've admitted that the U.S. industry has  
15 chronically low profit rates and they face difficult  
16 cost price squeezes. Yet, somehow they come to the  
17 formulation that if you are chronically vulnerable  
18 you're not vulnerable. I mean somehow that doesn't  
19 make a lot of sense. At the end the day, if you're  
20 facing cost price squeeze, if you're facing  
21 significant import competition, if you have thin  
22 operating margins and no reinvestment economics, call  
23 it whatever you want to call it but this is an  
24 industry that would face a very difficult time if this  
25 dumping order is lifted.



1                   And the other, and for me the final  
2           disconnect here is you've heard time and time again  
3           from Kolon that the U.S. market is not part of their  
4           plans. They want to stay in Asia. They want to make  
5           optical film for the Asian market. And believe me, I  
6           have no concern about companies spending lots of money  
7           for law firms appearing before you. I sort of commend  
8           that. But I have to say that something doesn't jive  
9           when you have a company that has not really contested  
10          the lifting of orders in the past, spend the  
11          extraordinary amount of time and expense that they've  
12          expended in this case for a market they don't care  
13          about. It doesn't make sense.

14                   So I want you to think about this because  
15          somehow, as we heard what they had to say, these  
16          disconnects came up for us. And again, I feel like  
17          since I've been through a lot of these wars and have  
18          appeared before you many times what to compare those  
19          to sort of the enduring fundamentals that we've heard  
20          in this case and in other cases. And so I wanted just  
21          to bring that to your further attention.

22                   MR. MCLAIN: And I would just add very  
23          quickly, Mr. Goldfeder, counsel for Kolon referred to  
24          an industry publication, *PCI*, as an unbiased support,  
25          so Kolon finds this reliable. We also quote

1 publications from *PCI* and on page 20 of our brief I  
2 would ask you to turn there and look to see what *PCI*  
3 says about Kolon's relationship to the U.S. market.  
4 And then on page 11 of our brief you can see what *PCI*  
5 says about very recent U.S. pricing and the conditions  
6 we're likely to see on the pricing side in the  
7 reasonable foreseeable future. And that's all I have.

8 MR. MELTZER: Great. Thank you very much  
9 again.

10 CHAIRMAN WILLIAMSON: Thank you. Mr. Park  
11 and Mr. Goldfeder, you can proceed when you're ready.

12 MR. PARK: Thank you very much. We want to  
13 thank the Commission again for taking the time to hear  
14 us out today.

15 Since we're on the topic, just to follow up  
16 on what Petitioner's counsel said, one of the last  
17 things they had mentioned was that if Kolon really,  
18 truly believed in getting rid of this order they would  
19 have appeared before this Commission before. There's  
20 a very good reason why we didn't. Because Kolon was  
21 exempt from the order for the past two reviews. They  
22 were only brought in during the middle of this POR,  
23 and it is, in fact, important for them to try to get  
24 rid of this order, just to get rid of the barriers  
25 here.

1           But it isn't because they simply gained an  
2 interest now all of a sudden because the U.S. industry  
3 is that important now compared to years past. They  
4 just weren't part of the order before. So there's a  
5 simple explanation.

6           I think we want to just simply close where  
7 we began, which is you did hear a lot today. And I  
8 think you heard a lot from both sides and I don't envy  
9 the Commission in any of its cases when it has to hear  
10 both sides of a story. But I think we want to direct  
11 you back to the beginning, which is you've heard a lot  
12 today about imports generally. You've heard a lot  
13 about Korean producers and Korean shipments. And  
14 again, their pre-hearing brief tends to rely on these  
15 general statements of, again, imports generally and  
16 Korean producers generally and what's going to happen.  
17 There must be. There's going to be a shortage  
18 sometime soon and therefore imminently they're going  
19 to be shipping to the U.S.

20           These are all very, very general statements,  
21 but I think it's important to go back to the specifics  
22 of what we know. As we mentioned before, this case is  
23 very much about Kolon. It's an order against Korea,  
24 and not orders against any other countries. And  
25 indeed, what we heard before throughout the testimony

1 today is it's really the U.S. producers that are  
2 bringing in the majority of imports from other  
3 countries. These are global companies that have  
4 production facilities around the world, and they're  
5 choosing to bring in certain products to this market  
6 to round out their production.

7 In this particular instance, there has been  
8 quite a change since the original investigation 20  
9 years ago. As we mentioned, where we now have again  
10 two out of the three major Korean producers have  
11 opened up U.S. facilities and are trying to keep the  
12 order in place. We draw your attention to that for a  
13 number of reasons.

14 One is because when we talk about Korean  
15 imports and what's going to happen, I think it's  
16 important to distinguish first, again, between what is  
17 indeed subject and what is not. While we can't get  
18 into too much detail, some of the pre-hearing brief  
19 that Petitioners raise tend to quote another party and  
20 seem to try to give weight to the statements made by  
21 that other party, claiming that they're an independent  
22 party.

23 But again, we ask you to look carefully at  
24 the actual relationship between the U.S. producers and  
25 that other party that they cite to. And also note

1 that their statements about what they may do if the  
2 order goes away are irrelevant. That particular  
3 producer is not subject to the order.

4 So it is very important, I think, to get down to the  
5 specifics of what it is that we're talking about.  
6 We're talking about Kolon primarily here and its  
7 actions. And let's go to those specific statements.  
8 And they make again general statements about what  
9 Kolon would do. I think we spent some time this  
10 afternoon going through Kolon's past actions. Kolon  
11 has been a long-term player in this market. They've  
12 been here since the 1980s. We think that they've been  
13 pricing quite fairly throughout, with the discipline  
14 of the order or without the discipline of the order.  
15 Also, again, with the discipline of the order or  
16 without the discipline of the order, their shipments  
17 have been relatively stable. And in recent years,  
18 they have been declining. These are facts. These are  
19 specific facts about Kolon and not just general  
20 statements about what any PET film manufacturer around  
21 the world may do in a circumstance like this. This is  
22 specifically about Kolon and how its acted in the  
23 past.

24 And when you look to the reasonable  
25 foreseeable future, it is a bit of looking into a

1 crystal ball to try to figure out what may happen.  
2 And I think one of the best guides to determining what  
3 may happen is to look to see what a company has done  
4 in the past. And I think Kolon's action in that  
5 regard truly do reflect how they will act going  
6 forward, both in terms of shipments and pricing.  
7 They draw a lot of attention again to optical display,  
8 and there's a reason why we've mentioned optical  
9 display quite a bit. Because it's a reality. I think  
10 we've noted again Kolon has actually -- they're not  
11 saying they're going to optical display. They've  
12 actually gone into it. They've made the investment of  
13 tens of millions of dollars, of over \$100 million in  
14 these facilities in 2007, in 2010. And again, you  
15 heard that they're making another investment in 2012.  
16 If they truly didn't believe in the demand, and that's  
17 one of the questions, is the demand going to be there?  
18 If they truly didn't believe in the demand, they  
19 wouldn't be going forward with these investments. The  
20 reality is that there is a market for optical display.  
21 You've seen the shipment data. You've seen the import  
22 data into Korea. You know about the production of LCD  
23 and plasma displays in Asia. This is a tremendous  
24 market.

25 What you also heard a bit today is it's an

1 ever-changing market. In other words, we've gone from  
2 a market that has had CRT displays to flat panel  
3 screens to within LCDs LED screens to 3D and high  
4 definition. And one of the latest that they've talked  
5 about, their 2010 plan is focusing on touch screen  
6 panels. This is an ever-changing market. And for  
7 them they do see that demand continuing to grow.  
8 And all you have from the Petitioners is speculation.  
9 We hear that there is a lot of production coming  
10 online. We hear that there's going to be an  
11 oversupply, so therefore there must be absolutely that  
12 Kolon is going to have to shift its production to the  
13 U.S. There is absolutely no indication that -- Kolon  
14 has not done so and there is absolutely no indication  
15 that they'll be doing so in the near future,  
16 particularly having made this investment.

17 So I think what we'd like you to do at the  
18 end of the day is really come down to the specifics  
19 and not deal with this, as they suggest, as every  
20 other PET film case that has been before you. This is  
21 a different case. This is about a very specific  
22 producer and their actions. And we therefore ask you  
23 to take that into consideration and hope that you will  
24 determine that revocation of the order will not likely  
25 lead to a continuation or recurrence of material

1 injury. Thank you very much.

2 CHAIRMAN WILLIAMSON: Thank you.

3 Post-hearing briefs, statements, responses to  
4 questions, and requests of the Commission and  
5 corrections to the transcript must be filed by July 6,  
6 2011. Closing of the record and final release of data  
7 to parties will be August 4, 2011. Final comments  
8 will be August 8, 2011.

9 And with no further business before the  
10 Commission, I want to thank all the witnesses. I'm  
11 sorry?

12 MR. MCLAIN: Mr. Chairman, if it please the  
13 Commission, we and opposing counsel, I think we agree  
14 that maybe a one- or two-day extension on the  
15 post-hearing briefs we'd both be interested in that  
16 just so that -- we've got the July Fourth weekend  
17 coming up. If that works for you guys, I think that  
18 works for both of us.

19 MR. BISHOP: Mr. Chairman, if you would put  
20 that in writing, the Commission will consider your  
21 request. Thank you.

22 CHAIRMAN WILLIAMSON: Thank you. We'll be  
23 hearing from you. But with that, the hearing is  
24 closed.

25 //



1                   (Whereupon, at 3:44 p.m., the above-entitled  
2 hearing was concluded.)  
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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Polyethylene Terephthalate (PET) from Korea

**INVESTIGATION NO.:** 731-TA-459 (Third Review)

**HEARING DATE:** June 28, 2011

**LOCATION:** Washington, D.C.

**NATURE OF HEARING:** Third Review 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:** June 28, 2011

**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:** Micah J. Gillett  
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:** Gabriel Gheorghiu  
Signature of Court Reporter