UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**)**	**Investigation Nos.:**
CERTAIN IRON MECHANICAL TRANSFER	**)**	**701-TA-550 AND**
DRIVE COMPONENTS FROM CANADA	**)**	**731-TA-1304-1305**
AND CHINA	**)**	**(PRELIMINARY)**

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AND CHINA	)	

Wednesday, November 18, 2015
Hearing Room A
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The meeting commenced, pursuant to notice, at 9:00 a.m., before the United States International Trade Commission Investigative Staff. Douglas Corkran, Supervisory Investigator, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Douglas Corkran, Supervisory Investigator (presiding)
Mary Messer, Investigator
Andrew David, International Trade Analyst
Dan Kim, International Trade Analyst

APPEARANCES (Continued):

John Benedetto, Economist

Lauren Gamache, Economist

Charles Yost, Accountant/Auditor

Mary Jane Alves, Attorney/Advisor

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Program Support

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

Kelley Drye & Warren LLP Washington, DC,

On behalf of: Baldor Electric Company

T. Dent McCartney, General Product Manager, Power Transmission Components, Baldor Electric Company

Jeff Moore, Vice President, Marketing, Baldor Electric Company

Gina Beck Hartel, Economic Consultant, Georgetown Economic Services

R. Alan Luberda, Kathleen W. Cannon -- Of Counsel

Mowry & Grimson PLLC, Washington, DC
On behalf of: Powermach Import & export Co., Ltd. (Sichuan) Fuzhou Min Yue Mechanical & Electrical Co., Ltd.
Jeffrey S. Grimson, Kristin H. Mowry, Sarah M. Wyss, Daniel R. Wilson -- Of Counsel

In Support of the Imposition of Antidumping and Countervailing Duty Orders:
Wiley Rein LLP, Washington, DC
On behalf of: TB Woods Incorporated ("TB Wood's
Carl Christenson, Chairman and Chief Executive Officer, Altra Industrial Motion Corp.
Lew Crist, General Manager, TB Wood's
William R. Juergens, Commercial Castings Sales Manager, TB Woods's
Took Coder, Former Vice President of Sales, TB Wood's
Alan H. Price, Daniel B. Pickard, Robert E. DeFrancesco, Laura El-Sabaawi -- Of Counsel

I N D E X

I N D E X

P R O C E E D I N G S

(9:00 a.m.)

MR. CORKRAN: Good morning, and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping and countervailing duty investigation Nos. 701-TA-550 and 731-TA-1304-1305, concerning Certain Iron Mechanical Transfer Drive Components from Canada and China.

My name is Douglas Corkran. I am the Supervisory Investigator in the Office of Investigations for this case, and I will preside at this conference.

Among those present from the Commission staff are: Mary Messer, our investigator; Mary Jane Alves, our attorney/advisor; John Benedetto and Lauren Gamache, both economists; Charles Yost, accountant/industry analyst; and other team members include Andrew David, our industry analyst, as well as Daniel Kim, also an industry analyst.

I understand that parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information, and to speak directly into the microphones.

We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the Court Reporter.

All witnesses must be sworn in before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding time allocations should be addressed with the Secretary.

Are there any questions?

(No response.)

MR. CORKRAN: Mr. Secretary, are there any preliminary matters

MR. BISHOP: Mr. Chairman, I would note that all witnesses for today's conference have been sworn in. There are no other preliminary matters.

MR. CORKRAN: Thank you very much, Mr. Secretary.

Let us proceed with opening remarks, after which time I would ask the first panel to move directly to the table and begin opening testimony. Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be by R. Alan Luberda, Kelley Drye & Warren.

OPENING REMARKS OF ALAN LUBERDA

MR. LUBERDA: Good morning, Mr. Corkran, Commission staff. For the record, I am Alan Luberda of the Law Firm of Kelly Drye & Warren. I am here today representing domestic producer Baldor Electric Company in opposition to the Antidumping and Countervailing Duty Petitions on Iron Mechanical Drive Components from Canada

and China, and providing this opening statement on behalf of those in opposition to the petition.

Despite being on opposite sides of this case, my client and the Petitioner actually have a lot in common with one another. Baldor and TB Woods are both domestic producers of iron mechanical transfer drive components. Neither Baldor nor TB Woods has affiliated production facilities for these products in China.

But both Baldor and TB Woods import the subject product from China. In fact, according to the information provided to Baldor by a Chinese supplier, TB Woods is even a larger purchaser of iron mechanical transfer drive components from that source than is Baldor.

Baldor has a finishing facility in our NAFTA partner, Canada, and TB Woods has a production facility in our NAFTA partner Mexico. So why are these two companies on opposite sides of this case?

The reason is that the single Petitioner in this case is attempting to define the domestic like-product and the domestic industry based solely on its own particular business model and the capabilities of its domestic production facilities, to the exclusion of other domestic producers that employ other business models and have additional capabilities.

Because the Petitioners like-product and industry

definitions are not based on accurate facts or an objective application of the Commission's traditional methodologies, Baldor and the other responding parties appearing today oppose them.

Petitioner has so far changed the scope and like-product definitions twice during the 20-day initiation period. The Petitioner has so far endorsed at least two conflicting domestic like-product definitions. One encompassed all our mechanical transfer drive components, regardless of diameter. The other excluded from the scope and like-product all components with diameters less than 4 inches.

These like-product definitions conflict with one another and we disagree with the size-based like-product distinctions that have been drawn.

Petitioner has also sought to exclude from the domestic like-product mechanical transfer drive components made from powdered metal, or machined from steel bars because the Petitioner itself does not employ these technologies.

These components have the same characteristics and uses as components made from cast-iron, are sold to the same customers, and are viewed as perfect substitutes for one another in the market.

As a result, they should be treated as being

within the same like-product. Petitioner's domestic industry definition is even less grounded in law and facts than is the like-product definition.

The like-product definition proposed by Petitioner includes both finished components and cast-blank, yet the Petitioner seeks to exclude from the domestic industry both domestic foundries that produce subject blanks, and domestic finishers that produce subject finished components from those blanks.

There is no justification for excluding foundries that produce the cast blanks from the industry. Petitioner itself concedes that producing the cast blanks involve significant capital investment in production operations.

Domestic companies like Baldor that finish domestically produced blanks also add significant value in the finishing process, and undertake significant capital investment to finish the product. Finishers like Baldor are U.S. producers of mechanical transfer components.

Finally, Petitioner did not identify to the Commission the many domestic producers, both foundries and finishers, that produce iron mechanical transfer drive components for the auto industry, the heavy equipment industry, and many other industries.

We believe that other parties have made the Commission aware of the existence of this large body of

other domestic producers that have not received questionnaires. The record as it now stands is missing data from a large part of the domestic industry, based on even the Petitioner's own definition of the subject merchandise.

While a database may not be perfect for a preliminary determination, the domestic industry data that the Commission has collected is so incomplete that it cannot form the basis for any reasonable preliminary assessment of the effect of the subject imports on the domestic industry producing the mechanical transfer drive components.

Becuase of the major scope changes by Petitioner, the import data are also incorrect. Parties reported import volumes based on scope set forth in the petition and the ITC questionnaires rather than the amended scope, and under these circumstances the Commission has no basis on which it could reach an affirmative determination as to imports from either subject--or from either country.

Thank you, very much.

MR. CORKRAN: Thank you very much, Mr. Luberda.

MR. BISHOP: Opening remarks on behalf of Petitioners will be by Alan H. Price, Wiley Rein.

MR. CORKRAN: Good morning, Mr. Price. Whenever you are ready.

OPENING REMARKS BY ALAN H. PRICE

MR. PRICE: Good morning. I am Alan Price,

counsel to TB Woods, Incorporated, the Petitioner in this investigation.

We are here today in an effort to return unfair trade to the U.S. market for iron mechanical transfer drive components, or IMTDCs, which has been injured by huge volumes of unfairly low-priced imports from Canada and China.

The facts in the record in this preliminary phase of the investigation present you with a classic and straight-forward case of material injury.

First, the volume of subject imports from Canada and China is significant. The official import statistics cited in our Petition show that the value of subject imports increased throughout the period of investigation.

While there appear to be a number of issues in the data reported by U.S. importer questionnaire responses, our initial analysis of the data also confirms that the volume of subject imports is significant.

Subject import sales and market share from the U.S. subject imports took sales and market share from U.S. producers, as you will hear from our witnesses today.

Second, subject imports have had a significant negative effect on prices in the U.S. market. You will hear testimony today describing the substantial price suppression and depression that subject imports have caused. The data

show that the subject imports under-sold the domestic like-product in the overwhelming majority of the comparisons during the period.

Subject-producers have used extremely low prices to take sales from U.S. producers like TB Woods, and to force them to lower prices substantially on the U.S. sales that they have managed to keep. Undeterred, subject-producers are now lowering prices even more in response. Notably, subject-imports have prevented U.S. producers from covering costs directly impacting their profitability.

Finally, subject imports have had a significant adverse impact on U.S. IMTDC industry operations and financial results. As subject imports have taken sales over the period, U.S. production has dropped and the industry's capacity utilization rates are dismal and falling. Workers have had shifts cut back substantially. Pricing collapsed. The pricing collapse caused the subject imports--caused by subject imports has also eroded profits for the U.S. industry, which is now struggling to survive.

So much U.S. production capacity and so many jobs have already been forced overseas by the negative effects of IMTDC imports from Canada and China.

U.S. producers like TB Woods are struggling to keep production and jobs here, and they desperately need

relief from unfairly traded subject imports in order to do so.

The U.S. industry is not only injured, but is also threatened with material injury. There is little question that the surge in subject imports will continue. The subject countries are using the United States to offload their huge capacities for IMTDCs and they will continue to do so if given the opportunity.

Faced with a clear case of injury by reason of the imports, the Respondents have no option but to try to distract the Commission from the straightforward facts.

For example, we gather that the Respondents are making a variety of arguments to redefine the product and the industry involved in the investigation. They have raised so many red herrings with respect to the product definition, and essentially just conceded that the Commission, even under their theory of the world, no longer has the--does not have the information for a preliminary determination, therefore conceding a preliminary affirmative determination. But they have raised so many red herrings with respect to the product definition, and in particular the Commission--that the Commission actually change its procedures in this conference in a way that is quite frankly most unusual.

But contrary to the Respondents' arguments and

the attempts to cause confusion, this case is not complicated. The Commission should analyze a single domestic like-product coextensive with the scope of the investigation. The Commission's typical finished product analysis will demonstrate that blanks or castings of IMTDCs should be included in the domestic like-product. The domestic industry should be defined in accordance with the Commission's practice. The Commission should consider only those producers that cast IMTDCs to be part of the industry. In other words, U.S. foundries which case IMTDCs should be considered U.S. producers.

The mere finishing or machining of IMTDCs in the United States does not involve sufficient activities to constitute U.S. production.

The record does raise a number of potential related-party issues which we plan to address more thoroughly in our post-conference brief.

Most importantly, however, the record will show that the U.S. industry has been injured by the subject imports regardless of how the industry is defined.

Finally, the Commission should assess subject imports from Canada and China cumulatively. IMTDCs from both countries are interchangeable with one another in the domestic like-product, and compete in the same manner in the U.S. market.

In fact, we believe that the Commission will find that IMTDC industries in the two subject countries are closely intertwined and they should be analyzed as such.

We will be happy to expand on each of these legal issues in our post-conference brief. In sum, the case is clear. Relief for unfairly traded imports from China and Canada is essential to maintain the viability of the IMTDC industry in the United States.

There is a reasonable indication that the domestic industry is materially injured and threatened with additional material injury by reason of the subject imports.

Thank you, Mr. Price. We will now move to the first panel.

MR. BISHOP: Would the first panel in opposition to the imposition of antidumping and countervailing duty orders please come forward and be seated.

MR. CORKRAN: While we are seating the first panel, I would just like to note that there is a lot of information that we are still seeking to gather at this point. And if you happen to see staff looking at Blackberries or other devices, we are still paying full attention to your testimony but we are also trying to track some of that information. But I want to make sure that everyone was aware that we are paying full attention to your testimony. Thank you.

MR. BISHOP; This is Bill Bishop. If everybody would please be sure to identify yourselves for the benefit of the Court Reporter, we would appreciate it.

MR. LUBERDA: This is Alan Luberda for the domestic producers and other parties in opposition. I just want to let the staff know that we are going to start, and the counsel representing the Chinese will follow us today.

So with that, we will move to our first witness, Mr. Dent McCartney.

STATEMENT OF T. DENT MCCARTNEY

MR. McCARTNEY: Good morning, Mr. Corkran and members of the Commission staff. My name is Dent McCartney and I am the General Product Manager for Power Transmission Components at Baldor Electric.

My position requires managing the power transfer component business which includes the iron mechanical transfer components subject to these investigations.

I have been employed in the mechanical power transmission industry for over 39 years, 31 of which has been spent at Baldor.

Baldor Electric is a domestic producer of iron mechanical transfer drive components. Contrary to what you read in the Petition, Baldor manufactures sheaves, pulleys, and bushings from domestically produced iron castings purchased from a number of very efficient automated

high-speed foundries.

We work closely with these foundries in the development of products to ensure that Baldor gets very high quality castings to meet our requirements for the production of finished components.

Baldor does not import any subject castings from Canada or China. Baldor has a state-of-the-art production facility in Weaverville, North Carolina, that produces finished components from those domestically produced castings.

We strongly disagree with the Petitioner's contention that companies that produce finished components from castings are not producers. The capital investment in a finishing facility is sizeable, in the multi-millions of dollars. The processing of finished components is very significant, and requires particular expertise to create quality finished parts.

The value-added operations include drilling, boring, turning, hobbing, broaching, flanging, coating, testing, and inspecting. We have robotic cells, tooling and equipment specifically designed and dedicated to the manufacture of mechanical transfer components.

We also have highly trained employees to operate that equipment. All of this activity represents a significant investment for our company.

Petitioner claims that only the casting process adds enough value to constitute production of the subject merchandise. Based on my 39 years in the business, that claim is simply wrong. In Baldor's experience, the cost of producing the casting into a finished mechanical drive component is on average roughly the same as the cost of the casting itself.

The casting cannot be used as a pulley, flywheel, or bushing without this processing. From our customers' perspective, Baldor is the producer of the components they purchase from us. Finishers are, without question, domestic producers.

Baldor also domestically produces mechanical transfer components using other technologies. For example, we produce components from powdered metal, also known as sintered steel. These mechanical drive components are identical in physical characteristics and uses of those made from iron.

We are one of three domestic producers of mechanical draft components that use this powdered metal technology. Baldor made a significant capital investment in this technology because it allows us to make identical products to those made from cast iron, but at a lower per-unit cost. That process includes using large mechanical presses to compress steel powder into the exact shape of the

finished component. The part is then heated in a furnace to a temperature that fuses the steel powder without melting it. The resulting product is lighter than cast iron, stronger, and requires less finishing than cast iron parts.

Baldor is able to produce mechanical transfer components up to six inches in diameter from sintered steel. In addition, mechanical transfer drive components are also machined from bar steel or cast iron bar. These components also compete directly with components made from cast iron. Baldor and several other domestic producers manufacture some mechanical transfer components using this method.

Baldor, for example, has the capability to machine mechanical transfer components from steel bar in diameters up to 20-1/2 inches. Again, these products are a complete substitute for the cast iron products.

Baldor's customers view these mechanical transfer components made from sintered steel machine steel as identical to and completely interchangeable with the components made from cast iron.

The same customers buy components made from both production processes. Both Baldor and TB Woods manufacture products to meet specifications set by the Mechanical Power Transmission Association. Those specifications do not specify the production method or the material from which the components must be produced. Those specifications show a

single product range that encompasses products above and below four inches in diameter.

For example, the specifications for bushings covers diameters from 2 inches to 22 inches. We also produce bushings under 4 inches that are primarily used with sheaves over 4 inches in diameter. You can see this is a single product continuum in the MPTA standards and in our catalogues.

Clearly the Petitioner has attempted to define the product and the domestic industry in this case to fit its particular business model at the expense of other domestic producers. Based on my 39 years of experience in the industry, I can assure you that domestic finishers of cast blanks engage in extensive U.S. production operations and are domestic producers of the subject merchandise.

Producers using the powered metal technology, or direct machining from bar steel or cast bar, are also domestic producers of mechanical transfer drive components. All of these products compete in the same business within their size range.

Baldor also imports the subject merchandise from Canada and China and owns finishing facilities in Canada. Baldor does not own any casting facilities in either Canada or China. The finishing facility in Canada produces subject merchandise from castings purchase from unaffiliated

foundries. Given that Baldor has over 4,000 individual part numbers that can vary hugely in size and weight, we seek out high-quality, efficient, cost-effective foundries that can supply our casting needs across this huge number of individual products.

While Baldor formerly owned a processing facility for the subject products in China, we closed that facility permanently in late 2014 and disposed of all the equipment. In order to be competitive with the Petitioner, we moved our Chinese purchases to the same Chinese supplier from which the Petitioner imports the subject merchandise into the United States.

In fact, we have been told by our Chinese supplier that TB Woods is a larger purchaser of iron mechanical transfer drive components from them than we are. It is our impression that TB Woods gets a lower price than we do from the Chinese supplier as a result. That is certainly consistent in our experience that the Petitioner is frequently the low-price leader in the market.

The pricing of products that the Petitioner had you collect, however, may not show that. These pricing products represent a tiny portion of the overall market for mechanical drive components. Products 2 and 3 are custom products. So any prices reported are unlikely to yield apples-to-apples price comparisons.

It also appears that the Petitioner did not provide you with information that would allow you to take into account the significant differences between light-duty and heavy-duty sheaves. It is Baldor's experience in the market that the subject imports from China tend to be light-duty sheaves from China which have not been produced in the United States for a number of years.

Imports from Canada, on the other hand, tend to be heavy-duty sheaves. TB Woods is a division of Altra Industrial Motion, a very large multi-national producer of power transmission products. Altra has a global footprint with global sourcing, so it is no surprise that they would import sheaves and bushings from China, despite having a significant casting and finishing capability in the United States.

The Commission should also consider that TB Woods has production facilities in Mexico. We recently became aware that TB Woods has been threatening in negotiations to source more from its production facilities in Mexico and less from China.

It is my understanding that trade cases are meant to protect domestic production, not to protect one set of imports from another set of imports.

Whatever preliminary determination the Commission reaches, it should be based on the entire domestic industry.

The case presented to you by the Petitioner does not represent the interests of the domestic industry at large.

For example, the Petitioner has stated that both the unfinished casting and the finished sheaves are covered in this case; yet, it did not report as domestic producers any of the U.S. foundries making domestic castings, or any of the domestic producers that manufacture finished components from purchased castings.

The Petition also belatedly excluded all parts under 4 inches in diameter, even though those parts are made in the same foundries by the same finishers as larger components. There is a single product continuum. Regardless of diameter, these components are sold to the same customers for the same users.

There are significant end points of these parts under 4 inches in diameter from both China and Canada that we included in our questionnaire response based on the definitions set forth in the ITC questionnaire. We are now in the process of revising our questionnaire to remove these volumes of imports from both China and Canada.

It should be no surprise that this case was brought by a single Petitioner in an industry with many producers. That is because the case has been narrowly tailored to meet the specific competitive interests of TB Woods at the expense of everyone else.

Petitioner has targeted imports from China and Canada, while being one of the lowest priced importers of Chinese subject merchandise, and while reportedly moving its own production to Mexico.

The Commission should not permit the Petitioner to use the law in such an unfair manner. Thank you.

STATEMENT OF ALAN LUBERDA

MR. LUBERDA: Good morning. For the record again, my name is Alan Luberda with the Law firm of Kelley Drye & Warren, representing Baldor here today.

I would like to make a few legal points particularly about the scope, the like-product, and the domestic industry definitions.

First, as to scope, the Petitioner originally filed this case with a scope that covered all iron mechanical transfer drive components regardless of metallurgy, as long as the iron was more than 1.5 percent carbon. It covered all iron sheaves, pulleys, bushings, and flywheels regardless of diameter or size of the product, and regardless of the use.

The Commission relied on the Petitioner's original scope and like-product definition to prepare questionnaires. A few days before those responses were due to the Commission, the Petitioner changed its scope and the like-product definitions to exclude components with

diameters of less than four inches.

To the extent that importers and foreign producers filled out questionnaires using the scope definition in the questionnaire, that includes diameters under four inches, as Baldor did, that information does not correspond with the Petitioner's amended scope now. And this could make a significant difference in the reported data and will affect capacity utilization rates, import volumes and values, and the trends in those figures.

As a result, the changing data could significantly affect the Commission's volume, causation, and cumulation analyses.

As the staff is well aware, while the scope may be the starting point for like-product analysis, it is not the end of that analysis. Scope and like-product are not synonymous, and the Commission engages in the six-factor test to determine the domestic like-product.

With regard to the like-product definition issues that we have raised, let's start with the fact that Petitioner has so far offered at least two significant different and conflicting like-product definitions in the first 20 days of the investigation.

First, scope covered all iron mechanical transfer drive components regardless of diameter, and eight days later it covered--it excluded components with diameters less

than four inches. Yet in both cases the Petitioner said the scope and the like-product were synonymous.

It now claims that the domestic like-product and scope definition are the same, but it has never offered any justification for the--with regard to the six-factor test to differentiate why it suddenly has different--why four inches and under are suddenly outside the like-product. The vise like-product definition draws an arbitrary line at four inches within a product continuum without any justification. There is no bright-line distinction between products above and below four inches in diameter. The physical characteristics and uses for three-inch, four-inch, six-inch, and sixteen-inch components are all the same. Regardless of diameter, they are all used with the same essential characteristic or uses. They are all wheels or cylinders with a center bore hole and grooves on their outer circumference to guide a belt that transfers power on a belted-drive system.

They are produced in the same facilities on the same equipment, and they're sold through the same channels of trade to the same customers for the same purpose and within a reasonably similar price range.

As Mr. McCartney testified, the MPTA specification to which both Baldor and TB Woods produce these products covers the full spectrum of sizes of bushings

and sheaves above and below four inches. There's no such bright line in these specifications, nor will you find any such bright line in the product catalogues of either companies.

There is simply no bright line at four inches recognized by the industry, and the Commission should not recognize one, either.

Next, Petitioner seeks to distinguish mechanical drive components made from iron from those made from steel, and to exclude components made from steel from the like-product.

As Mr. McCartney also testified, mechanical drive components made from iron or steel have the same physical characteristics and uses and are interchangeable. They are viewed as perfect substitutes for one another by customers and producers.

Baldor and two other domestic producers of mechanical transfer drive components have invested in production facilities that produce these components from powdered metal. Baldor can produce such components in sizes up to six inches, straddling both sides of the Petitioner's four-inch divide.

The powdered metal product they sell competes head to head with imported and domestically produced components made from cast iron at the same customers for the

same uses.

Similarly, mechanical transfer drive components machined from carbon steel bars should also be within the same like-product based on similar physical characteristics and uses, their interchangeability with cast iron components, the same channels of distribution and customers, and producer perceptions of the product.

Again, as Mr. McCartney testified, Baldor can make mechanical transfer drive components from machined steel in diameters up to 20.5 inches, again spanning the 4-inch like-product divide advocated by the Petitioner.

Finally, with regard to domestic industry definitions, the Petitioner has not put forth a rational domestic industry definition that is even consistent with its own domestic like-product argument.

The like-product proposed by the Petitioner includes both cast blanks and finished components. Logically that means that domestic producers of cast blanks and domestic producers of finished mechanical transfer drive components should both be considered domestic producers of subject merchandise.

The Petitioner, however, appears to include neither foundries that make blanks nor the domestic operations that machine blanks into finished components in its domestic industry definition.

Instead, it has, for all practical purposes, defined the domestic industry as only those producers that follow its own business model of both casting blanks and finishing those blanks. Cast blanks are subject merchandise, and domestic producers of those castings must be a part of that domestic industry.

Indeed, the Petitioner has placed so much value on the casting process that it has claimed that casting alone determines country-of-origin of the product. Despite this fact, Petitioner did not report to the Commission as domestic producers any of the foundries that supply Baldor and other domestic producers with cast parts or finishing that's domestic foundries. Baldor has identified at least seven such high-speed, very competitive domestic foundries from which it either does purchase or could purchase cast blanks for mechanical transfer drive components.

Based on information supplied to Commerce by equipment manufacturer Caterpillar, there are dozens or more U.S. foundries that can cast such blanks, as well as finish them. If the Commission were to ask the many engine motor and heavy-equipment manufacturers in the United States about their sources of supply for mechanical transfer drive components, they would likely identify many more such producers.

Petitioner gave you none of this information,

preferring to define the domestic industry as itself and a couple of other domestic producers that follow its particular business model.

Petitioner has also claimed that the domestic producers like Baldor that do extensive machining operations to produce finished mechanical transfer drive components are not a part of the domestic industry because there is not sufficient production-related activity involved in finishing operations.

If the Commission applies its standard analysis of production-related activity to this case as it did for example for green tubing processors in the recent OCTG cases, or to processors in the diamond saw blades case, Petitioner's claim falls apart.

As Mr. McCartney testified, finishing operations require considerable capital investment and technical expertise. The finishing work is substantial and is not simply minor operations. The additional value resulting from these operations is substantial, constituting essentially as much as the value of the casting itself.

Now Petition has put forth a different number as to the value of finishing operations, but even that number is more than enough to demonstrate sufficient production-related activities for finishers to be considered a part of the domestic industry.

Petitioner seems to be concerned that finishers may be using imported blanks from China, and uses this as an excuse to dismiss the production activities of domestic finishers. But Baldor does not finish subject or nonsubject imports in its facility.

Morever, Commission precedent does not support excluding processors from the domestic industry that process imported semi-finished goods, either.

Based on the application of the Commission's semi-finished products analysis to the facts I've just discussed, particularly the significance of the processing of the value added by the processing, we believe that castings and finished components constitute two different like products.

Those like-products are produced by two different industries, a foundry industry and a finished-components industry. That leads me to make a final comment on the state of the record.

Based on the Petitioner's representations, the Commission currently has data for about a fraction of the domestic industry, or domestic industries, as the case may be. This is not a case where the Commission has surveyed the entire domestic industry and has just an imperfect response from those surveys that can be refined for a final determination..

The record evidence available to the Commission shows that the data is insufficient to demonstrate that there is a reasonable indication that the domestic industry, even as defined by the Petitioner's like-product, is suffering material injury or is threatened with material injury by reason of subject imports.

Regardless of what the Commerce Department does today as to initiation and the standing challenges, the Commission must satisfy itself based on the facts of record that there is sufficient information to demonstrate a reasonable indication of injury by reason of subject imports to the industry or industries.

If Commerce extends its initiation deadline to explore standing as we have urged, the Commission may have the time to collect more information for a preliminary determination. If it does not, the Commission should reach a negative preliminary determination based on the inadequacy of the record to support an affirmative determination.

That is all the direct testimony for Baldor, and we will turn it now over to the counsel for the Chinese industry.

STATEMENT OF JEFFREY GRIMSON

MR. GRIMSON: Good morning and thank you very much for the chance to be here this morning. I'm Jeffrey Grimson with the law firm Mowry and Grimson joined by my

colleagues Sarah Wyss and Daniel Wilson. We represent Powermach Import and Export Co. Limited Sichuan and Fuzhou Min Yue Mechanical and Electrical Co. Limited and I will say for the transcriber wherever you are, those names are spelled perfectly on the calendar of the session today.

We are told that our two clients, these two producers and exporters are the largest exporters of subject merchandise out of China and there are perhaps two or three others of any significant size. Powermach is the single largest producer and exporter of China. It's a stable company with reputable U.S. customers who we presume would not purchase from Powermach if its prices were in any way unlawful or harmful to them. Powermach remains puzzled that this case was filed, but it was and Powermach and Min Yue oppose it.

We were unable to arrange for any company witnesses to travel here today for this staff conference so my testimony this morning will just hit some big issues and we will welcome questions that the staff has and do our best to get you answers after the conference today. We agree with Baldor that there is no reasonable indication of material injury or threat of injury to the Domestic Industry here, however that industry is defined. And I say however that industry is defined because as Mr. Luberda testified to at length, the scope and the boundaries of this case remain

unclear and that is not due to confusion or red herrings that the parties in opposition have raised. It is due to the fact that the petitioners have changed the scope and not launched this case on a proper footing.

I think we saw the final version of the scope filed yesterday, which is twenty-four hours from Commerce's signature date. What is clear is that the Petitioners failed to properly define the scope of this case and it has deprived the Commission and the rest of the industry from proper notice about what's covered from developing other witnesses who might be here today had they known twenty days ago what the final scope was going to be. The Petitioners certainly had advance warning of how they wanted to present this case and it is strange indeed that they hadn't thought about an apparent clear dividing line at four inches before filing the case, but they didn't. That came after they were challenged on a standing question by two very large domestic players here.

The statute requires the Commission to determine whether there is a reasonable indication that the Domestic Industry is materially injured. We all know the standard but in doing so and in analyzing that standard the Commission has to gather a wealth of data, the shares of the industry of different U.S. Producers, capacity production, utilization employment, wages. Everything flows from the

scope that the Petitioners wrote in the Petition and filed here and which in turn went out as instructions to dozens, if not hundreds of people asking them to provide data.

If it weren't for the Petitioners flawed scope, others may have answered the questionnaire or those who have answered the questionnaire might have provided different information. There are multiple other domestic industry participants who should have received questionnaires as Baldor testified and did not. Again, this is not confusion that the parties in opposition have caused. This is confusion caused by the way the Petitioners have sort of a shell game here leading up to forcing the Commerce Department to make an initiation decision without a lot of full consideration of the facts.

The proper remedy here is not to pass this case on to full investigation and the old expression that I've heard from people among the Trade Bar "It's only a prelim", that should not be used as an excuse to burden the government and the private parties with further investigation and correcting a mess that the Petitioners created. We shouldn't have to be the proofreaders of a petition and nor should you, nor should the folks who turned in the questionnaires now be forced to go back and change it for a second or maybe even a third time. Who knows if we are finished with scope changes here?

Nothing is stopping the Petitioners from withdrawing and refilling their petition in a manner that properly includes all the industry players and I would say that would be the right thing to do here. I don't expect that to happen so the proper remedy is to reach a negative Preliminary Injury and Threat Determination. Your legal standard for Preliminary Determination is not a high bar, but it is a bar. Some cases shouldn't meet that bar if it has any meaning and we would suggest that this is one of these cases and you should not reward the Petitioners for depriving you of the data that you need to make a reasonable injury determination. You don't have such data, you can't make a reasonable injury determination to affirm this case.

We would ask the Commission to reject it, terminate it at the preliminary phase and that concludes our statement. Like I said, we are happy to take questions to the extent we can answer on the spot here we will do so. We will also get the answers from our clients in a prompt fashion. Thank you very much.

MR. LUBERDA: Mr. Corkran, this is Al Lurberda again and I just want to before -- that concludes the direct presentation of the parties in opposition but before we have a question I just wanted to introduce Mr. Jeff Moore who is the Vice President of Marketing for Baldor and is also available to answer questions to the staff and my colleague

Kathleen Cannon from Kelley Drye as well Gina Beck from Georgetown Economics Services are also available to participate this morning. Thank you.

MR. CORKRAN: Thank you very much for a very interesting and informative panel and we very much appreciate the time and effort that you have spent coming here to help inform us today. As most may be aware, we are moving pretty quickly through this because there is a second staff conference scheduled and we are looking to conclude our proceedings around 1 o'clock this afternoon so we will be moving quickly but please don't take that as anything less than our full attention to your testimony and your answers today. With that, I will turn to our investigator, Mary Messer.

MS. MESSER: Thank you, this is Mary Messer, Office of Investigations. I am limiting my questions and will mostly be asking questions concerning our coverage, maybe a few questions on product but I am going to leave most of the legal arguments to my colleague. My first question is for Mr. Grimson. You've indicated that the change in the scope, which I know is a narrower scope. Because of that we've missed a lot of companies that we sent questionnaires to, that I'm wondering how many we have missed from the foreign producers side since it's a narrower scope you would assume that we've covered everybody unless

they were incorrectly identified in the Petition.

MR. GRIMSON: Yes, I think that point, and I might have skipped a few steps in that statement but that point really goes to the definition of the Domestic Industry. I think that on the Foreign Producers' side, the questionnaires didn't miss anybody by reason of the changes in the scope. I do think you will be hearing that the data that was originally recorded is going to need to be revised due to the scope change and I expect to have more information on that very shortly.

MS. MESSER: So for the Chinese we have pretty good coverage and with an expected revision more accurately cover what is covered in the scope.

MR. GRIMSON: The revisions will attempt to conform the data to the most recent limitation of the scope to the four inches and above, yes.

MS. MESSER: And we have pretty good coverage of the Chinese then?

MR. GRIMSON: I think so, yes.

MS. MESSER: Not only that, you said that Powermach was the largest exporter. What about production, coverage for production?

MR. GRIMSON: Yes, I think that I'll take that one in the post-hearing in a confidential format if that's okay.

MS. MESSER: Okay, thank you. So as I read the revised scope and this is for everybody, as I read the revised scope, I see that there are two major changes that might affect the data from our questionnaire responses, that being less than four inches are now out and a change from the 1.5% carbon up to the 1.7% carbon content. With that in mind, well first of all is that correct? Have I missed anything? Are there any other changes that might affect the data that we have already collected?

MR. LUBERDA: To our knowledge those are the two changes to the scope that it would affect.

MS. MESSER: Because I see some additional words on here and not being an expert on the industry, they don't mean a lot to me. I see words like flat pulleys, idlers, conveyor pulleys, synchronous shifts, timing pulleys are all additional words that are in the revised scope that weren't in the original so I don't know if those have an impact on what we have collected or not. Do you have any feeling?

MR. LUBERDA: Those words are sort of, they're synonymous to various markets that these products are sold in. We would note that there are, for example, they added the word "conveyor pulleys". The folks who make conveyor pulleys are different, generally. For example, Baldor makes conveyor pulleys but in a completely different facility made out of completely different material so they are fabricated

steel products but to the extent that there are folks making conveyor pulleys for example, they are part of a different association and so to our knowledge, none of those people have been contacted. But there may be a question of whether that stuff is in the scope or not. Whether it would fit other aspects of the scope but we don't have enough information right now to tell you.

MS. MESSER: Okay, so you've indicated that what we've collected as a mere fraction of what should be collected. Can you give us an idea number-wise what we have and what we're missing?

MR. LUBERDA: I think if you look at the public documents, I don't know what's been provided directly to the Commission but if you look at the public documents that were provided on the Commerce Record by Caterpillar and the documents that we've identified, for example, seven foundries that either do or could produce for us. I believe we've given that information to the Commission now.

Caterpillar listed quite a larger number than that of potential foundries who are domestic and either can or do supply these products. There are, I think if you ask the John Deeres of the world, you know, everybody who makes product. Many, many engines, motors, anything that has a power-drive, a belt to power-drive uses these products. There are a lot more folks out there. We don't have an

exact number but we know there are a lot more.

MS. MESSER: These additional ones that Caterpillar provided, where they provided before the less than four inch exclusion was added to the scope language?

MR. LUBERDA: Those names were provided after the four inch. And I can't tell you what portion of what Caterpillar for example would buy, would it be under four inches or over four inches. I mean, heavy equipment, those folks use things that go down to the size of a thread spool and up to the size of a house. So I can't tell you. You would have to ask them that question. I can't tell you what that would be.

MS. MESSER: Okay, so the foundries in the U.S. Potentially how many are we talking? You've identified seven. Those are just the ones that you are dealing with?

MR. LUBERDA: Those are just the ones that we know of and can deal with. There are foundries all over the country. We know that, I can't tell you exactly how many because I am not sure what's APL here but the folks at Caterpillar gave dozens at least and we suspect there are more. But we haven't had the ability in the short period that's available to us to go out and try to catalog every foundry in the United States that could produce these products and that may be producing these products for folks.

MS. MESSER: And can you give me a number as far as, general number, as far as number of finishers?

MR. MCCARTNEY: The Mechanical Power Transmission Association that both we and T.B. Woods belong to, all of its members would be considered I think U.S. Producers of finished cast product. Most of those were not listed in the Petition and I think we've made those available. We've also given a list of other companies that we know of that are not members of the Mechanical Power Transmission Association who also are finishers of either cast or steel bar products that would be interchangeable to the products in question here.

MS. MESSER: Okay, thank you.

MR. LUBERDA: One of the problems, Ms. Messer is that the Petition language is very broad and it doesn't limit it by industry of use so there are other associations that represent other industries that would use pulleys and sheaves and bushings other than the MPTA so the MPTA is a group that our client is involved with but there are others out there so we don't have an answer for you about how many are missing. We know just from the data available that many are missing but we can't tell you an exact number.

MS. MESSER: Okay.

MS. BECK: Ms. Messer, this is Gina Beck from GES and just to add, the list that Caterpillar has provided which is the list of additional U.S. Producers is on the ITC

Record now in addition to the caverts.

MS. MESSER: Thank you. Okay, so Baldor in the U.S. finishes sheaves or pulleys from one of three methods? Did I understand that correctly from a cast iron blank, from sintered steel, and from bar? Is that correct?

MR. MCCARTNEY: That's correct.

MS. MESSER: Are the products that the produce from sintered steel and bar, do they meet the revised scope description with the iron content language in there.

MR. MCCARTNEY: Powdered metal does not. Powdered metal has less iron content than the 1.7 or even less than the 1.5. Carbon content, sorry.

MS. MESSER: The finished products from the bar, do they?

MR. LUBERDA: Steel bar would also be less than 1.7. I mean most, so steel is iron that has less than two percent carbon in it. So I'm not sure what the significance was of moving it from 1.5 to 1.7. But it doesn't change either what products would be included from the perspective of the powdered metal or from the machined bar. That's all less than either 1.5 or 1.7% carbon.

MS. MESSER: Why would a purchaser choose one of the three over the others?

MR. MCCARTNEY: In our case, based on the volume of the production, we use one of the three methods. We

don't interchange them. So we make bushings out of powdered metal. We don't make those same bushings out of another material and it's really cost-driven based on the production method, as I said in my testimony, the powdered metal production capability provides us a lower-unit cost than we could produce that our of powdered metal so our company made a significant investment over thirty years ago to do that. We've been doing powdered metal for over thirty years and been totally accepted in the industry as an interchangeable product to cast iron with actually a higher strength than cast iron.

MR. MOORE: Can I add? The customer would not care whether it's made out of powdered metal or out of steel or bar or cast iron. The use is completely interchangeable to them so that's not a determining factor as to why the purchaser would purchase one of the three different types.

MS. MESSER: So for instance, a use that would require really strong material, they wouldn't choose steel over iron?

MR. MCCARTNEY: On a custom product basis, there may be a requirement to need that higher strength but for the most part in our industry it's really based on your production capability. There's companies out there in our industry who use bar steel because they have highly automated, multi-spindled machines that make sheaves out of

that bar. It's very efficient. That's the way they've set up their production capability. In our case, for those high volume parts in that smaller diameter we set up our production capability to do it out of powdered metal.

Some other customers would say it's more efficient to do it out of a casting and that's the way they produce. So it's really production oriented but from the customer's perspective it's totally interchangeable. It's not something that they put on it that they request saying I only want this to be cast or I only want this to be powdered metal or steel. The customer sees it as totally interchangeable, same use and really it's priced accordingly in common pricing points.

MS. MESSER: So if a customer wanted for instance a sheave produced out of something out of cast iron and your production process only produces it out of sintered steel, they wouldn't even come to you?

MR. MCCARTNEY: No, we would do that as a custom product for them. If they came to me and said they wanted it out of steel instead of cast iron, we would do it out of steel as a custom product.

MS. MESSER: Okay, I see. You had mentioned light-duty sheaves and heavy duty sheaves. Do both of these products meet/fall under the newly revised scope description?

MR. MCCARTNEY: Yes.

MS. MESSER: And the light duty currently are only available from China? There is no U.S. production, is that correct?

MR. MCCARTNEY: To my knowledge, all the U.S. production of that moved offshore many, I mean it's been quite a few years since it was produced in the USA.

MS. MESSER: Can you explain the difference, I don't know anything about this product, can you explain the difference between light and heavy?

MR. MCCARTNEY: A light duty sheave has a limited horsepower capacity. It's designed with smaller arm cross-sections. It's typically either a straight-bore or it uses one specific bushing size but it's usually limited to no more than 15 horsepower where a heavy-duty sheave could be used in any application and could be used in hundreds of horsepower-driven applications. So one is very specific. If you look at our catalog or you look at T.D. Woods' catalog, we specifically say in the catalog "here is our light-duty sheave product line versus our standard-duty/heavy-duty product line." So it's a product distinction that's well known within our industry.

MS. MESSER: Are both produced from, can either be produced from iron or the sintered steel or from bar?

MR. MCCARTNEY: Yes, in the smaller diameters and

then in the larger diameters. So light duty sheaves only go up to 18.75 inches in diameter where the heavy duty will only go up as large as seven inches in diameter.

MS. MESSER: Okay, and the light duty can be produced from iron or sintered steel, right?

MR. MCCARTNEY: In smaller diameters.

MS. MESSER: Smaller, okay. So, I would like to switch gears quickly. This will be my last line of questioning so I will save some time for my colleagues. Country of origin, let's say we have imports that were cast in China, shipped to Canada and finished/imported into the United States, how do you propose the Commission should look at that as far as is that a product from China, is that a product from Canada?

MR. LUBERDA: Well our position is that the finishing operation is very substantial as Mr. McCartney testified and as I testified. So we don't agree that the foundry that the melting and pouring is what is setting the country of origin here. It would be our position that the substantial machining process that goes on here would alter the country of origin for purposes of anti-dumping duty. I mean, I don't know how you get around the fact that half the value is added and all the utility is added by the machining. So yes, we believe the country of origin for purposes of dumping matters should be treated as where that

finishing occurs.

MS. MESSER: So anything cast in the U.S., finished in any other country would have the country of origin as that other country?

MR. LUBERDA: For purpose of this, yes. For purpose of this investigation, yes.

MS. MESSER: Okay, those are all my questions, thanks.

MR. CORKRAN: Thank you Ms. Messer.

MS. ALVES: Good morning. Mary Jane Alves from the General Counsel's Office. Bear with me, I have a number of questions. Ms. Messer has already touched on a number of them, so I may be a little bit scattershot.

Let me just start with where Mr. Luberda finished. Mr. Luberda, isn't the Commission required to defer to Commerce's definition of the scope of subject merchandise? And wouldn't we have to look at the definitions that Commerce gives us as to what is subject China and subject Canada?

MR. LUBERDA: You have to defer to scope. That is what's included. But the Commerce Department at least, as far as I know, they haven't made the determination that product that is machined in Canada is a product of the United States. I mean, we've -- and we will certainly be arguing to the Commerce Department that -- they haven't

decided country of origin for that purpose yet, as far as I know.

MS. ALVES: Okay. This echoes some of the questions that came up in the solar panels cases, also in D-RAMS. A related question then, notwithstanding whatever Commerce's scope determinations would be and how they were defining subject merchandise from Canada and subject merchandise from China, there's a separate question that you've touched on this morning in terms of the consequence of finding that any finishing operations that occur in the United States are sufficient production-related activities. The Commission, if it does determine that the finishing operations are sufficient the logical consequence is that the Commission then treats any shipments by the domestic industry of products finished in the United States as shipments of the domestic industry even if those originated from imported goods.

So my question for you is if you could take a look at that issue in your brief as well, and brief that question as well.

You've touched on some of the sufficient production-related activities criteria this morning. But if you could also take a closer look at that for purposes of your post-conference brief.

MS. CANNON: Ms. Alves, we'll be happy to do

that. But I think I just want to clarify that it's been a little bit confused by the petitioner suggesting that the Baldor imports -- that Baldor -- which import in the casting and then producing a finished product here. Whereas in fact the Baldor product is entirely U.S. produced. It's U.S. castings that are then used. So at least with respect to Baldor's production operation that question isn't relevant. It may be relevant for others and we're happy to address it otherwise.

MS. ALVES: Okay. That would be helpful. And I don't know what the facts may be with respect to other producers in the United States, if others are aware and can let us know if they are aware, are there any finishing operations here in the United States of products that were cast in China or in Canada. Are there casting operations at all in Canada?

MR. McCARTNEY: Are you saying, are there founders in Canada? Yes. You're talking about -- I mean --

MS. ALVES: So Baldor does not have any, but others do?

MR. McCARTNEY: Right.

MS. ALVES: Okay.

MR. McCARTNEY: I mean, we source castings for our Canadian finishing facility. We do source some of those castings from Canadian foundries.

MS. ALVES: Okay. And are you aware whether or not there are imports to the United States of products that are unfinished that are cast from China -- or from Canada?

MR. McCARTNEY: We don't. I'm not aware if others do or not. There's a possibility. I mean, again, there's commercial foundries in Canada that there's a possibility that they sell into the U.S. market. These type products are then finished here in the states.

MS. ALVES: Okay.

MR. McCARTNEY: We don't.

MS. ALVES: Okay. Mr. Grimson, do you have a sense of whether or not there are cast products being imported from China?

MR. GRIMSON: I don't have a sense of that. I have to talk about one in the post-conference.

MS. ALVES: Okay. A related question then. Are there finished products from both China and Canada coming in. And I'm just talking about the narrowest form of the scope.

MR. McCARTNEY: Today we bring in, as I talked earlier, the light-duty sheaves that we sell in the United States, we import that as a finished product from China. And that's really the complete scope of the finished products we bring in from China are the light-duty sheaves. As we said earlier that really that production of that

complete product range really has moved offshore many years ago, so we really just followed what others had already done.

MS. ALVES: Okay. So are there imports of the finished product from Canada then that are -- that are cast in Canada that you're aware of?

MR. McCARTNEY: Yes.

MS. ALVES: Okay. So we're not going to have a negligibility question or perhaps we do. I'm just trying to get it, you know, what the numbers are going to be looking like. And without having a sense yet of what's coming in from where, and because there are a number of possible domestic-like product questions out there, I'm just trying to get a sense of what negligibility questions there might be.

MR. LUBERDA: This is Alan Luberda. We're going to have to see what all the import data looks like after changes because of the four-inch change before we can address whether there may or may not be negligibility issue.

MS. ALVES: All right. Another question for the lawyers, Ms. Cannon, Mr. Luberda, Mr. Grimson, feel free to chime in. Each of you has discussed the possibility of the Commission reaching a negative determination in these investigations. I would like you to address in your post-conference brief and perhaps briefly now, the

implications of American Lam, if, as you say, there are still addition information that the Commission needs to collect, if there are additional producers that the Commission should be sending questionnaires to, how do you reconcile that with the federal circuit's decision in American Lam?

MS. CANNON: We've been -- we've been talking about American Lam and we recognize that American Lam has a very low threshold for a preliminary determination. And I think if you were in a position where there was -- the issue was simply the like-product issue. For example, we have contended that products that fall outside of the scope should be considered. And you didn't have information on that and you could debate whether or not we were accurate or petitioner was accurate on the like-product argument, that's exactly the type of situation that American Lam contemplates. You might not have that information available, that would be an issue perfectly reserved to a final for the Commission to resolve.

This case is a little different because the taking the scope of the case as the petitioner has defined it and even accepting the like-product argument as the petitioner has defined it, the Commission does not have the data available to it because the petitioners did not provide you with a list of companies that produce the product that

they have defined. They limited it very specifically to only those that do the casting and the finishing operations and excluded everybody else, all the casters and all the finishers. And I'm, again, speaking only about the specific product at issue here. That I think is quite different. That gives you with a real void in a database and that I don't think is what American Lam is all about. It wasn't about getting information that a petitioner had really refined so narrowly that they didn't provide to you the very basis that would justify a decision even as they have presented the case.

So that's the differentiation that we see as opposed to perhaps another case or even this case where there are other like-product arguments at issue that might require you to gather information not currently on the Commission record.

And I would also add that the changes in the scope that we've identified that are now affecting a database that you have that mirrored what we were asked to provide and no longer is what the scope of the petition is. That affects the import data that you have which isn't accurate. And, you know, us and anyone else out there now have to try to give you new information. Again, that was petitioner decision to change that and that has altered your database and interfered with your ability to reach a

decision based on the data and the scope as they are now defining it.

MS. ALVES: Mr. Grimson?

MR. GRIMSON: Yeah, I would just follow up and agree with that and say that American Lam is kind of the crystal ball standard. In other words, take everything you have today and is there any likelihood you could develop more information in a final phase that would contradict a conclusion you can make today. That all presumes that the petition is -- gives you a valid basis to even make a projection like that. And I think that I would agree with what Ms. Cannon is saying is that there's a level below American Lam that I don't even think we're at yet. Which is, they haven't given you the tools to make an American Lam projection into the future and this -- if -- if this is the first case, I don't know, but this certainly is a case that the Commission could say, not good enough. You know, this petition is not good enough. We don't have the data and the tools to go forward. Come back again, try again. I think that's perfectly within your authority to make a negative determination based on the lack of data rather than imagining what data might come down the pike in the future. And that doesn't preclude them from refilling and getting it right.

MS. ALVES: Thank you. I'll definitely look

forward to seeing additional development of these arguments in the post-conference briefs.

As we discussed this morning, the petitioners referred to a number of products, some of which Mr. Luberda you think may be synonymous with one another, potential exception for the conveyors -- conveyor pulleys. Would you agree with petitioners to the extent that we are looking at a relatively narrow field of IMTDCs that all of these various products are part of a single domestic-like product?

MR. LUBERDA: For the most part, I guess I have to say, we are a little puzzled by the additional flywheels which -- I'll let my industry witness correct me if I'm wrong -- but generally aren't connected to power transmission systems and the belt drive systems that they have a different function. So we were a little puzzled by that inclusion and we're still pondering that. But I am correct about that, right, that they are not --

MR. McCARTNEY: Correct.

MS. ALVES: Mr. McCartney, can you give us your definition of what you believe a flywheel is?

MR. McCARTNEY: Typically if you look at the definition of most of the products that are described are sheaves, pulleys that drive a belt of some type. Even a conveyor pulley drives a belt. Typically a flywheel is basically used on internal combustion engine, some type of

reciprocating load to create momentum. I would think most people had seen like a pump jack that's used in the oil industry. On one side of the drive there's a sheave that's driving from the motor to that gearbox. On the other side of that input shaft is a flywheel that's counterbalanced that's providing momentum so to help pull the oil out of the ground and give momentum. It doesn't connect to a belt.

So everything else they've listed in there has some connection to driving a belt, even a conveyor pulley. But when you threw flywheel in, it's kind of like typically flywheels don't connect to a belt. So that's where it seems to fall out of the general definition of everything else.

MS. ALVES: Okay. If you could take another look at that then for your post-conference brief if there's anything else that comes in.

Likewise with respect to the unfinished and finished IMTDCs. What's your position with respect to whether or not they should be part of the same domestic-like product?

MR. LUBERDA: At this point, our general position is that they probably should not be that. That there are two industries here, as I said in my legal testimony, you know, there's a casting industry and there's a finishing industry. And so -- and, you know, the petitioner may be a member of both industries. But there are others who we just

cast and some who just finished.

MS. ALVES: Mr. Grimson?

MR. GRIMSON: I can just speak to our client's operations and obviously they do both, both cast and finish.

MS. ALVES: Okay. You've referenced a document that at least was put on Commerce's record, Mr. Luberda and Ms. Cannon, regarding some standing challenges that you made. And it sounds as though there were some additional substantive arguments that you were making in that submission as well. To my knowledge that submission is not part of the Commission's record. So if you could provide a copy of that information to us, particularly since you've indicated that there may be seven additional boundaries that you are aware of that were listed in that.

MR. LUBERDA: We can provide you with the information that is our client's and public. But because those documents contain information that was placed on the record by the petitioner and perhaps others, under a Commerce APO, we can't give you a document covered by the Commerce APO that would contain other folks' data. We could do some sort of redaction in order to provide you, you know, with what we have presented to Commerce excluding the petitioners' data and other people's data.

MS. CANNON: Ms. Alves, we have provided to the investigator the list of the finishers. So we are

identifying the companies for you. But as Mr. Luberda said, the argumentation, the letter itself, for APO reasons we were not able to put that on the Commission record.

MS. ALVES: Okay. It sounded as though there was more than just a list of additional producers that we might be sending questionnaires to. So if there's a public version of this document that you could provide us with, just in terms of trying to assess what arguments you're making in both, that would be helpful.

MS. CANNON: We would be happy to do that.

MS. ALVES: You've indicated this morning that there may be some limitations in terms of the diameters for the products that are powder, that the outside diameters are limited to six inches, if I'm hearing correctly, and that the direct machining there may be an upper limit of 20 inches in outside diameter. Was I hearing that correctly?

MR. McCARTNEY: That was correct, for us.

MS. ALVES: Okay. And is that an industry-wide situation?

MR. McCARTNEY: No. I mean, from powdered metal the limit is really the tonnage of the presses you have. So the presses we have, the limitation is six inches. You could have other presses that are hydraulic not mechanical that might go larger. And again, from steel production that's just really the limit we have in our Ashville

facility, our North Carolina facility.

MS. ALVES: Okay. And do you have different facilities that you're using to make the powdered metal versus the --

MR. McCARTNEY: Cast machine?

MS. ALVES: -- the cast machines?

MR. McCARTNEY: It's done in the same facility. Both in our Weaverville, North Carolina facility.

MS. ALVES: Okay. And are you using the same machines?

MR. McCARTNEY: No. It uses different machines.

MS. ALVES: Okay. And the raw materials are obviously different?

MR. McCARTNEY: Correct.

MS. ALVES: Okay. You've indicated that there is less finishing required for the sintering process. Why is that?

MR. McCARTNEY: Well, it's a forming process. So you actually have a set of dies that form the OD of the part and then a top and bottom punch and core rod that forms the faces of the part and the bore of the part. So because it's formed in a die and it's compressed, it comes out with being a finished OD a finished bore, a finished face. So the only thing we might have to do to it is maybe drill into have a hole in the part. We can't thread on the PM, but we can

press it to a finished shape that requires no excess -- extra machining. And that's the reason, again, from a cost standpoint, we really went to that. Like I said, we've been doing this powered metal production for this industry for the products in question here for over 30 years.

MS. ALVES: How much production is there in the United States at this point of the less-than-four-inch outside diameter product?

MR. McCARTNEY: My estimation is very substantial.

MS. ALVES: Mr. Grimson?

MR. GRIMSON: I don't know the answer to that.

MS. ALVES: Okay. So the exclusion of those products in your estimate is still not going to change the list of potential domestic producers out there?

MR. LUBERDA: We're not positive what that -- we don't know everybody's capabilities in the industry, you know, from soup to nuts. So we're not positive what the change is going to be. We do know that have I mean, for our own numbers there's going to be -- we going to -- certainly our import numbers are going to change significantly. It won't change our domestic numbers significantly because as Mr. McCartney testified, most of what is produced under four inches we were using the powdered metal and we didn't include the powdered metal, you know, consistent with the

instructions. We didn't include the powdered metal material in our domestic producer questionnaire.

MS. ALVES: Okay. What about end-use applications? Are there major categories of differences in terms of end-use applications for the less-than-four-inch outside diameter products?

MR. McCARTNEY: No. I mean, again, as we stated, you know, within the product scope we would make bushing that are two inches and bushings up to 20 inches. It's a complete product line. I make bushing that are under four inches in diameter, but the sheaves that they go in are greater than four inches. I can't sell the sheave without that under-four-inch bushing. So I can't even -- the customer can't even use my product unless I have the four-inch bushing to go in with the greater than four-inch sheave.

So, you know, there's no difference in the use in the marketplace.

MS. ALVES: Okay. What about the less than four-inch sheaves, are they going to a different segment --

MR. McCARTNEY: No.

MS. ALVES: -- than the greater-than-four-inch sheaves?

MR. McCARTNEY: No, it's a continuum of a product line. So for a given belt section, I might have sheaves that

go under four inches, but they might go up to 20 or 30 inches in diameter. But the customer looks at them as one product line that I need the capability to buy those under-four-inch from me. That's why I was buying those over four inches. He wouldn't accept buying the four-inch from one -- from one vendor and then having to turn around to another vendor to buy over four inch.

The other thing, just in our own production, in a lot of cases from a -- to provide us the volume to get on these high-efficient mold centers from the foundries we do, we will make multiple parts from a given casting. So we have a situation today and I'd be curious to find out how we should report. I buy a casting greater than four inches in OD, I make some parts out of that casting that have an OD greater than four inch, and I make some parts out of that casting that have an OD less than four inch. Do I base my data on the casting OD? Or do I base my data on the finished part OD?

MS. ALVES: Okay.

MR. LUBERDA: So as you can see, we're having a difficult time finding a bright line here for our product at four inches.

MS. ALVES: Okay. Let me change the channel slightly. You've referenced this morning and we've already discussed a little bit the differences between light-duty

and heavy-duty products. Are there standard industry definitions of each of these two?

MR. McCARTNEY: We went the wrong way. Sorry. In both our catalogues you would find the designation light-duty sheaves in our catalogues that would define that light-duty sheave product line separating it from heavy duty.

MS. ALVES: And is that a definition that every other catalogue would contain?

MR. McCARTNEY: Yeah, every other catalogue --

MS. ALVES: So you all agree on the same definition --

[SIMULTANEOUS CONVERSATION]

MR. McCARTNEY: -- customer base out in the marketplace and said, if they came and said, put the light-duty sheave versus the heavy-duty sheave, the customer base out there in our market would understand the difference.

MS. ALVES: Okay. Are you arguing then that there's a basis not to cumulate imports from China and Canada based on the heavy duty and light duty distinctions?

MS. CANNON: Yes, we're going to be looking at that more specifically. Based on Baldor's experience we believe there is. Baldor is bringing in, as they said, light-duty sheaves from China and heavy-duty from Canada. So they don't have really the same products from the sources.

We need to look at the database more comprehensively to see whether that's true across the board. But if it is true, I do think that there would be a reason not to cumulate imports under the fungibility criterion.

MS. ALVES: Okay. And how would we know looking at our data that there is this distinction?

MS. CANNON: I think that's part of the problem. That there hasn't really been a differentiation. But we're going to try and look at it to see if we can identify further based on industry knowledge about what is coming in because there is some information available to us as to what is being imported.

MS. ALVES: Mr. Grimson?

MR. GRIMSON: Yeah, we'll try to get some more information on that as well. And if there is -- like I said, I'm anticipating we may need to be amending our questionnaires. And if there's more information that we can provide at that time on this light-duty, heavy-duty from the foreign producer side, we will do so.

MS. ALVES: Okay. Ms. Messer -- Ms. Messer had already discussed with you this morning your sense of how many other producers were out there in China. What about in Canada? What is your sense of who the other producers in Canada are and how should we assess our data from Canada?

[PAUSE]

MR. LUBERDA: We think that most of the Canadian companies were listed -- Mr. McCartney was just telling me, he think that one company just made an acquisition in Canada, so we'll try and get you a few more details about that. But we do think that we're, you know, what you have from Canada probably represents the majority of exports that are coming from Canada to the United States.

MS. ALVES: Okay. And then what about on the importer side and also looking ahead to any final -- what about purchasers? Who are the major importers and who are the major purchasers in this market? And if this is something that has to wait for a post-conference brief we can do it that way.

MR. LUBERDA: To the extent that we have additional information to give you, we'll give it to you in the post-conference brief.

MS. ALVES: Okay.

[PAUSE]

MS. ALVES: All right. Thank you, I appreciate all of your answers this morning. Sorry for skipping around that much, but we're trying to make good use of our time and there are a number of questions that we do have.

MR. CORKRAN: Thank you, Ms. Alves. Ms. Gamache.

MS. GAMACHE: Hello everyone, thank you for

coming and thank you for your testimony. I'm Lauren Gamache from the Office of Economics. I also will be skipping around quite a bit, so forgive me.

I'd like to start with some questions regarding our pricing products. How well do our pricing products capture our competition in the market? Do these pricing products capture the breadth of the market and if not, which segments of the market are we missing? How can we better our pricing products?

MR. LUBERDA: Mr. McCartney's probably best at answering the question. I'd just say that, you know, we've been talking about this a lot, and the size range here, even using the four star, four inch size range is huge -- I mean, it's four inches to seventy-something inches is standard, and it gets bigger than that, too.

But those are the standard things you'll see, or up to seventy. And everything that the petitioners are giving you is pretty much concentrated and Mr. McCartney testified that there are some specialty products that were included there, but I'll let him elaborate on that.

MR. McCARTNEY: The first thing is, if I took those four products, two of the four were custom products, not a standard, what I would call a catalogue product, which we really had no data for. The other two, you know, would not fall into our top ten sellers.

So, again, we would look at and say, is it really -- you would think you would want to petition the products that would be in the top of your sales units and these didn't fall into that category, so from our opinion, it doesn't really give you a good representation of market pricing and the fact that two of them were standard catalogue products and two were a custom product.

MR. LUBERDA: I just wanted to add that -- Mr. McCartney says we have over four thousand skews. I suspect that other domestic producers do too. You have, you know, they have certainly skewed the pricing products to pretty large products, and that are sold in relatively small numbers of units. And it's gonna be a challenge, but we don't believe that these pricing products particularly give you a good 'apples to apples' look at what pricing is in the market, and relative pricing might be in the market.

MS. BECK: And -- this is Gina Beck from GES, if I could also add -- even though there are thousands of different products, the vast majority are standard catalogue products so we definitely were struggling as to why custom products would be included when trying to gather as much data and from this many producers and importers as possible.

MR. LUBERDA: The concern would be, if you take the custom product and then the importer says, or fills it -- or the domestic producer, whoever -- fills it out and

says, well, let's look at something competitive instead, it's almost the same, or they don't read the description very closely, so they end of comparing a standard catalogue product with a custom product, and that's gonna skew the data.

MS. BECK: Just one more point to add. You've probably already seen from the importer questionnaires that have been received, that there are some notes in the product is -- doesn't appear to be comparable.

MS. GAMACHE: So how would you recommend that we go about finding pricing products that are more representative of the market as a whole? Where should we focus when we're trying to figure out what we want to include?

MR. LUBERDA: Sitting here today, I'm not sure we can answer that question. We've certainly been talking about it. We'll try to give some more guidance, perhaps in our brief.

MS. CANNON: We were just discussing, we could look back at some of our top sales and our top volume products which would be obviously where the standard products would be more likely to be a representative sampling for price comparison purposes.

MS. GAMACHE: Thank you.

MR. GRIMSON: Could I just add one thought on

that? I think it's very telling that one of the largest domestic producers is here telling you that the pricing products that the petitioners selected, as they're putting their best foot forward, are really not hitting real competition.

And so I'm not sure it's the Commission's obligation to go searching for other products that might show a different story than what the petitioners think these are going to show. I think you take the products as presented and analyze those. We don't need other products, necessarily, to terminate this case now.

MS. GAMACHE: Thank you. In terms of light-duty versus heavy-duty, should we expect significant price differences between those two types of products?

MR. McCARTNEY: Yes.

MS. GAMACHE: What do those differences look like, if you can answer?

MR. McCARTNEY: It would depend on size, but for a given size, diameter and width, it's gonna be a much lower price point. But the other thing that's gonna skew the data is, there's much more unit volume on the light-duty than the heavy-duty, so when you conclude light-duty and heavy-duty together, it's gonna bring down your aggregate price pretty substantially.

MR. LUBERDA: The light-duty products, they have

less metal, right? So you're banking the arms inside the sheave, or, you know, what have you, they're not as thick, etcetera, so they, you know, you're making it lighter, use less material, and that's what accounts for the difference.

MS. GAMACHE: Thank you. Are there any other characteristics of these products that we haven't touched on yet, that might lead us to see a large variation in quality or price? That we haven't touched on today already?

MR. LUBERDA: Not to our knowledge.

MS. GAMACHE: Okay. And would there be any quality differences, depending on end-use, in terms of strength, or --

MR. McCARTNEY: Not from a catalogue product. I mean, as I addressed earlier, in cases you may get a customer come to you with some specific strength requirements and you handle those on a custom product basis and making it from a stronger material, but on a catalogue product basis, I don't think there would be.

MS. GAMACHE: Thank you, and I have just one last question. This is for Mr. McCartney. If I understood your testimony correctly, while there are both purchases, U.S. castings and finishes and also imports subject finished, and TDCs.

Do you plan on continuing to purchase U.S. castings and finish them? Or is this specific part of your

business shrinking? Or being replaced by imports' finished IMTDCs?

MR. McCARTNEY: We'll address that in the brief.

MS. GAMACHE: Thank you. I think that's it for me. Thanks a lot.

MR. CORKRAN: Thank you, Ms. Gamache. Mr. Yost?

MR. YOST: Good morning. Charles Yost from the Office of Investigations. Thank you very much for your testimony and for your appearances here today. I found it fascinating, particularly since this is a product that we've never encountered before although we have a fair amount of experience with steel products.

I have a question, a general question. You said that you have been doing the sintered product for about thirty years. What drove that decision, as opposed to engaging in casting yourselves? And if this is too business proprietary, please feel free to answer it in a post conference brief.

MR. McCARTNEY: It really, as we said in my testimony, it really is the, each unit cost to produce and powdered metal is better than trying to do it out of cast iron. We were producing out of cast iron up to the point we switched to powdered metal. So it really was driven from a cost basis.

And just to say, at the time we switched from

powdered metal, we actually owned our own foundry at that time. So we actually had a foundry and it became more cost effective for us to do it out of powdered metal.

MR. YOST: So that part of the business model switched to outside sourcing of castings?

MR. McCARTNEY: No. At the time we switched from using a casting to machine those parts from just to making the investment to do it out of powdered metal.

MR. YOST: Then the sintered product replaced your casting?

MR. McCARTNEY: Yes.

MR. YOST: And then when did you start machining the castings that you sourced from outside suppliers?

MR. McCARTNEY: When we decided to exit the foundry business, about fifteen to sixteen years ago.

MR. YOST: Okay. Now, you've focused on the finishing side of it, in terms of your product analysis. Petitioners have focused on both casting and finishing. What happens -- how would it affect your analysis if the casting were made in the U.S. and then exported and finished outside the U.S.?

MR. McCARTNEY: At the facility we have in North Carolina, all the production is U.S. source castings machined in the U.S.A. So it wouldn't change our data because we don't do any of that.

MR. YOST: Okay, but other companies might do that?

MR. McCARTNEY: Might.

MR. YOST: Would that affect your analysis of who is or who is not a producer?

MR. LUBERDA: Product that is finished and machined in Mexico, regardless of how customs might treat it, tariff shift issues, etcetera, but regardless of how customs might treat it for dumping purposes, we would treat that as a product of Mexico. There is sufficient value added there, that it should be a product of Mexico, for purposes of ADCVL.

MR. YOST: Okay. Even though there may be no change, you know, in the sixth digit category, there may be -- this may be American goods returned? Those additional --

MR. LUBERDA: Those sort of tariff shift arguments, the NAFTA, what does it, you know, take to get you -- , that's not substantial transformation, in the way that at least commerce looks at it. So it -- there is a significant investment here to do this.

There is a significant addition of value as Mr. McCartney testified, that that value is as much as the value of the casting itself in our experience, so regardless of how it might be looked out for customs' purposes, legally, I mean, so U.S. product that is, you know, flat-rolled steel

products that are, you take hot-rolled and send it to Mexico and you cold-roll it, it comes back as Mexican cold-rolled for dumping purposes.

So this is a similar situation. There is -- you are doing significant addition of value -- with a significant investment in facility to do that. So, you know, we would say that, consistent with our arguments about like product and industry would say that that's -- and the amount of value added we would say that that's a -- now, that's an import product. That's a product from Mexico.

MR. GRIMSON: Mr. Yost, I would just add one thought on that. And I think the end game should be to locate the product that is competing with the domestic industry, right?

So if the domestic industry's exporting castings out to Mexico or wherever it is, that's not really competing with anybody that's subject to this case, but the item coming back in from Mexico, arguably in some way competes or canned out, whatever it is, is arguably competing at the point of purchase with what this case covers, which is the finished goods.

So I would just agree with Mr. Luberda, although it doesn't fit so neatly into the tariff definition or strictly looking at import data. What we're arguing, I think is consistent with what this case should be about,

which is competition for sales of finished goods.

MR. YOST: Thank you very much. That concludes my questions.

MR. COCKRAN: Thank you, Mr. Yost. Mr. Kim?

MR. KIM: Yes, Dan Kim from the Office of Industries. Thank you so much for your testimonies, really fascinating.

I have two lines of questions, one of them is about the production process, and for that one, may I ask you to, in your post hearing briefing to include some information about the production process for steel sheaves, so that we could have an understanding of how it differs from making the iron ones for our purposes.

And then, I would like to ask you some questions about the end-use, the applications. If I understood your testimony correctly, Mr. McCartney, is that you used the word perfect substitute and totally interchangeable, I believe, for a lot of these sheaves, whether it's made from different metals, iron or steel.

Could you help me understand why a customer would then want a particular type of metal? Even if it is higher priced, if they are totally interchangeable?

MR. McCARTNEY: Again, when I say the interchangeably, it's really from a catalogue product standpoint, where we have a catalogue, a product range,

whether that be the bushings or the sheaves themselves, and from that we have some basic parameters of what we say those are good for, from a horsepower capacity, speed or whatever. And then from that standpoint, we don't catalogue what the material is that we do, but we do tell the customer what it's capability is, what's it performance characteristics are, but we don't list the material.

Now a customer may come to me and say, 'I need a sheave that can run at a rim speed higher than our normal catalogue,' That may require me to make that sheave out of a duffle iron instead of a gray cast iron. Maybe require me to make that sheave out of a steel instead of cast iron. And that's where I would be making that part as a custom part to the specific requirements that the customer gave me, and that's really the difference between the fact in the catalogue product the material really is immaterial as far as the customer is concerned.

But when you get into a custom product specifically engineered to the customer's requirements, that's where we may have to look at going to that different material to meet his requirements.

MR. KIM: Right. What type of drive belts, for example, V-belts or synchronized drive-belts, are in the highest demand in the U.S. market?

MR. McCARTNEY: Highest demand for a type of

belt? Well, I mean V-belts are definitely a higher demand product in the U.S. market than synchronous, so there's a lot more V-belts sold in the U.S. market than synchronous belts. I would tell you that the synchronous belt market is growing faster in the U.S. than V-belts are growing.

MR. KIM: Right. Are there nonsubject countries that are major producers of the IMTDCs?

MR. McCARTNEY: I mean, Mexico would definitely be a country that, as we had already stated, the TB Woods has production facilities down there. We know of some other companies that also have production facilities in Mexico.

MR. KIM: Any others?

MR. LUBERDA: We can try and give you some more information in our brief about that. There are certainly other countries around the world with significant casting industries. But when we'll take a look at which ones are involved in this and try to use some additional information.

MR. KIM: Thank you. One last question. Which applications account for the largest share of the U.S. market for these sheaves?

MR. McCARTNEY: It really depends. If you were talking light-duty sheaves, then it's the HVAC industry. Definitely oil is a big user of the heavy-duty sheave industry, and in fact, you know, with the decline in the oil price, I know we have seen, and I would expect TB Woods has

seen the same, a pretty major decline in the use of heavy-duty sheaves in that industry when you compare 2014 to 2015.

So I think you may see a decline in our sales from '14 to '15 has nothing to do with imports. It has strictly to do with the fact that the consumption of heavy-duty sheaves in the oil market, besides the overall U.S. economy being lower this year, or at least the U.S. economy for our products, lower this year in general than 2014, oil and specifically has been off fairly dramatically.

MR. MOORE: This is Jeff Moore. I just wanted to add a comment to that. I think we see the demand for the large sheaves, especially in upstream applications of oil and gas. That's the one that's really impacted our business the most this year, so you know, drilling operations and exploration operations have been the ones impacted and that impacts our business the most in this product line.

MR. KIM: Thank you.

MR. CORKRAN: Thank you, Mr. Kim. Let me ask Mr. David if he has any questions.

MR. DAVID: I want to thank everyone as well for coming today. I don't have any questions. Thank you.

MR. CORKRAN: Thank you very much. And it's my privilege to ask some final questions. I think the panel has done a great job, the staff has done a great job with

questions. I do have a couple of items I needed to get a little clarity on.

When we talk about drive components that are produced from powdered metal, did I correctly understand that there isn't an unfinished stage that those go through, that that basically is a process that, at the end of the process, it actually generates the finished component? Or did I misunderstand.

MR. McCARTNEY: It's not completely finished. It requires some minor finishing so it may require as to drill a hole in the part, in the case of sheaves, we still have to put the grooves into the OD of the sheave, but we don't have to do any major overall machining on the part, so the amount of material that is machined off is very, very minimal.

So when you're machining a casting, you may throw away as much of that 50% of that casting. In the case of powdered metal, we may only throw away 5 to 10% of that material with the limited finishing operation you have to do.

MR. CORKRAN: So, for example, when we're talking about value added, from an inclusion in the industry perspective, our focus to date has been on iron products. Would the value added from finishing the powdered metal products differ greatly from the finishing operations from a

casting operation?

MR. McCARTNEY: Yes. So, in the powdered metal process, the major value add is the pressing and sintering versus the finishing. So you buy raw powder, and then we put the raw powder in the press that compresses that sintered steel into the shape you want. Then you put it through a sintering furnace that basically fuses those steel particles together, and then you do finishing. But the finishing portion of that is relatively small compared to the cost of the pressing and sintering in the furnace.

MR. CORKRAN: Thank you very much. That's very helpful. Can I -- one of the other clarifications that I was looking for was the relationship between the Baldor operations in Canada and those in the United States and the former operation that is now closed in China.

Where was managerial control centered and how do you, without getting into confidential information, how do you structure your production and sales between the various countries? I mean, do you have maybe one source that focuses on light-duty product and one on heavy-duty? Or is there a size range or is there a distinction in how you operate your Canadian and your U.S. operations and formally your Chinese operations?

MR. McCARTNEY: A product management -- my job responsibility as being our general product manager for what

we called PT components, I have global product responsibility regardless of where the product is produced. So whether we produce it in the U.S.A., produce it in Canada, or have the facility in China, it still falls under our product management responsibilities located in Greenville, South Carolina.

MR. MOORE: I'll add, from a sales and marketing perspective, we use the same sales organization to sell either product, so it's not differentiated by a different channel, per se, so it goes through industrial distributors or original equipment manufacturers, is typically how these products are sold. And then we're looking for, you know, who's best utilized from a plant perspective, who's best utilized to make that particular component or part.

So we might have one plant focused on one area and one focused on another area, but we make that determination based upon the plant capabilities.

MR. CORKRAN: I think that latter point was where I was heading and I would welcome any additional elaboration you might have. Because you have laid out, from a catalogue standpoint, for example, a distinction between light-duty and heavy-duty product.

Is there a concentration in, geographically, in Canada, for example, in light or heavy-duty or in the United States concentrating on light or heavy-duty, or is there a

product mix in both locations?

MR. McCARTNEY: Product mix in both locations. I guess just to clarify, as we told you, you know, the light-duty product line, we purchase from China complete, finished, so the facility that we had in China that we closed at the end of 2014, that facility only made light-duty sheaves, and then we moved the purchasing of that product from our own facility to a vendor in China for that product.

So the light-duty has no impact between mix, between our U.S. production or our Canadian production. You know, as we look at the U.S. and Canadian production, you know, we really haven't -- we aren't moving production from U.S. to Canada or vice versa.

The only thing we did do is, we did have production in Mexico that we moved to Canada. That was the only place we went back some beyond the 2012 timeframe of this investigation. We had a production facility for heavy-duty sheaves in Mexico, and we did move that production to Canada.

MR. CORKRAN: Thank you, that's very helpful. I have one further clarification question. I just wanted to make sure I heard this right. So when you are assessing production levels, shipment levels, product mix levels, those are all managerial decisions that are being made from

your location in the United States?

MR. McCARTNEY: Correct.

MR. CORKRAN: Thank you very much. I sincerely appreciate all of your testimony. I'm gonna turn to my colleagues to see if there are any additional wrap-up questions.

MS. ALVES: Mary Jane Alves in the general counsel's office. One question that I think should be fairly quick and easy to answer is, is there any use for any of the unfinished cast products, other than to finish into the finished or mechanical transfer components?

MR. McCARTNEY: Primarily there is not. I mean, if you took that casting that we purchased, there's no sellable value to it to an end customer. If we don't finish it into something, then it's not sellable.

MS. ALVES: Can you take a look at the semi-finished domestically product criteria and if you could give me other cases where we've had a situation where we found two like products, finished and unfinished, where the unfinished product is dedicated to the use of the finished product? That would really be helpful. Thank you.

MS. MESSER: Mary Messer, Office of Investigations. I just have one follow up question to the line of questioning Mr. Corkran had on the powdered metal.

Are there any separate finishing companies that

finish like, I guess you said they were a whole in a sintered product, or is it all done through the sintering process?

MR. McCARTNEY: There are commercial sintered steel companies who specialize in just doing the pressing and sintering and there could be the possibility that then they sell that component to somebody else to do the finishing.

MS. MESSER: But you don't do that?

MR. McCARTNEY: We don't do that.

MR. CORKRAN: I'd like to sincerely thank you all very much for your testimony today. Before I dismiss you, I just wanted to make one point very clear. Early on in our discussion, there was a mention of referring to preliminary phase investigations as only being preliminary.

I can certainly tell you that at the staff level, we certainly don't take that view and we're working very hard to have a very complete record for our decision makers.

Thank you very much for your time. We appreciate it, and with that, this panel is concluded.

MR. CORKRAN: We are in the process of pulling up a PowerPoint presentation, but in the interest of time, I'd like to go ahead and ask Mr. Pickard to proceed when you are ready.

MR. PICKARD: Thank you, Mr. Corkran, Commission staff, so without further ado, maybe we'll shift the order of our witnesses and maybe we'll just jump right into it and hopefully we'll -- oh, it looks like we're getting our PowerPoint as we speak. And, tell you what, why don't we -- there you go. Just in the nick of time.

STATEMENT OF BILL JUERGENS

MR. JUERGENS: Good morning, my name is Bill Juergens. I am currently responsible for castings sales at TB Woods. I started my employment with TB woods in 1985 as director of quality assurance and through the years I have held various positions at TB Woods, in quality assurance, human resources, foundry and plant management.

I have spent nearly half of my employment at TB Woods having management responsibility for foundry and plant operations. I'm going to talk to you about our company history, the product and the process that makes the product.

In 1857 TB Wood and Peter Housum purchased Franklin Foundry and Machine Shop. In 1861, Peter Housum answered President Lincoln's call to join the militia and entered the militia as a Captain, rose through the ranks, and on December 31st, 1862, he was killed in a Civil War battle.

The company name was changed to TB Wood & Son in 1884. In 1986 the Wood family sold to a private investor.

In 1996, TB Woods became a public company and in 2007, TB Woods sold to Altra Industrial Motion.

Belted drive systems transmit power from driver to driven equipment. An example is an electric motor to a pump or a fan. In these applications, power is transmitted from the rotating shaft of the motor to a parallel shaft on the driven equipment, an example being a pump or a fan.

Belted drives that use V-belts require sheaves such as pulleys with grooves. Synchronous drives use tooth, belt and sprockets.

I'm going to go into the description of the manufacturing process starting with melt. (Next Slide) The material composition for gray and Ductile Iron consists of, first of all, scrap steel, which for us is recycled rail steel. Also pig iron and recycled materials such as gates, risers and scrap castings.

The mill process, a recipe is developed every day for each iron type and each furnace to be charged. Each material type is weighed and processed through a pre-heater to evaporate any moisture on the charged material. Each batch consists of approximately four thousand pounds of charged material.

Charges are added until the furnace is full. Furnaces are then skimmed to remove slag. Furnace chemistries are then taken. When it has been determined

that the molten iron meets chemistry requirements, the furnace is then ready to be tapped for pouring iron into sand molds.

To make a casting, a pattern is first made which confirms to the desired contours and dimensions of the casting. The pattern is then mounted on a metal or wood plate. The mold is made by placing the mounted pattern in a flask, as shown in the top right. The patterns are shown in the top right and the flask is shown on the bottom right. And then sand is added until the box is full.

When the pattern plate is still in the flask that is filled with sand, the sand is squeezed around the pattern to make a hard sand mold. The pattern is then removed from the flask, leaving an impression from the pattern in the sand mold.

A mold consists of two parts, the drag, the lower portion of the mold and the cope, the upper portion of the mold. The picture on the top left shows the drag portion of the mold ready to move down the conveyor line, so that the cope portion of the mold can be placed on top of the drag. The picture on the lower left shows the cope being placed on top of the drag. The mold is now ready to receive molten iron.

The pour-off operator requests iron and iron type and quantity from the furnace operator. Molten iron is

poured from the melt furnace to a carrier ladle. The carrier ladle then moves to the appropriate molding line and transfers the iron to a pouring ladle.

The pouring operator then skims the ladle to remove any slag that has formed and takes an iron temperature to insure the proper iron temperature is reached before pouring the iron into the sand mold. The molds that have received molten iron now move to a cooling line which allows the iron casting to cool before moving to a shake-out process that removes the casting from the sand mold.

After the casting has been removed from the sand mold, the sand, the iron risers, and the iron gates are recycled. The casting then moves to a cleaning process that includes shot-blasting and grinding. The shot-blast removes loose sand from the casting, the grinding operation removes flashing. Flashing you see around the parting line when the two halves of the casting come together. They also remove the gate connections and the riser connections. Once these operations are complete, the casting is ready to move to the machining process.

This slide shows an example of raw castings. On the far left, you'll see a V-belt sheave casting. In the center is an example of a QD bushing casting, and on the far right, an example of the synchronous sheave casting.

This slide shows a finished product. Again, on

the far left is now a finished V-belt sheave. In the middle, we have a finished QD bushing, and on the far right, a finished synchronous sheave.

Characteristics of in-scope, ok product. The V-belt sheave, you see in the far left, that has grooves in the sheave and you see the belt just below that. And next to the right, we'll see the synchronous sheaves again, driven by a belt and you can see that this particular synchronous sheave has a tooth profile.

Another product that's inscope is called a QD bushing. And if you can see in the center, right in here, this is the bushing, that's been assembled to the sheave. This bushing is also used located to mount to synchronous sprocket to a shaft in a belted drive application.

These are products that are not in-scope. They represent chain sprockets. These sprockets, basically, are made from steel and, of course, driven by a chain.

Other products that are not in-scope and these include gears. You can see the gears are meshed together. There is no belted product OK in this particular application. Just gears meshing together. It's product that's not in-scope.

Thank you for your attention. And I'll be happy to answer any questions.

STATEMENT OF TOOK CODER

MR. CODER: Good morning, I'm Took Coder, former Vice-President of Sales for TB Woods, Incorporated, located in Chambersburg, Pennsylvania.

I am proud to say that I worked for TB Woods, an Altra Industrial Motion corporation, its parent company, for 41 years combined. Before I retired about two years ago, TB Woods was a great company to work for and I truly enjoyed my time there. I continue to do some part-time consulting work for Altra now.

I've also served as the President of the Mechanical Power Transmission Association, or the MPTA. And the MPTA is an industry organization made up of North American manufacturers with mechanical power transmission equipment and they work to develop industry standards to insure the proper design, manufacturer and application of such equipment.

The MPTA also collects and provides to its members monthly statistical sales or market share data. I am here today to provide you with some information on the U.S. market for iron, mechanical drive, transfer drive components, which I'm going to refer to as sheaves, just for the ease of speaking.

As you hear from Bill, sheaves are used in a variety of machinery applications, such as fans, conveyors, pumps, compressors and mixers. As such, demand for sheaves

in the United States is largely driven by general industrial and construction demand, including building and road construction, as well as the food and beverage and oil and gas sectors.

Sheave sales in the United States are made through two basic channels. To distributors and to original equipment manufacturers, or OEMs, directly. There are a large number of multi-branch distributors, such as command and motion industries, which primarily focus on replacement business to end-users and small OEMs.

Larger OEMs also purchase sheaves directly. Customers purchase sheaves largely on the basis of price. Sheaves are generally priced per piece and that piece price is the primary factor in most customer's purchasing decisions.

While OEMs have always been incredibly price sensitive, distributors used to consider other factors, such as quality, brand and availability, which at times provided TB Woods with an advantage. However, imports from Canada and China have been sold at such drastically low prices that quality and brand really don't matter to most customers anymore.

And these cheap imports have entered the United States in huge quantities and built large inventories, meaning that availability is no longer a major consideration

either for distributors.

Throughout the first half or so of my career, pricing in the market was relatively stable, allowing U.S. manufacturers to earn a decent profit. Since Canadian and Chinese imports entered the market, however, I'd estimate that prices have dropped by 30% or more, and they are no longer based on rational considerations.

Even when our costs increased, not only could we not increase our prices to cover those costs, we were actually pressured to continue to drop our prices in order to compete with Canadian and Chinese imports.

When subject imports first entered the U.S. market, they were mostly concentrated in the smaller size sheaves, such as those used in HVAC systems and for other fractional horsepower applications.

They were selling large volumes of these small parts at extremely low prices, and market pricing of small sheaves affects the prices we can charge for large sheaves, and vice versa, meaning that we felt the price effects of subject imports throughout our entire product range.

Approximately ten years ago, Canada and Chinese imports began to progress into larger and larger parts, such as sheaves for use in oil field and aggregate equipment. Now we see Canadian and Chinese imports, even some of the largest, most technically demanding sheaves in the market.

Subject producers have also moved from selling mostly to distributors, to selling all types of customers, including directly to OEMs, in short, Canadian and Chinese imports now serve all segments of the U.S. market.

When they were first entering the United States, imports from China were really the major problem. They were selling huge volumes of product at extremely low prices, forcing everyone else to lower their prices as well. I believe they were pursuing a similar strategy in Canada.

Maska began as an independent company in Canada, both with foundry and machining operations in that country. Likely, because of the pressure they also faced from Chinese sheave imports, Maska themselves began importing from China. Now they sell their product to United States under labels stating either 'Cast in China, Machined in Canada,' or 'Cast in China, Machined in China,' and more recently, they've changed some of their labels to read, 'Made in Canada.'

Due to their cooperation with Chinese producers, Canadian producers are now also benefiting from this dumping strategy, and they cause just as big of a problem in the U.S. market as products shipped directly from China.

Before these subject imports flooded into the U.S. market, TB Woods was a price leader. Prices were set rationally and if our costs went up, prices could increase to cover those costs. Not anymore. Subject imports

undercut our prices so severely that we lost many sales, including from some of our best customers.

After we lost so much market share, TB Woods had to give into the pressure and we had to cut our prices as well. The company's profitability was hit as a result. Without relief from unfairly traded imports, I know the future will be grim for TB Woods and the few other remaining U.S. producers.

The U.S. market for sheaves is mature, and there is not likely to be much more new growth in the future. In the current atmosphere, because of subject imports, you simply have to drop your prices further and further to get sales, and I don't think that TB Woods can realistically decrease its prices any further than it's already had to do so.

For these reasons, and especially on behalf of all the people that I know that still work and depend on TB Woods, we ask that the Commission grant us relief from unfairly traded imports of sheaves from Canada and China. If we have a level playing field, I know that U.S. producers like TB Woods can compete with anyone and succeed.

Thank you for your time and your hard work on this case, and I'll be happy to answer any of your questions.

STATEMENT OF LEW CRIST

MR. CRIST: Thank you, Took. Good morning. I'm Lew Crist, the General Manager of TB Woods, Incorporated, located in Chambersburg, Pennsylvania. I've worked for TB Woods for nearly my entire career, almost thirty years.

I first served in various manufacturing and engineering roles before moving into the company's management. From 1998 to 2002, I ran TB Woods plant in Trenton, Tennessee, and then moved back to the Chambersburg facility, where I became the Director of Manufacturing in 2005.

In 2007, Altra purchased TB Woods and I became the Business Unit Manager for our belt and drives business. Around 2002, my title changed to General Manager of TB Woods and I have served in this role since that time.

On behalf of TB Woods and its employees, I would like to thank the Commission staff for the hard work I know they have already done on this case.

I would like to first provide you with some background on TB Woods as a company. TB Woods was founded in Pennsylvania in 1857 and began as a foundry and a machine shop producing primarily mill gearing. For a short time, TB Woods even produced iron components for the Civil War.

Our company's tradition of product innovation started early. We entered the power transmission industry

in the early 1900's with the introduction of flat-belted drives and line shafting and we have consistently produced mechanical power transmission components in the United States ever since.

I'm here today because TB Woods wants to continue to do so in the future. Unfortunately, however, large volumes of unfairly priced subject imports from Canada and China have had a significantly negative impact on the U.S. market and specifically on our company's operations in recent years.

As Took mentioned, we initially started seeing Canadian and Chinese imports in the U.S. market around twenty years ago. First, only in small sized products. Over the years, the product range and the volume of subject imports have steadily increased and they have become more and more injurious to U.S. producers like TB Woods.

Recently TB Woods has lost substantial sales volumes to Canadian and Chinese product, which is being sold to our former customers at extremely low, unfair prices that we simply cannot compete with.

By flooding the U.S. market with these unfairly priced products, subject producers have caused a collapse in market pricing. As a result, even on the sales we have managed to keep, we have been forced to lower our prices substantially, year after year, cutting into our

profitability.

Our customers quote us the prices at which they can buy subject imports, forcing us to lower our prices as well. At times in the past, we have tried to resist this pricing pressure and refused to lower our prices, simply not believing the Canadian and Chinese product could actually be offered and sold at such drastically low prices.

Sadly, those price quotes were true and then we then lost the business or at least a substantial portion of it. Notably we have recently learned through our customers that Baldor, which imports subject product, has just announced that they plan to merge their Dodge and Maska brand names and lower their prices by another 10 to 15%. U.S. producers like TB Woods simply cannot withstand another price decrease of this magnitude.

As an example of the price effects of subject imports, a major customer came to us with a similar story five years ago. He can buy Canadian or Chinese imports for a drastically lower price, in fact a full 50% lower than our own prices.

We cut our prices as much as we possibly could in an effort to compete with these imports. We lost half of our customers' business anyway, a severe blow to the company. In recent sales negotiations, this same customer has told us that he now has quotes from subject imports at

prices that are again 50% below our already lowered prices.

If we do not cut our prices yet again, TB Woods standards to low the rest of our business from this customer. Many of the sales that we are losing to subject imports are of our most important, traditionally high-volume products. The orders we have been able to retain are frequently smaller orders for more specialized parts.

Much of our current production therefore is of low-volume parts. This prevents us from producing at maximum capacity and efficiency, which is particularly injurious given the high fixed costs and overhead involved in running a foundry. This is not a viable business model for our foundry.

Put simply, we cannot continue to survive on the small volume dribs and drabs that the Chinese and Canadians have not yet taken. These small volume orders frequently have lower profit margins than our catalogue products.

There is no doubt in my mind that we are losing sales based solely on price and despite all of our best efforts. For example, we tried to differentiate ourselves as U.S. manufacturers on lead times. But Canadian and Chinese imports have just flooded the United States with their low price product.

There are huge inventories of imported product in U.S. warehouse, so we really are not even able to

distinguish ourselves based on lead time. These are the kind of effects an unfairly traded Canadian and Chinese imports of mechanical transfer drive components are having on the market in the United States. The imports have severely affected TB Woods production operations.

Around 2004, we were forced to close a plant in Trenton, Tennessee and move a portion of our finishing operations to a Mexican facility. This decision to move some operations to Mexico was primarily motivated by the unfair import competition we were facing in the U.S., in addition to keeping a U.S. foundry in operation.

We certainly do not like having to close down U.S. production operations. We would prefer to keep all of our finishing operations here, employing U.S. workers, but we are simply unable to do so at profitable levels because of unfair competition from subject imports.

While many of our competitors have shut down their foundries and now solely purchase subject imports, TB Woods has so far managed to keep its Chambersburg, Pennsylvania foundry up and running. This is a priority for us.

Our foundry is a major operation. In fact, we estimate that the cost to replace our current foundry facility would be upwards of a hundred million dollars. But production levels at our foundry are currently significantly

curtailed as a result of subject import competition.

For example, in the past, our molding lines were running two shifts a day, five days a week. Now the lines are shut down the majority of the week, running only two days. Similarly, due to the market conditions created by subject imports, TB Woods has been able to run only two of our facilities, five furnaces at any given time.

Probably the most painful effects of subject imports have been felt by TB Woods' employees. TB Woods is one of the largest employers in Chambersburg, providing good paying jobs in a town that really needs them. Many of our employees have worked with us for decades and they are proud of the work that they do.

While we have tried to retain as many workers as we possibly can, we have been forced to cut shifts drastically, which have significant effects on their take home pay. TB Woods is also unable now to provide the level of benefits that we think our workers deserve, and which we otherwise could, if not for harmful effects of subject imports.

In sum, the state of TB Woods and what remains of the U.S. industry is dire. Quite simply, the future of the industry and our employees' jobs depends on this case as we desperately need relief from unfairly traded subject imports. Thank you very much, and I'm happy to answer any

questions that you have.

STATEMENT OF CARL CHRISTENSON

MR. CHRISTENSON: Good morning. I'm Carl Christenson. I'm the chairman and chief executive officer of Altra Industrial Motion, located in Braintree, Mass, and Altra is the parent company -- they can't hear it? Can you hear it now? Okay. I'll start over.

Good morning. I'm Carl Christenson and I'm the chairman and chief executive officer of Altra Industrial Motion, Incorporated, located in Braintree, Massachusetts, and Altra is the parent company of TB Woods. I have been with Altra since 2005, and prior to that I served for about four years as the president of Kadon Bearings, a division of the Kadon Corporation. Prior to Kadon, I held a number of management positrons at TB Woods, which is the Petitioner here today, and now the subsidiary of the Altra.

I was with TB Woods for about ten years in total, but overall I have about 30 years of experience in the mechanical transfer drives industry in the United States. Altra acquired TB Woods in 2007, and at that time TB Woods was in solid financial health, and we felt that Altra was well-positioned to help the company continue to grow and prosper.

We have continually invested in TB Woods since the acquisition, including to improve the company's

efficiency, safety and environmental protection programs. However, in recent years TB Woods' mechanical transfer drives business has struggled severely. We have performed numerous indepth analyses of the company and the market, and we have concluded that TB Woods' struggles are a result of unfair competition in the marketplace from imports of iron mechanical transfer drive components from Canada and China.

Lew just described to you some of the substantial negative effects that these unfairly-traded imports have had on TB Woods' business and its workers, and Altra's evaluation of the situation supports his statements. We have analyzed TB Woods' costs for inputs, many of them commodities over which we have limited control, such as raw materials and electricity.

As a result of these analyses, we found that the prices of Canadian and Chinese imports are below even our lowest possible cost levels. The importers' drastically low prices mean that they will undercut our prices, regardless of how much we invest in capital equipment, how much training we give our employees, and how we otherwise improve our operations.

When we analyzed their cost of production and compared them to prices for Canadian and Chinese imported product that we have to compete with the marketplace, it just didn't match up. We thought there may be later cost

differences; however, when we looked at the pricing of products imported from Mexico, there was no price difference. We just could not understand why these -- why there was such a price differential for product imported from China directly or routed through Canada.

Ultimately, while we have tried to keep our U.S. manufacturing operations intact to the largest degree possible, we've now unfortunately have been forced to purchase some mechanical transfer drive components from China ourselves. Altra is a manufacturing company. We are committed to investing in our products and our manufacturing technology, and we are committed to manufacturing here in the United States.

But conditions in the marketplace caused by the subject imports made purchasing some product from China necessary to compete. We were forced to either buy some product from China as we did, shut down the foundry and import everything, or exit the mechanical transfer drives business.

Rather than close the TB Woods' foundry or leave the industry completely, we wanted to try to preserve what we could of the U.S. industry and the jobs here. As you've heard, TB Woods has been manufacturing in this country for over 150 years, and we want to keep it that way.

However, if imports from Canada and China keep

coming into the U.S. market at the volumes and prices that they have in recent years, the continued viability of TB Woods and the entire U.S. mechanical drives industry is in jeopardy. Several of our distributor partners have informed us that Baldor told them they are merging the Mask and Dodge brands and will be lowering the pricing of their mechanical drives by 10 to 15 percent.

In addition, they plan to reimburse the distributors for the reduction in inventory value. I've been in this industry for 30 years, and I've never seen a price reduction in the distribution channel, primarily because it hurts the distributors' business. So this is a first. Obviously, this will force us to lower our prices accordingly.

Without relief from unfairly traded imports, it is my belief that the U.S. industry will decline even more rapidly than it already has. The cost of the product we import from China is significantly lower than our cost to produce the same product in the U.S.

Since Baldor is lowering their prices even further, we soon will have no option other than to stop manufacturing these products here, and import everything we can from China. This will be the only way that we can remain competitive and sell at even lower prices that Baldor is now implementing in the marketplace.

Unfortunately, we cannot buy everything we produce, and therefore some products and capabilities will no longer be available for our customers. We believe this will significantly damage the industry in the U.S. by eliminating jobs and essential capabilities for our customers. TB Woods faces a turning point, and Altra has to decide whether we join some of our competitors and buy everything from Canada or China and shut down our foundry in Pennsylvania, or whether we continue to invest in the foundry and the U.S. manufacturing.

This decision isn't a few years down the road. This is a decision we're facing today. With relief from unfairly traded imports, we will most likely -- without relief from unfairly traded imports, we will most likely have to at least significantly downsize the TB Woods foundry within the next year or so, keeping a partially operating foundry up and running is extremely difficult. You need to have enough volume to help spread some of the fixed costs, like environmental compliance.

As a result, the very existence of the facility and the middle class incomes that come along with it are threatened by these unfairly traded imports. This is not what we want to happen, and this is why we are here today. As I mentioned, Altra and TB Woods are U.S. manufacturers, and we want to continue to produce our products here with

U.S. workers.

In fact, we have existing plans ready for an additional investment of approximately $10 million, to expand and improve the TB Woods foundry. Unfortunately, due to market conditions and the continued wave of unfairly priced subject imports, we have not been able to move forward with those plans. As I said earlier, we're a manufacturing company and we believe in actually making the product we sell, and we invest heavily in the capabilities to do so.

We have invested significantly in the TB Woods business over the years. However, it becomes more difficult as our return on investment goes down due to pricing of subject imports. I really want to be able to make these investments further develop the capabilities for our customers, and grow and develop the employees at our TB Woods facility.

Not only are the imports injuring us today, but their detrimental effects on investments in equipment and our associates jeopardizes the future of the industry. To be clear, this can be profitable and promising industry. If we obtain relief from these unfairly priced imports, I truly believe that the market will stabilize.

If so, I plan to recommend to our board of directors that we make the additional substantial

investments into our U.S. manufacturing operations. In conclusion, we ask the Commission staff today to recommend the continuation of these investigations. We strongly believe that the U.S. industry is materially injured by subject imports from Canada and China, and with even further injury.

The future of the industry and its jobs depend on these cases. Thank you very much for your time today. I'm happy to answer any questions you might have.

STATEMENT OF DANIEL PICKARD

MR. PICKARD: Thanks. Again for the record, this is Dan Pickard. What I'd like to do is just being mindful of our time constraints, very quickly go through the major legal issues that are involved in this case. What I plan on doing is I'm going to follow the standard ITC format for a decision, in order to logically address the major legal issues.

I would also point out not only are we going to follow kind of the standard format for this discussion, but we're also not deviating from standard ITC procedures and perhaps precedent might be a better word, in regard to our prices to the analyses.

So we're going to talk about kind of the traditional six-factor test; we're going to talk about the semi-finished product analysis; and we believe that the

positions that we're staking out are completely consistent with Commission practice.

So if we go to the first slide please. In regard to domestic like product, as you may be aware we're recommending one domestic like product definition that's co-extensive with the scope. So it's going to include sheaves, including fly wheels and bushings.

So in regard to examining the domestic like product, there's also a semi-finished product issue, and it's our position that blanks of sheaves should be counted also in the domestic like product, and this follows the traditional five factor test, and I'm not going to -- we'll obviously brief all of these issues thoroughly in the post-conference brief.

But first and foremost, the traditional perhaps the factor that the ITC looks at the most is whether the upstream product is dedicated for the production of the downstream product. I think all parties would agree that that's the case here.

So for purposes of the domestic like product, one domestic like product co-extensive with the scope, that also includes the semi-finished product. What it does not include, if you'd be kind enough to go to the next slide, are sheaves under four inches in diameter, steel products, sprockets and gears, and I'm sure that there's going to be

some questions about those.

After we finish up with our direct presentation, I'd be happy to answer of this. So that's it in regard to our domestic like product definition. One product, co-extensive with the scope, includes semi-finished; excludes products outside of the scope.

So then obviously the Commission turns to the issue of who is the domestic industry, and you've got two legal issues in regard to the definition of the domestic industry. First off, our sufficiency of production operations, and our position has been that merely finishing operations in the United States are not sufficient to amount of U.S. manufacturing, and again we'll brief this more thoroughly.

I would draw your attention to one issue in particular. I think there's going to be some discussion later on in regard to the value added, and while we bracketed small amount of value added by the finishing operations, we think it's important to identify the fact that when we're looking at value added, we're assuming that's on dumped, on non-dumped product.

Obviously, if you are going to do your value added calculation based on dumped or subsidized product, it's going to artificially inflate the value of the finishing operations. The other issue in regard to the

domestic industry definition will be related parties.

If we go to the next slide, or we could go for two slides, that we're going to make an argument for the exclusion of certain entities that are affiliated with subject producers, or have significant import operations. I think the point I would emphasize in regard to this is regardless of whether related parties are excluded or not, or regardless of whether finishers are included in the domestic industry definition, I think you have overwhelming evidence under either scenario justifying an affirmation determination.

That's another way of saying that I don't believe they're necessarily outcome-determinative. So moving away from the domestic like area, actually to say a little something further in regard to country of origin. Not to put too fine a point on it, but it's our position that if finishing operations don't amount to manufacturing as far as the Commission's traditional test, that a product that is cast in the United States but finished in Mexico and returned to the United States would be U.S. produced product.

That's consistent both with rulings from Customs, as far as kind of substantial transformation, and it's also consistent with previous ITC determinations. And important for this case as well is that products that are

cast in China, but then therefore go to Canada to be finished and then are exported into the United States, should still be treated as Chinese product.

So now to talk about cumulation. The four factors here are met in regard to substitutability of the products, the geographic overlap, the temporal overlap. I think you've got particularly compelling arguments for cumulation here, especially since you have such intertwined operations between Canada and China.

Specifically, there are issues unique to Chinese product coming into Canada, receiving finishing operations and then being exported to the United States. While that might not fall within one of the traditional four factors, I think it provides additional compelling arguments for cumulating imports from Canada and China.

So now conditions of competition, relatively straightforward, that demand for the domestic like product comes from a variety of industries. These industries are relatively mature and that demand for this product has been relatively flat over the POI.

The questionnaire responses most frequently respond or most frequently indicate that demand has basically fluctuated. But a graphic demonstration on the next slide shows that apparent U.S. consumption for sheaves over the POI has remained relatively flat.

So demand has been flat. Supply, there is an abundance of domestic supply here. The capacity utilization rates for the domestic producers speak for themselves. There's no shortage issues, and as you heard the witnesses testify today and as I believe they're further supported by the questionnaires, price is probably the most important decision for purchasers, the most important factor in purchasing decisions, assuming the basic quality requirements are met.

So now just going on to the standard volume, price and impact criteria, the HTS data or the data drive for the HTS categories are admittedly basket categories, and there's a lot of noise in there. Should the Commission determine that the official import statistics are more probative than the questionnaire responses, what you would see is an increase over the three year period and an increase in imports over the interim period.

So if the Commission determines that the official import statistics are the best information available, what you show, what you see are significant amounts of imports and that are increasing over the POI.

But the next slide. If you go to the questionnaire data, you see the same thing. You see basically increasing imports; you see significant amounts of imports increasing over the three year period and increasing

over the interim period as well.

So we'd respectfully submit that the volume of imports are significant as a matter of law. In regard to price, the evidence record demonstrates that imports are having a negative impact on price. I'm sure we're going to be talking about the pricing products, but the pricing products data that you have before you show price deterioration for the domestic producers.

There are documented and many documented incidences of under-selling, and we're going to put on additional evidence in regard to documented price depression in our post-conference brief.

And then getting close to finishing up, impact. This is not a healthy industry. Without going into the proprietary operating profits and operating margins, this is an industry that is injured. It's been facing price-cost squeeze over the Period of Investigation, and you've seen -- you'll hear more in answers to questions in regard to the damaging effects of lower-priced imports, and you've heard testimony already in regard to the costs as to capital expenditures and capital investments.

And the last slide would be this is as equally powerful threat case as it is a current material injury case. You have countervailable subsidies in regard to the China side, incentives for exports, and for the traditional

factors that the ITC looks at, including volume, price, impact, also merit an affirmative determination for purposes of threat.

And with that, that ends our direct presentation. Thank you.

MR. CORKRAN: Thank you, Mr. Pickard. We'll quickly turn to staff to begin questioning. We'll begin with questioning with the investigator, Ms. Messer.

MS. MESSER: I'm Mary Messer, Office of Investigations. Mr. Pickard, I'm going to start with you since you just finished. Your testimony indicated that the value added by the finishers is relatively lower than the testimony by the Respondents this morning.

MR. PICKARD: Correct.

MS. MESSER: Can you explain the difference? Why would there be a difference in what you are saying is the value added from what the Respondents are saying?

MR. PICKARD: I can only speak definitively in regard to the actual cost in value added experienced by our clients. But I would throw out that a possible explanation would be obviously we have calculated the value added of finishing operations based on non-dumped castings, and if the -- I believe the figure might have been thrown out in the earlier panel, that finishing could be as high as 50 percent of the value added, that's predicated or based off

of the value of a dumped casting or subsidized casting, then that's going to obviously inflate the value of the finishing. Does that make sense?

MS. MESSER: I would assume -- yes. I would assume, though, that since Baldor has casting and finishing operations in the U.S., that that number would be based off their own operations.

MR. CHRISTENSON: Carl Christenson again. So I think that was a little bit deceiving, because Baldor owns two brand names. One is Dodge, one is Maska. So Dodge has a machine shop in North Carolina. No question, they buy castings in the U.S. However, there is product that the Maska product is machined and some of it's machined in Canada, some of it's cast in China, some of it's machined and cast in China. So that is also Baldor product.

So I think it was a little confusing to me when I was listening to it, and I know what they were saying or trying to say. So I think there was some confusion there. And then so I think you have to dig into their numbers. I don't know what their numbers are, but there could be some casting cost that's --

MS. MESSER: I would appreciate for those others in the room, the Baldor people, if you could address that perhaps in your post-conference submission, so I can straighten out the difference between what the Respondents

are viewing as value added and what the Petitioners are viewing as value added, and back to you, Mr. Pickard.

You had indicated in your charts should the Commission choose to use the import stats, they show increasing imports, and should we use -- if we should use questionnaire responses, they also show the imports increasing. Which in your opinion is the most reliable data for the Commission to use?

MR. PICKARD: I think I'd want to reserve judgment, to see what comes in, because I know we still have questionnaires coming in. As far as I know, that there was a foreign producer questionnaire I think that we got served with just yesterday.

So the traditional practice obviously for the ITC would be to use questionnaire data, if it's reliable, and I think we're still kind of evaluating the reliability of the questionnaire data. It clearly has holes in it. Some of the stuff that we've looked at, there are clearly issues in regard to --

And I want to be mindful of business proprietary information, but data that is missing from importer questionnaires, and I think there's issues in regard to foreign producer questionnaires, which are supportive of the idea that we might be missing major importers as well, and that's probably best further addressed in a confidential

brief.

MS. MESSER: Okay. So that goes into my next line of questioning. How much do you feel that we've collected as far as our coverage from U.S. producers, foreign producers and importers in the questionnaire responses to date, keeping in mind what we've collected to date is the original scope?

MR. PICKARD: All right. I'll start, and then I think Mr. Price wants to chime in as well. So I think the domestic industry data is -- seems pretty solid that --

MS. MESSER: And that's based on casting?

MR. PICKARD: Based on castings, yes.

MS. MESSER: Okay.

MR. PICKARD: And just not to put too fine a point on it, based on the production of the domestic like product, casting and finishing.

MS. MESSER: Domestic like product being casting?

MR. PICKARD: Domestic like product being casting. So the domestic like product covers cast product and finished cast product. But if you mean iron products, yes. I think we're still sorting our way through how comprehensive the importer data is. You've got a very limited amount of foreign producer questionnaires.

We're aware that -- I think one of the

industry's statistics or one of the industry publications, and correct me if I'm wrong Bill, lists potentially 22,000 -- is it 22,000, over 20,000 foundries in China. We're not suggesting all of those are making sheaves, but it's a huge number.

So you know, I think we're still kind of working our way through the data, as I'm sure so are you.

MS. MESSER: So the Respondent's testimony saying that what we've got to date is a large or we've got the largest exporters is not accurate?

MR. CHRISTENSON: Lew's been in a lot of foundries in China, and I think that certainly Power Mach is one large company. But there are several other large companies and several -- you know, we've been talking a lot about Baldor today. But there's a lot of other companies from China that are selling product here and have been doing so for a number of years, and they've grown in the size of the product that they've been producing, you know.

There is another little thing, detail left out is that it's not only small product that's coming in from China. Some of our largest product that we've made over the years, for rock crushing equipment, for mining equipment, is now being produced in China. Sheaves that I never would have imagined could have been produced in China and transported for the, you know, for a cost that made sense.

It just doesn't make sense how they can do it.

But they have walked up the size range and the technology range, and it's now the entire product line that is really being attacked, not just by Baldor and Dodge and Maska, but by these other producers. Lew, how many foundries have you been in in China that makes sheaves and bushings?

MR. CRIST: I've personally been in nearly two dozen factories that make sheaves and pulleys and bushings in China, and I know the list is even larger. As Dan pointed out, I mean there are lots of small foundries in China, more than 20,000 and the number keeps growing.

MS. MESSER: Thank you for that.

MR. CHRISTENSON: I really think that as a result of some of the capacity, lack of capacity usage, is driving them to try to export product, and with very low prices. I mean their capacity utilization is not what it needs to be there for them to justify having all the foundry capacity that they have. That's my personal observation opinion.

MS. MESSER: Thank you. I would just ask, and then we're going to be having another APO release tomorrow, with anything additional that we've received since Monday. If in your post-hearing or post-conference briefs, if you could give us a general number as to what kind of coverage

we have, that would be really helpful from producers, importers and foreign producers.

MR. PRICE: We'll be happy to do that. Obviously, it's -- one, it's you know, there are new APO releases, and two, in the context of a public hearing, it's very hard to really get into a lot of the specifics.

MS. MESSER: Understood, thank you. I'd like to go to your modified scope language. Can you explain to us why you decided to exclude the less than four inches and the -- why you decided to change the content from 1.5 to 1.7 percent? Why not make it two percent? I understand from Respondent's testimony that the two percent line is what defines steel and iron. Is there a clear dividing line between these -- between this above four and below four, or is it a continuum just like the Respondents argue?

MR. PICKARD: I think there's a legal issue in regard to kind of satisfying requests in regard to scope inquiries from the Department of Commerce, and maybe Rob will be best to address that. Then I think from kind of a product perspective, maybe if Lew will address that then following.

MR. DeFRANCESCO: Robert DeFrancesco. Just with respect to the carbon content, in our submissions to the Department of Commerce, certain gray iron can have a carbon content as low as 1.7, and the idea of having a carbon

content slightly lower than how the HTS defines it not only covers that gray iron, that could potentially go as low as 1.7, but also would address potential circumvention issues down the road. But there are gray iron products that can be as low as 1.7 percent carbon.

MS. MESSER: So why did you move it from -- why was it originally 1.5?

MR. PRICE: I'll say it this way, which was we knew the tariff schedule -- one of the tariff schedule definitions, as we all know from a variety of steel cases, don't really comport with reality. We knew it was below two. We didn't know exactly where it was. We found a variety -- we then located a variety of details and clearly could draw the line at 1.7.

The simple reality is that when you listen to the Respondent testimony, they would probably -- you know, they didn't say that the difference between 1.7 and 1.5 had any actual difference. I deal a lot in steels, as do the Respondent counsel, and carbon contents of in that level are pretty unheard-of.

Usually, the carbon contents we're dealing are .06, .08. High carbon might be .06 to .09, .95. Very rarely do you see anything above that. So you sort of -- you know, this is much ado about not a lot in reality. On the carbon content, okay.

MR. CRIST: So addressing your four inch question, I mean as you heard earlier, you know, the product's typically made of steel or other alternate material, and it's also typically out of bar. So obviously, you know, that's different manufacturing processes, different equipment, different skill sets involved in making that. That's not in our product wheelhouse, so that less than four inches is why we went there.

MS. MESSER: So you don't produce anything less than four inches?

MR. CRIST: Typically in the scoped product, the answer is no. We typically will begin various sources, depending on what the customer needs. But in general, the industry is steel and made of bar. So we do that on a limited basis or we would import it.

MS. MESSER: What about other domestic producers that you're aware of?

MR. CRIST: Could you repeat the question?

MS. MESSER: What about other domestic producers that you're aware of? Do they make the in scope product less than four inches?

MR. CRIST: Do they make the in scope less than four inches? Sure. A domestic producer could make that, yeah.

MS. MESSER: So the only reason why you decided

to put the four inch limitation is because your particular company doesn't produce it?

MR. CRIST: Again, it's -- our reason for being here is protecting our iron foundry, and typically that's not our strength. We're not -- we don't make steel bar and we don't make the material that goes along with the alternate materials.

MS. MESSER: You keep mentioning steel bar. Is the cast iron product less than four inch?

MR. CHRISTENSON: Typically four inch and under product is manufactured out of either steel bar or out of powdered metal, which is a different industry than casting and machining sheaves. I think when you look at the processes that we go through to make a cast iron sheave, it's radically different than a powder metal part.

So the parts that are four inches and the people that we could identify and look at what they do, four inches was a good cut off as to where the steel and powdered metal parts were, versus a casting would start. And you do occasionally, you know, they also said that they make parts out of steel up to 20 inches.

Well, if you look at what it takes to make a casting, you have to make a pattern, then you have to melt the iron, you have to compact the sand around the pattern. It's a lot of work. So if you get an order for one piece,

you may machine it out of a steel chunk rather than -- rather than produce it out of a casting.

But predominantly for the volume and the majority of this product range, you're going to -- you would like to make it out of a casting, because it's nearer net shape. Then the smaller stuff you might make out of powdered metal, because that's an effective way to make those small little parts. But it's different operations, different people, different process.

MS. MESSER: Are there different end uses, different companies that seek the different sizes, and I guess in your opinion would be a different product. It would be the sintered steel sheave rather than --

MR. CHRISTENSON: Yeah. I've never seen a sintered steel sheave, and maybe that's because it's in a different industry than we serve, so it would have a different use. But I've never in my life seen a sintered steel sheave. Took, you've been seeing these things for a long time. Have you ever seen a sintered steel sheave?

So they make the bushings. We make bushings and buy bushings. We make them, we buy them out of steel, because sintered steel, some of our customers, you have to sometimes open up the bushing to slide it onto a shaft. Sintered steel, sometimes when you try to open the bushing, it will crack and break.

So we've had customers complain about that. So we make them out of iron or steel, depending on the size range, and buy them on the steel. So there is differences in the product a little bit, but we do -- we buy a lot of sintered steel parts just for different applications.

MS. MESSER: So the only below four inch product is made from bar?

MR. CHRISTENSON: I wouldn't say the only, because I mean there are -- you can make it out of a casting if you really wanted to. But most of it would be made out of bar or sintered metal.

MS. MESSER: Is there a different market, end use market for those below four?

MR. CHRISTENSON: The end use market, I mean we serve so many different end use markets. It's extremely diverse. So I couldn't say that there's a very distinct end use market. But typically it's, you know, once you get into the bigger power transmission, you know, you might call the smaller stuff -- one of our engineers calls it fleet power versus horsepower.

So they would go into some different markets, but there would be overlap.

MS. MESSER: For example, the automotive market, would they fall in a particular size range?

MR. CHRISTENSON: Yes. So we are not in the

automotive business. We are not in the automotive business. So I would refrain from trying to comment on what --

MS. MESSER: So any type of questionnaires --

MR. CHRISTENSON: I don't even know if automotive parts are cast iron. They may be steel.

MS. MESSER: So any type of questionnaire that we receive from an automotive company we need to question then, as far as whether or not it's product that's covered?

MR. DeFRANCESCO: Robert DeFrancesco. Again, it goes into some proprietary information. But I think if you look at some of the questionnaires you've received, they're identifying lots of other parts that are not covered by the scope. I mean in some, you'll see they're identifying couplings and brackets and those aren't covered -- that's not covered merchandise so --

MS. MESSER: Okay, thank you. In your opinion, seeing from what you have as far as the APO release that's been out, it's been sent out already, how has the change in the scope language affected our responses? And if this is something you need to address in a post-conference brief, that's fine.

MR. DeFRANCESCO: I think we will address it in the post-conference brief. But in response to your question, we've answered an email already that kind of addresses how it affects TB Woods, and the answer is not

significantly.

MS. MESSER: I also noticed in your change in your revision to the scope that you added ten additional HTS numbers. Can you explain to us what these additional numbers are and why, if you're narrowing the scope, you're adding numbers?

MR. DeFRANCESCO: No, no. They weren't additional. We were clarifying a previous error at Commerce's request, to adjust some of the numbers that -- we had a six-digit number that should have been broken out to include the other, the subcategories.

MS. MESSER: Okay, thank you. Appreciate that. Okay. So the Respondents argue that we haven't collected enough data from a large number of foundries and a large number of finishers. Can you respond to that?

MR. DeFRANCESCO: Robert DeFrancesco again. So we heard a little bit today about the MPTA data and who are members, and the MPTA gathers sales of the subject product in North America, covering Canada, Mexico and the U.S. Again, this gets into some confidential information about who's responded and who hasn't, and we'll address that more thoroughly in the post-conference brief.

But I think if you look at the responses you've gotten, I think you've gotten responses from most if not all MPTA members in one form or another, either as an importer

queue or a U.S. producer queue. So in that regard, I think your coverage there is pretty good.

MS. MESSER: Okay. Now that you've turned to the MPTA data, is this data on the record? Have any -- has your firm submitted any of this data that you've been referring to?

MR. DeFRANCESCO: No. It is on -- some of it is on the record at the Commerce Department, and again, it's an aggregate of total North American sales. So in defining, coming up with a U.S. number, exclusively a U.S. number is not -- it would be purely an estimate, because it covers both Canada, U.S. and Mexico.

MS. MESSER: Okay. Is the data that they report, is that specific to the scope, or is that broader?

MR. DeFRANCESCO: In submission to the Commerce Department, there is a category that can be more narrow. It covers two different -- there's Position 1 and Position 2. Position 1 would cover the sale of the belted drive, but it would include other parts, the belt, the coupling potentially. Position 2, it's our understanding and we'll have to check this and we can get back to you in the post-conference, but it would be more specific to the sheave and the bushing. But again, it's sales in North America.

MS. MESSER: To the extent that that data may be helpful for our investigation, can you please provide that?

MR. DeFRANCESCO: Sure. We'd be happy to put that on the record.

MS. MESSER: Thank you. Okay. Mr. Crist, you indicated in your testimony that you had customers approach you with information about lower prices on the imports, asking you to do the same work. To your knowledge, were any of these customers comparing the iron cast sheaves with sintered steel sheaves?

MR. CRIST: Not to my knowledge, no.

MS. MESSER: Okay. Also you indicated that there have been other foundries that have shut down. Can you tell us who they were, how many, when the shutdowns occurred?

MR. CRIST: You're talking specific to this industry?

MS. MESSER: Yeah, the domestic industry.

MR. CRIST: I don't have specifics. I would just have general. I know Dodge owned a foundry. I don't know specifics of when they closed it. I know Browning had a foundry a long time ago and I don't know when they closed it.

MS. MESSER: Were any of these closures during the three year period that we're looking at now?

MR. CRIST: The three year period?

MS. MESSER: Uh-huh.

MR. CRIST: I do not know.

MS. MESSER: That would be helpful, if in a post-conference brief, if that information could be given. My last question has to do with the Respondents' arguments concerning the light duty and the heavy duty sheaves. But they indicated that the light duty sheaves are not produced in the U.S. So I guess my first question is does TB Woods cast and finish these light duty sheaves that they are talking about?

MR. CHRISTENSON: Yes, we do. We produce them and then there are other companies that produce light duty sheaves in the U.S. also.

MS. MESSER: Okay. I believe those are all the questions I have. Thank you.

MR. CORKRAN: Thank you, Ms. Messer. Ms. Alves.

MS. ALVES: Thank you for all of your testimony and also thank you for hosting us for a plant tour. It was extremely helpful. Let me start with you, Mr. Price and Mr. Pickard, with one of the first questions that I asked of this earlier morning panel.

If in your post-conference brief, could you please look at the argument that they're making about what the Commission's options are at this stage. They appear to be arguing that to the extent that Petitioners cause confusion with the scope or by not providing full

information about who the various players in the market may be, that the Commission can make a negative preliminary determination on that basis.

MR. PICKARD: Sure. So why don't I give a brief response, and certainly we'll brief it more thoroughly. I think that's a complete misreading of American Lamb. Lamb doesn't speak to that at all, and really what I hear them saying is wanting it both ways, making arguments that hey, there are huge holes in the record and there's confusion in the record, and at the same time arguing contrary to what American Lamb stands for, that therefore that could be a justification for a negative determination.

We'll certainly tease it out, but just as a matter of law, I think they're fundamentally incorrect.

MR. PRICE: Actually, I'm pretty shocked by that argument from our friends at Kelley Drye in particular. American Lamb does not stand for the way they're trying to twist it right now. What they're trying to say is nullify your judicial standards out there.

What I will say is that the only things that have happened in this case (a) is a narrowing of scope somewhat, which is within fairly normal parameters. We do -- we've seen this in many instances in many investigations, and that is, you know, that's not unusual. The nature and manner of these scope changes that you see here are well

within the normal parameters.

Regarding Baldor's sourcing of castings, which they've now stated some information publicly about it, frankly you know, we don't have access to their information. We have to provide the information that's reasonably available to us. We have provided the information reasonably available to us at the time we filed the petition.

If they put information on at the Commerce Department, we cannot cross the records to inform the Commission of that either, because the APOs on the productive orders there are quite different. So (1), what they're saying is meritless as a matter of law, but (2), I think it is really a gross mischaracterization of the petition as presented, and trying to retwist the facts in a way that it's just not accurate.

MS. ALVES: Sorry. How much production is there in the United States of unfinished and finished IMTDCs of less than four inches in diameter?

MR. PRICE: So within the scope as defined, we believe that there is, based upon our -- what we have heard here, we've provided our information. If I listened correctly to the public information that we heard from Respondents regarding their product, the answer would be we don't think there is much of anything, if anything in the

scope of the size ranges.

So we've provided our information to the Commission already on the below -- on the very small sized product, which is this under four inch, four inch and under product, and obviously I can't say much more, due to the proprietary information.

But sintered metal product is not in the scope, and steel is not in the scope. At the end of the day, we believe that there is no product in -- virtually minimal if any product in the scope that could be made of cast iron, okay. So bottom line is -- that's the bottom line. Thank you.

MS. ALVES: In their testimony this morning, Respondents suggested that industry definitions do not specify whether products have to be made from a sintering process, from a casting process, or whether or not they originate from steel bars. Is that the case with industry specifications?

MR. CHRISTENSON: I'm not a technical engineer that would have that information. But it's quite often that they would specify certain parameters, but not necessarily specify the metal, that you would have to manufacture it out of. But we can investigate that and respond to it in the brief.

MR. PRICE: So Alan Price. We'll respond more

in the brief, but there's -- I would say listening to the presentation of the Respondents, who are major importers and purchasers, there is a great attempt to try to find the exception and confuse, you know, the exception with what the, you know, with that is out there as the actual facts.

So we'll go into this in more detail in the brief. But it's hard to in a public hearing.

MS. ALVES: Okay, and to the extent that you have some samples of what industry specifications look like for these sorts of products, that would be helpful just to give us a sense. Obviously, if there are many product permutations, you don't need to give us a full listing.

But both in terms of getting a better sense of what the difference is between light and heavy gauge or light and heavy duty products, and then also whether or not, you know, what sorts of parameters are in these specifications, to the extent that they specify carbon content or they specify what the underlying operations were, if they were sintering or casting or what have you.

MR. PRICE: Happy to do so, and we'll also go into some of the details, into the products. So as Carl said, for example, in sheaves, you don't see, for example, sintered metal sheaves in the marketplace. So again, let's find -- anyway. We'll go into more detail in all of these -- on all of these questions.

MS. ALVES: You mentioned the possibility that there are some unique features of the market that would favor cumulation. I was hoping you could elaborate a little bit more on what the unique features are?

MR. PICKARD: Sure. To put it briefly, it's our position that the four kind of standard factors in regard to cumulation are all met here, the interchangeability, geographic overlap, temporal overlap. On top of this, and I think this is consistent with ITC precedent as well, that you have kind of commingled operations here.

So to the extent that you would have Chinese product brought into Canada, finished in Canada and brought into the United States, the ITC has previously recognized that those types of commingled operations are supportive of its determination of cumulation.

MR. PRICE: Alan Price, I'll continue. So a blast from the past case, Certain Negative Photographic Paper, where we had, you know, Fuji producing paper in the Netherlands and Japan. It was the same product marketed under the same brand name, and my good old friends, Bill Barringer and Dan Porter said even we can't come up with a reason not to cumulate under this set of circumstances, and we're good at trying to argue everything.

So here, all the standard factors would dictate cumulation regardless, that exist regardless of the

Respondent's arguments, because there's light duty, there's heavy duty coming in from China. They're seeing things coming in from Canada. The U.S. industry produces the same things. All of those would dictate cumulation in a standard way.

But also you have essentially a company with, I think as we just heard, with one of the sources of sellers of imports here, just one. The folks over at Baldor have under the same brand name will have Chinese product, Canadian product and U.S. product, particularly now that they've just announced that they're going to merge their Canadian brand name into their U.S. brand name too. So again, it's hard to find something that's more interchanged than that.

MS. ALVES: This morning, there were some questions raised about the inclusion of flywheels and conveyor pulleys in the scope. I wanted to give you an opportunity to respond to those.

MR. CHRISTENSON: Yeah. Why don't I describe what a flywheel does, and what a belted drive system. We have engineers that design belted drive systems for specific applications. So you sometimes have a driver, like an engine that the Respondents talked about, where you get intermittent pulsing from the driver. In order to smooth that out, you want to have some inertia that will keep

things moving in the right direction, and you won't get these vibrations from the driver.

You also have applications like a rock crusher, where once you put rocks into the rock crusher, you get lots of strange loading on it. So you put these inertia wheels into the design, and we design it as part of the belt drive system. I don't know how they do it, but we design it as part of the belt drive system and we may make -- put the inertia right into the sheave, so that it's one unit.

It's got all the inertia in the sheave, and then sometimes you do separate them, make a flywheel and a sheave separate so you can bolt them onto different parts of the machine; on the same shaft, but on different parts of the machine to make it easier for the customer to mount.

But it's all part of the same design, same manufacturing process, and a lot of times we make it as the same unit. So it will be what we call a flywheel sheave. So I think it may just be a different in markets we serve, the different understanding of what a flywheel is and what a sheave is.

MR. CRIST: And I would add that the flywheel sheave typically comes out of the same casting. So a flywheel and a sheave, when we design it that way, it can be a flywheel or sheave, that casting.

MS. ALVES: Thank you.

MR. PRICE: So there -- one of the things that goes on in a variety of different cases, and we have this believe it or not going on in almost every single case, which is after the Commerce Department initiates, frankly then there is a scope review process, where they go through some of the details and help vet out some of these issues.

And so we're not going to say that there's not some extraneous issues that don't have to be sorted out, that may be out there to be looked at at the Commerce Department, as they do that next stage of their review process. But that is what happens. It's a process that all of the Respondents and all of the Petitioners are very familiar with, and it usually happens, you know, over the course -- you know, over the course after initiation.

Because frankly, there are just this whole set of questions that can exist out there on exact nomenclature as to the flywheel sheave, you know, for example, and what that, you know, and making sure that, you know, things that are not taught, you know, not inappropriately pulled into scope are tossed out of scope over inadvertent uses of nomenclature.

So one of the things I do want to say right now is what we are -- and we've said this before in a variety of different cases, such as the line paper case, for those of you who may have been involved in that. Our guidance and

our answers for you are just in the verbal testimony is just that, because things, you know, inadvertent words used in various places ten years from now can haunt you in terms of scope rulings and scope interpretations.

I remember one of -- one case, a case that Mr. Luberda, a former partner was involved in, the inadvertent or potentially accidental statement regarding a dual labeling item basically resulted in the gutting of most of the scope of that investigation. So you just have to be really careful. So we just want to be really careful in our discussions here, to make sure that we say that we'll make sure we'll refine our answers in our post-hearing brief.

There may be some refinement in the Commerce Department's subsequent scope, you know, review process, which they do have. Thank you.

MS. ALVES: Understood, thank you. I'm also just trying to -- struggling with a potentially large number of domestic like product issues that we may need to be discussing or briefing, and so I wanted -- that was something that they had mentioned, and I just wanted to get a better sense from all of you what definitionally you meant, in case your definition was different than their definition.

MR. PRICE: No, and I appreciate that. I'm not criticizing at all. I just, you know, it's just stating.

MS. ALVES: One point of clarification. Mr. Pickard, you have offered to provide additional briefing on the gears and sprockets issue. I didn't hear Respondents, and I'm just going to look to them, if they can nod. I did not hear them raising them an argument on gears and sprockets; is that correct?

(Off mic comment.)

MS. ALVES: I'm trying to save briefing on one issue.

(Off mic comment.)

MR. PRICE: That's fine. We will --

MS. ALVES: I do expect a briefing on all of the other issues though.

MR. PRICE: That's fine. We'd be happy not to brief.

MS. ALVES: Gears and sprockets.

MR. PRICE: Gears and sprockets. But again we want to be careful, because there's a synchronous sheave out there that's a belt drive, that in certain nomenclature someone may call a sprocket. It's not a chain drive; it's a belt drive, and we don't want someone to cite us five years from now, saying oh, that's, you know, not in the scope. I'm sure --

MS. ALVES: Feel free to brief it then.

MR. PRICE: Well no. We're not going to -- but

anyway, just the caution on nomenclature in all this.

MS. ALVES: I understand, okay, okay. I think those are all the questions I have at this point. Thank you. It's been extremely helpful.

MR. CORKRAN: Thank you, Ms. Alves. Mr. Benedetto.

MR. BENEDETTO: Thank you all very much for your testimony. My name is John Benedetto. If any of my questions touch on business proprietary information, please just say so and follow up in a brief later. Mr. Christenson, I think you -- I had this question before your testimony, and I think you sort of answered it.

But one thing that's sort of puzzled me is why the markets evolved that finishing is separate sometimes from casting for various people involved in the industry. These things strike me as being very heavy, so I would think you wouldn't want to move them around, you know.

As much as possible, you'd want to do the finishing where you did the casting. So I think you were saying that part of the reason your firm had done it was because of competition from subject imports. But am I misunderstanding it? Is there a relatively clean divide there in the production process, why you'd want to cast one place and maybe finish somewhere else?

MR. CHRISTENSON: No. Well, we don't want to

cast in one place and finish in another place. We want to -- we're really trying to get a value line going, where we cast a part and then bring it right into machining and machine it. It's all one -- oh sorry. Can you hear that? I don't know if it got into the record.

It was we do not want to separate them. We think it is one process, and it's very effective to do it that way. You know, to be quiet honest, in moving those big sheaves around from one place to another, it doesn't seem to make sense to me. So that's why when we started looking and adding up all these costs, we said there's something going on here that doesn't make sense.

Now some people got out of the foundry business. The foundry business is, because of some environmental regulations and, you know, it's a hard business to run and to manage. It takes a lot of investment. You have to keep up with it, and so some companies chose to get out of the foundry business and focus on part of the product range and not provide the whole product range.

We decided not to do that. We've been trying to keep our foundry and keep those capabilities for the customers and the industry going, and that's part of the reason why we're here. We want to make more investments in that.

MR. PRICE: And the one thing I would add is for

those of you who went on the plant tour, as you saw, that TB Woods in Chambersburg does both the foundry operation and has finishing facilities.

MR. BENEDETTO: Sort of as a related question to that, so it sounds like there are a lot of foundries in various countries. If you have a foundry that's making IMTDCs, how quickly could it move to making IMTDCs if it were not already doing so?

MR. CRIST: Yeah. I mean with relative ease. I mean other than the fact that if it's a start-up, there's a lot of investment, as Carl touched on. But for the most part it's, you know, a Chinese foundry can --

MR. BENEDETTO: But the investments focus on building the foundry in the first place, not on switching a foundry to IMTDCs is what you're saying; is that right?

MR. CRIST: Yeah. That's the biggest part of the investment, and then you have to make the tooling to make the castings and the machining. But the designs are all pretty standard, and it's really become just a price marketplace because of that. That's why these parts are getting dumped into the marketplace.

Oh sorry. That's why the -- that's why the prices have been declining. It's been very easy for people to switch into it and copy product, and then dump them at very low prices into the marketplace.

MR. PRICE: This is Alan Price. One of the issues that we see in all of these product lines is the incredible, unrealistic pricing that you just see come out of China and it drives things that are just at different levels than I think what Carl said about world market pricing for inputs on everything else.

Then there's the China price, which collapses everything and is just an enormous, enormous driver. And what we see in product line after product line is this cannibal, you know, self-cannibalization of production, as you try to figure out a winning business strategy, until there is none other than capitulate to imports. This is, you know, essentially what TB Woods is trying to see this industry avoid doing.

MR. CHRISTENSON: All right. We have the option right now to either import everything from China and cut the prices to the China price, and get rid of our manufacturing operations and eliminate the jobs we have, or invest in the foundry, keep the capabilities we have and try to get the pricing to a point where it makes sense to do it here in the U.S.

MR. BENEDETTO: I know Ms. Messer asked you some specific questions about the data on producers and importers. I guess I'm just sort of asking here, this next question is more about your impression in the industry.

When you're trying to sell IMTDCs, do you get the sense you're competing with Baldor and one or two other firms, or is it you against dozens of other firms? If this is a BPI question, you can answer it in your brief.

But I'd just like to know your impression there. Do you feel like you're competing with a lot of other firms, or just a few others?

MR. CHRISTENSON: No, there's a lot of other firms out there, and that's -- you know, and it depends on which product, you know, which customer in the market you're in. But there are lots of other firms out there that we would compete with, and several of them from China. It's not just one or two guys from China that are bringing product in.

MR. CRIST: I mean I would reiterate exactly what Carl said. I mean we see -- my product manager brings me new competitors all the time, you know, small competitors out of China. It continues to occur.

MR. CODER: Yeah, Took Coder, yeah. To expand a little bit further, it's just not a Baldor discussion. It's across the board. There's many Chinese brokers. You know, I probably couldn't name them all today, but many Chinese brokers, many different brands that come out in the U.S. So it's across the board multiple, multiple people that you compete against on sheaves every day, and across all

markets.

MR. BENEDETTO: Mr. Coder, I had a couple of questions for you as well. You said, I believe, that prices of smaller sheaves can affect the prices of larger ones. Can you talk a little more about how that happens? I mean if the competition is on a smaller sheave, how does that affect the price of a larger sheave?

MR. CODER: Yeah. When you go into a specific customers, that they might buy a range of product, everything that's this big up to 70 inches. So if you have somebody attack, attack your customer on the lower end, it affects the whole range of products. You can't separate them.

MR. BENEDETTO: And you also said that the U.S. market demand is relatively mature. Is the world market demand also mature, or is some of the U.S. market being mature due to maybe some offshoring of the downstream industries in the U.S.?

MR. CODER: I'm not sure I can speak for the world market. I don't know.

MR. PRICE: I guess what I would say is you're looking at a relatively, you know, these are not exactly the newest product lines in the world. I mean there's always a -- you know, generally applications change. If you look at the global economy right now, you see the Canadian economy

in a recession; you see the Chinese economy showing negative factory growth, i.e., factory declines.

So the fictitious 6.8 percent growth rates are just that, and what we see is the Chinese economy and the Canadian economy in downward cycles. You basically see the world market, in terms of aggregate demand and what our clients tell us is that aggregate demand drives things, general economic demand essentially being not strong.

So with the quarry infrastructure build out in China basically done, with having massive factory overcapacity, we're seeing factory declines out there in terms of production, the problems that are facing U.S. manufacturing, including this product line, are intensifying.

MR. CHRISTENSON: I think I'd add that what we've seen in China is a declining or increasing number of Chinese companies trying to get into this marketplace. That's why we think it's really pivotal that we act now, because there are more and more companies, that they've seen what some companies have had success and said hey, let's do that too, and are now coming here. So it's getting worse and worse.

MR. CRIST: So some additional followup as well to the pricing. I mean it's very difficult. We see opportunities that would range across the entire product

line, and to try to price, what typically happens is everybody wants the gravy work.

So as we try to quote from small to large, or from low volume to high volume, the focus becomes very difficult on us to separate pricing, and oftentimes we find ourselves a year later that the price, that we're only getting the lower volume orders because the easy product with the volume is all going to a Chinese exporter.

MR. BENEDETTO: And Mr. Crist, you said you'd seen some Chinese foundries. Just to confirm, they use exactly the same technology as you do and --

MR. CRIST: Yeah, pretty much identical. One other thing I wanted to follow up on is the, you know, just back from a recent visit in China and, you know, the demand is definitely playing an impact on Chinese. The Chinese domestic pricing is many -- several of the people I visited talked about a price war going on inside China for these very products.

And so it kind of correlates to what we're seeing in the most recent months, of just even lower and lower prices, because of their overcapacity and they're fighting amongst themselves as well.

MR. CHRISTENSON: Mr. Benedetto, if you don't mind, I'll get on my soap box for a minute. One difference we do see in China, and I've been in a lot of foundries in

China too is the environmental controls are nowhere near what we have in our foundry, and the safety controls are nowhere near what we have in our foundry.

So you know, it's just -- it's very disappointing to go over there and walk through a foundry and see what they're doing in the environment and what they're doing to -- the risks that they pose to their people.

MR. PRICE: Yeah. This is Alan Price. One other just general comment. I know the Commission tends to look at the micro issues a lot. Sometimes it pays to look back out to the macro issues.

So if you look at sort of macro issues on China to understand it, the Chinese State Council report on overcapacity from 2013 is really interesting to look at, because the Chinese government basically concedes in that report that normal price signals that function in a market economy simply don't work in China because of massive state interference in normal levels.

So no one really goes out of business. Prices just get lower and lower and lower. People get bailed out. Facilities keep on operating, loans are rolled over. So it's just this vicious cycle on a macro level that frankly the Chinese government admits everywhere, other than when it's arguing, trying to argue it's a market economy for

dumping purposes.

MR. BENEDETTO: How much more time do I have? Okay. So let me just ask some questions. If you could respond in your post-hearing brief. If you could respond to the arguments made this morning about the pricing products, specifically that some of the products are custom products, if there's any -- if light duty or heavy duty would have any impact on the analysis of the pricing products.

If it's possible, I know you said there's a lot of diverse uses. If you can break down just sort of some rough estimates of like how much goes into agricultural uses, how much goes into oil gas, how much goes into metal mining, things like that, that would be really helpful, anything like that.

And then just one other question. If raw material prices have been falling, and I haven't checked to see whether they are or not, but if they have, just how do we distinguish any falling prices of IMTDCs being from falling raw material prices versus competition from subject imports? With that, thank you all very much.

MR. PRICE: Thank you.

MR. CORKRAN: Thank you, Mr. Benedetto. We'll turn first to Mr. Yost and then to Mr. Kim in the remaining approximately ten minutes that we have before closing statements.

MR. YOST: Bearing that in mind, I'll keep this brief. Referring to your Slide No. 10, Conditions of Competition Demand, what's the quantity graph? Is that pounds, thousand pounds?

MR. PICKARD: I think we intentionally left that off for fear that it could be considered business proprietary information, because it's drawn from the ITC questionnaires. So we'll be happy to submit the information, but we wanted to err on the side of protecting business proprietary information.

MR. YOST: Okay. I appreciate that clarification, and if this is pounds or something, is this based on casting at that node end as well? Is that casting capacity or casting --

MR. PICKARD: We'll definitely address that.

MR. YOST: Okay, and the follow-up question to that is if it is in pounds, would we see a different shape of the graph if it were in pieces?

MR. PICKARD: I think the short answer is no, but we'll expand in the brief as well.

MR. YOST: In other words, would a product mix shift mask the curve or changes in the curve?

MR. PICKARD: Understood. No, I think regardless of how you look at it, you're going to see a relatively flat demand. But we'll expand upon it more in

the brief.

MR. YOST: Okay. And then for Mr. Christenson, I was intrigued. You said you had done a number of studies. In the post-conference brief, could you comment on what it takes to be competitive in this industry?

What are the factors of competitiveness? Do you have to have your own foundry? Do you have that link that foundry with your machining operations, transportation, that sort of thing? I appreciate it. Thank you, and with that, that concludes my questions.

MR. CORKRAN: Thank you, Mr. Yost. Mr. Kim.

MR. KIM: Thank you very much. Dan Kim from the Office of Industries, and thank you for the tour that you gave us. It was very enlightening. In light of the time constraints, what I think I'll do is ask questions and ask that you address them in the post-conference briefing.

Just very quickly though Mr. Pickard, in page 17 of your presentation, it says "Imports from China and Korea threaten additional material injury." I'm assuming that that's a mistake?

MR. PICKARD: Yeah, that's a typo. My apologies.

MR. KIM: Okay. So that should be Canada instead of Korea?

MR. PICKARD: Correct.

MR. KIM: Okay.

MR. PICKARD: That's what happens sometimes. We apologize.

MR. KIM: All right. So my questions are about the differences between narrow, classical and light duty V-belt sheaves that are in your catalogs.

What are the primary applications for each of the sheaves, and what are the market trends and which types of sheaves are most commonly purchased. Then another question will be what primary applications are for adjustable and variable speed shifts, and how much of the market do these products account for? If you could address those in the post-conference briefing, we appreciate it. Thank you very much.

MR. PICKARD: We'd be happy to do so.

MR. KIM: Okay.

MR. CORKRAN: Thank you, Mr. Kim. I want to thank the panel very much for all your presentation today, for coming here and presenting testimony to us. Let me look around the table to see if there are any final questions in the closing few minutes we have for us?

Seeing as there are none, I'd like to again express my appreciation and excuse the panel, and we will move to closing as soon as the panel is cleared. Thank you.

(Pause.)

MR. CORKRAN: Welcome to you, Ms. Cannon. Ready when you are.

CLOSING REMARKS OF KATHLEEN W. CANNON

MS. CANNON: Thank you, Mr. Corkran. So let me address a few of the points made by Petitioners. Their legal PowerPoint on the like product and the semi-finished product analysis was the legal factors that you all consider, but didn't have a lot of the factual arguments. They said most of those would be in their briefs, so I'm not able to address many of them today.

But there was one claim that was made, that our value added, Baldor's value added calculation was incorrect, because it was based on dumped or subsidized inputs. That is not true.

As we testified, the input products that Baldor uses are all U.S.-made castings. They are not importing any of the input products, and so our entire value added calculation was based on a U.S.-made input, and on the basis of a U.S.-made input, half of the value of the finished casting is in the finishing process.

There was a lot of discussion about the four inch break point that they have proposed. I think I understood Mr. Crist to say that the reason that they had picked that break point was to protect our iron foundry and TB Woods' operations. So I have a couple of comments on

that.

First, it's not the purpose of the anti-dumping law to protect a single U.S. company. It's the purpose of the law to protect a U.S. industry, which is one of the reasons that Baldor is appearing as a U.S. producer, but in opposition to the case, because the product coverage doesn't encompass products that they do produce in the U.S., including products that fall below four inches.

I would also add that if the purpose of bringing this case is to protect their iron foundry operations, I am still mystified as to why they have not identified other U.S. foundries that are manufacturing the in scope iron castings as U.S. producers. They basically say that product constitutes U.S. production, but we still don't see information from those casting operations on the record here.

I believe that there was a comment that there were about 20,000 of these foundries in China, as evidence that there was production in China. Similarly, there are a lot of foundries in the U.S., but that's not of record here.

They say they want more casting and finishing value in the U.S., and they say that small diameter prices impact the prices of large diameter products. If both of those are true, why are they excluding the under four inch product? This is all a product continuum.

There were comments that exclusion of the below four inch product did not have a significant change on their data. Perhaps that's true, but exclusion of the below four inch product is having a significant effect on the import data that was reported by Baldor, and we will be working to try to correct that for you, and we hope that you obtain from others, because we don't believe that the TB Woods experience is necessarily indicative of the industry or the imports at large.

The MPTA data they cite and they also cite the census data as possible alternatives for you to consider as the basis of your data. The difficulty with those databases, however, is that neither contain product that separates the under four inch product.

I think that's important, both because it doesn't give you an accurate basis, based on the scope as they've defined it, and it also suggests that there is no real bright line break point at four inches. It's not set forth by the industry or in the census data that way.

There was a discussion about the powdered input and Petitioner said that they hadn't really seen any of these sintered sheaves in the market. Baldor sells sintered sheaves regularly in the market, and their comment to me was that they probably have indeed seen the product, but it would look exactly the same as any of the sheaves that they

produce from the cast iron input product.

So there is definitely this product in the market. It's just not recognized as particularly different by the customer, and that was precisely our point as to why it should be considered a part of the same product and industry here.

There was also some comments about -- there was making these products from powdered metal might be unreliable. But if making the products from the powdered metal were unreliable, Baldor would have abandoned it, and in fact they've been producing the powdered metal parts for over 30 years. They are high quality parts and they've not had problems by customers with respect to that quality.

On the finishing issue, counsel stated that they have submitted to the Commission what was reasonably available to them in the petition. Which is fine; I don't disagree that was the petition standard. The problem now is that the Commission is not under the reasonably available standard. The Commission is now into the investigation mode at a preliminary stage.

So when you're looking at information like the finishing operations and the value added issue, you need to look at the record as a whole, which I think you will find is quite different from the petition information on that particular issue.

The Petitioners also made a lot of noise about the different brands, that Maska brand and the Baldor-Dodge brand. A lot of what Baldor has to say about this is confidential. I can only say that the Petitioner has significantly mischaracterized Baldor's consolidation of these brands and the resulting price changes in the market, and we will be putting that information in rebuttal in confidence in our post-conference brief.

There was also some discussion about the light duty sheaves. Petitioner says that TB Woods does produce light duty sheaves. Baldor said that they have seen TB Woods sales of light duty sheaves coming in from China from Power Mach, but not as a U.S.-produced product.

So that is not our understanding of the market. We would simply urge the ITC to look into that and to obtain information on the actual U.S. production of light duty sheaves, which we're not familiar with.

There was a discussion about demand, and I would just reiterate that the foundry business levels are based on business conditions, and in the oil and gas industry that has been a significant factor, especially in 2015, that has affected the sales of Baldor and others in the market, not the imports. It's really the drop in demand in that sector of the market that's been one of their significant problems.

I would just conclude by saying two things in

terms of some of the legal standards. We are not against the low legal standard of American Lamb. We are not urging you to rewrite that standard or question what that decision holds. We recognize that's a long-standing principle. We've relied on it in many cases ourselves.

But what we're saying is that the ITC decision, even at a preliminary stage, must be based on data that reflects the industry and the imports as the Petitioners, even as the Petitioners have defined it, even without regard to any like product changes, and that we don't believe the current database does that.

It's very important that the database of the Commission actually reflect the like product, the domestic industry and the imports based on the production definition that at least is what the Petitioners have proposed. Secondarily, I would say that we are -- Baldor is not against the domestic industry's use of trade laws to address unfair trade practices.

But again, those laws need to be used in a way that addresses industry interests as a whole and not a single company's perspective that target particular imports and particular countries while excluding others. That concludes my comments. Thank you very much, Mr. Corkran.

MR. CORKRAN: Ms. Cannon, much appreciated.

(Pause.)

MR. CORKRAN: Welcome back, Mr. Pickard. You may begin when you are ready.

CLOSING REMARKS OF DANIEL B. PICKARD

MR. PICKARD: Thank you, Mr. Cockran. Good afternoon. So in my closing statements, I have seven points that I'd like to review and then conclude. So the first point is to express thanks to the staff, as always, for your hard work. New product cases are hard, are complicated and that goes, I know for Commission staff as well as for Petitioner's counsel.

So to the extent that it was insinuated in any way this morning that TB Woods intentionally created confusion in this record, I'm here to tell you that it's patently false, that while this is a new product that the Commission doesn't have experience with, we have attempted to comply to the best of our abilities. We'll continue to do so.

It becomes complicated responding to DOC's scope requests, but as complicated as it is for us, I know it's equally true for you. And so the first point is merely to thank the staff for their consistent hard work.

The second and third points kind of go together, and they go to domestic like product. Iron mechanical transfer drive components is a mouthful, but the first word in it is "iron," and that's the product at issue here.

Steel products were specifically excluded from it. That's kind of the big picture.

The third point is to kind of drill down more in regard to trying to bring powdered metal into the domestic like product. We'll obviously brief this in full, but based on just Respondent's own admissions, this is -- none of this from even the Petitioner's testimony, we heard them testify that there are different machines used to making it, different raw materials, different costs, different production process and different product characteristics, because it's a different type of product and shouldn't be included within the domestic like product here.

Four goes to cumulation, and just a follow-up on kind of the question that Ms. Alves asked. The idea that there are commingled operations are supportive of cumulation in this case, and again just to kind of state to a Respondent witness who testified, that there was coordination in regard to bringing in Chinese and Canadian product, both as to production and import levels.

It's that type of coordination that the ITC has recognized before, on top of the traditional four factors, to find that cumulation is appropriate. I would respectfully submit it's equally appropriate here.

Point number five really kind of goes to who the domestic industry is. First, we've just received notice that

the DOC has initiated this case, that we've been found to have standing to bring this case because TB Woods is here on behalf of their industry.

I've got to ask one of our witness came up to me afterwards said if Baldor is so focused on their domestic production, if they produce everything and machine everything here, why aren't they on our side of the room?

To the extent that they want to -- they believe that they're being injured by imports that are below four inches and that are unfairly priced, they are fully free to bring their own case. We've brought a case based on what the Petitioner and what the domestic industry makes.

So two last things. American Lamb is a huge issue here. American Lamb stands for the proposition, as I'm sure you're well aware, that unless there's clear and convincing evidence of no injury, and if there's no possibility that further investigation would likely uncover evidence supportive of material injury, the Commission is supposed to go in the affirmative.

I think Ms. Cannon did a good job as far as kind of clarifying their position. But again to restate it, you can't have it both ways. You can't argue as a Respondent that there are huge holes that matter in the record, and also argue that American Lamb doesn't apply.

Which brings me to the seventh and last point,

which is our case-in-chief. I might have missed it. I did not hear the Respondents refute that imports have come in in increased levels. I did not hear the Respondents argue that they haven't -- that subject imports didn't take share away from the domestic industry.

I didn't hear the Respondents refute that Chinese and Canadian prices are generally lower than U.S. prices. I didn't hear the Respondents argue that this isn't a materially injured industry, that these levels of operating income aren't indicative of injury.

So my last point is the case-in-chief is, even without American Lamb, justifies an affirmative determination. This is an industry that has seen an increase in imports, both absolutely and by market share, that have undersold the domestically produced product. It's cost the domestic industry sales, it's cost them profits, it's cost them opportunities for investment, and it's injured the workers as well.

That is the classic case meriting an affirmative determination before the ITC. Thank you very much.

MR. CORKRAN: Thank you, Mr. Pickard. Madam Secretary, before the closing statement, are there any additional matters to be addressed?

MS. BELLAMY: No, there is not.

MR. CORKRAN: Thank you very much. On behalf of

the Commission and the staff, I'd like to thank the witnesses who came here today, as well as counsel, for helping us to gain a better understanding of the product and the conditions of competition in the iron mechanical transfer drive components industry.

Before concluding, let me please mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is currently Monday, November 23rd. If briefs contain proprietary information, a public version is currently due on Tuesday, November 24th.

The Commission has tentatively scheduled its vote on these investigations for Friday, December 11th, and it will report its determinations to the Secretary of the Department of Commerce on Monday, December 14th. Commissioners' opinions will be issued on Monday, December 21st. If there are any additional changes to the schedule, we will promptly let counsel know. Thank you all for coming, and this conference is adjourned.

(Whereupon, at 1:09 p.m., the hearing was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Iron Mechanical Transfer Drive Components from Canada and China

INVESTIGATION NOS.: 701-TA-550 and 731-TA-1304-1305

HEARING DATE: 11-18-15

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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