UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) **Investigation Nos.:**
FINE DENIER POLYESTER STAPLE FIBER FROM) **701-TA-579-580 AND**
CHINA, INDIA, KOREA, TAIWAN, AND VIETNAM) **731-TA-1369-1373 (PRELIMINARY)**

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

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IN THE MATTER OF: : Investigation Nos.:

FINE DENIER POLYESTER STAPLE : 701-TA-579-580 AND

FIBER FROM CHINA, INDIA, KOREA : 731-TA-1369-1373

TAIWAN, AND VIETNAM : (PRELIMINARY)

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Wednesday, June 21, 2017

Main Hearing Room

U.S. International Trade Commission

500 E Street SW

Washington, DC

The hearing commenced, pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Elizabeth Haines, Supervisory Investigator, presiding.

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist

Elizabeth Haines, Supervisory Investigator (presiding)

Calvin Chang, Investigator

Natalie Hanson, International Trade Analyst

Andrew Knipe, International Economist

Emily Kim, Accountant/Auditor

Michael Haldenstein, Attorney/Advisor

APPEARANCES:

Opening Remarks:

Petitioner (Paul C. Rosenthal, Kelley Drye & Warren LLP)

Respondents (Kristen Smith, Sandler, Travis & Rosenberg, P.A.)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Kelley Drye & Warren LLP

Washington, DC

on behalf of

DAK Americas LLC

Nan Ya Plastics Corporation, America

Auriga Polymers Inc.

Mark Ruday, Senior Vice President, Fibers Business Unit, DAK Americas LLC

Richard Lane, Senior Manager of Public Affairs, Trade Relations and Corporate Communications, DAK Americas LLC

Michael Sparkman, Senior Business Manager, Nan Ya Plastics Corporation, America

John Freeman, Assistant Director of Sales, Nan Ya Plastics Corporation, America

Thomas Brekovsky, Vice President, Polymers and Fibers, Auriga Polymers Inc.

Nik Casstevens, Vice President, Palmetto Synthetics LLC

APPEARANCES (Continued):

Gina E. Beck, Economic Consultant, Georgetown Economic Services LLC

Paul C. Rosenthal, Kathleen W. Cannon, David C. Smith and Brooke M. Ringel - Of Counsel

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

Grunfeld Desiderio Lebowitz Silverman and Klestadt LLP
Washington, DC
on behalf of
The China Chamber of Commerce for Import and Export of Textile and Apparel
Jiangsu Huaxicum Co., Ltd
Jiangyin Hailun Chemical Fiber Co., Limited
Jiangyin Huahong Chemical Fiber Co., Limited
Jiangyin Yangxi International Trade Co., Ltd.

Ned H. Marshak, Kavita Mohan and Elaine F. Wang - Of Counsel

APPEARANCES (Continued):

deKieffer & Horgan, PLLC
Washington, DC
on behalf of
Consolidated Fibers, Inc.
Fibertex Corp.
    Robert Kunik, President, Consolidated Fibers, Inc.
    Gregory S. Menegaz and Judith Holdsworth - Of Counsel

Sandler, Travis & Rosenberg, P.A.
Miami, FL
on behalf of
David C. Poole Company Inc.
Suominen Corporation
The Proctor & Gamble Manufacturing Co.
    Bynum Poole, President, David C. Poole Company Inc.
    Joe McFayden, Technical Director, David C. Poole Company Inc.
    Dan Dunbar, Vice President of Sourcing, Suominen Corporation
    Kristen Smith and Mark Ludwikowski - Of Counsel

APPEARANCES (Continued):

Rebuttal/Closing Remarks:

Petitioner (Paul C. Rosenthal, Kelley Drye & Warren LLP)

Respondents (Ned H. Marshak, Grunfeld Desiderio Lebowitz Silverman and Klestadt LLP)

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P R O C E E D I N G S

9:30 a.m.

MR. BISHOP: Will the room please come to order?

MS. HAINES: Good morning and welcome to the U.S. International Trade Commission's Conference in connection with the preliminary phase Antidumping and Countervailing duty Investigation Nos. 701-TA-579 to 580 and 731-TA-1369 to 1373 concerning Fine Denier Polyester Staple Fiber from China, India, Korea, Taiwan, and Vietnam.

I'm Elizabeth Haines, the Supervisory Investigator, and I will preside at this conference. Among those present from the Commission Staff are: Calvin Chang, the Investigator; Michael Haldenstein, the Attorney; Andrew Knight, the Economist; Emily Kim, the Accountant; and Natalie Hanson the Industry Analyst. I understand that the parties are aware of the time allocations and any questions regarding the time allocations should be addressed to the Secretary.

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.

Are there any questions? Mr. Secretary, are there any preliminary matters?

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

MS. HAINES: Very well, let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of Petitioners will be given by Paul C. Rosenthal of Kelley, Drye & Warren.

OPENING REMARKS OF PAUL C. ROSENTHAL

MR. ROSENTHAL: Good morning, Ms. Haines and the Commission Staff. On behalf of the Domestic Producers of Fine Denier Polyester Staple Fiber, I will highlight the key elements of the case and outline why the available evidence requires an affirmative determination in this case.

AS you know from the Petition and your work thus far in the Investigation, the product at issue here is made from the same raw materials and undergoes many similar processes as another product that the Commission has examined in three previous antidumping cases involving Polyester Staple.

While the Fine Denier product under investigation here is different than the product involved in those other

cases, there is a common thread, unintended with the Fine Denier and other Polyester Staple Fiber cases. Several Asian countries and several Respondents from those other cases have used low, unfair prices to increase their imports into the United States. Those low-priced imports have pervaded the market place reducing Domestic Industry prices and revenues and causing material injury.

Before I review the evidence concerning the central statutory factors, it is important to understand a few conditions of competition in this industry. First and foremost, the production of these products is very capital intensive. Second, the nature of the production process requires continuous production as you will hear from the industry witnesses. It is extremely costly to stop a line and restart it.

Belatedly, once a company has made an investment in a Fine Denier factory, as many companies around the world have done, it is imperative to keep that factory running. The subject Foreign Producers have kept their plants running by dumping increasing volumes of low-priced imports into the United States.

Regarding the statutory factors of volume, price and impact I will first focus on volume. Imports from the Subject Countries are significant in both an absolute and relative basis. Subject Imports accounted for over 250

million pounds in 2016 which represented an increase of over 100 million pounds from 2014.

This sizeable increase in imports manifested itself in a big jump in market share which was especially painful for the Domestic Industry because first, the Subject Imports' market share was already at a significant level at the beginning of the Period of Investigation and secondly because demand was declining.

The second statutory factor you have to focus on price. As you will hear from our witnesses, price is the most important factor in buying decisions. Even the difference of 1 or 2 cents a pound can make the difference in which a producer gets a particular sale. The record in this case underscores the interchangeability of the domestic and imported products and the significant underselling by the Subject Imports. It is lower-priced and lower price alone that explains the increase of over one hundred million pounds of Subject Imports between 2014 and 2016.

Your underselling data and questionnaire responses confirm the prominence of price in this industry and as you will hear shortly it is very important that when you're analyzing prices and underselling you compare the prices of direct imports. As a result of the underselling by Subject Imports not only have U.S. Producers lost sales

they have been forced to lower prices to main volumes as best that they can.

Indeed, as you examine the overall impact of the lost volumes and revenues caused by the low priced Subject Imports you will see them manifested in declines in all of the trade and financial variables: Capacity, production, shipments and capacity utilization have all declined. Likewise all measures of profitability have been at unhealthy levels and have declined even further.

Indeed, the absolute decline in net profits is alarming and unsustainable. While Respondents may attempt to avoid blame for the injury being suffered by the Domestic Industry there is no other plausible reason for the harm suffered by the U.S. Producers. There is simply no way to explain away 100 million pounds of lost volumes over the POI and again starting at higher levels to begin with and the incessant price pressure that the Domestic Industry has suffered throughout this period.

Our witness today will expand upon what I have just summarized and will substantiate that dumped and subsidized imports from the Subject Countries are injuring and threaten further material injury for the Domestic Industry. Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be given by Kristen Smith of Sandler,

Travis and Rosenberg.

STATEMENT KRISTEN SMITH

MS. SMITH: Good morning. It's a pleasure to be with you here today. I'm Kristen Smith with Sandler, Travis and Rosenberg speaking on behalf of the Respondents Panel. Today you will hear testimony from importers and end users of Polyester Staple Fiber that have years of experience and firsthand knowledge of Polyester Staple Fiber from both China and the United States.

In this phase of the case, the Commission is tasked with determining if there is a reasonable indication that imports caused injury to the Domestic Industry. What you will hear from this Panel is that any injury faced by the Domestic Industry stems from its own business decisions and choices. From those Domestic Producers who choose to support the Petition, you will likely hear that all Polyester Staple Fiber is commercially interchangeable, used for the same purposes and applications, sold the same way and that the only determining factor in customer purchase decisions is price.

The Petitioners will attempt to place the blame on any perceived, alleged injury that they face on Imports. The record of evidence demonstrates however quite the opposite. As you will hear from the companies that are here today to testify, they import the Subject Merchandise

to ensure that they have adequate supply to meet their manufacturing and customer needs. They will talk about the very real need to diversify their supply chain to mitigate sourcing risk presented by Domestic Suppliers.

You will hear today how Petitioners strategic business decisions raise serious concerns over the availability of the Domestic Supply. Today, you are also going to hear separate like-product arguments. Our Panel will discuss the differences between post-consumer recycled polyester staple fiber and virgin polyester staple fiber, which are made from completely different raw materials. They will explain how customers demand for eco-friendly sustainable products are driving the demand for post-consumer recycled product, a product that is not made in the United States.

You will also hear from importers of short cut, uncrimped, 5-6mm and siliconized polyester staple fibers. Here too these products are not made in the United States. The testimony of these industry experts provides the most credible evidence on the state of this market and the nature of competition.

As you will see from the testimony presented here today and information in post-conference briefs, there is no reasonable indication of material injury or threat of material injury to the polyester staple fiber industry by

reasons of imports. Thank you.

MR. BISHOP: Would the Panel in support of imposition of the antidumping and countervailing duty orders please come forward and be seated.

(Pause)

MR. BISHOP: I would remind everyone to please state your name when you speak because the court reporter can't see all of the name tags, thanks so much.

MR. ROSENTHAL: Our first witness this morning will be Mark Ruday.

STATEMENT OF MARK RUDAY

MR. RUDAY: Good morning. My name is Mark Ruday and I am Senior Vice President of DAK America's Fiber Business Unit. I have 26 years in the chemical and fiber industry. Prior to joining DAK America in September 2011, I served in various roles with Wellman Inc. Over a 20-year period, eventually becoming President and CEO in 2008.

Unfortunately, Wellman is no longer in business. Today, I am here to discuss DAK's production of Fine Denier Polyester Staple Fiber measuring less than 3 denier in diameter and the injury that Subject Imports have caused to our business. Although I have not previously testified before the Commission, I have lived through the previous waves of unfairly traded imports of polyester staple fiber

of 3 denier and above that Wellman produced.

In fact, Wellman was a petitioner in the 2000 case on dumped imports of polyester staple fiber measuring 3 denier or more from Korea and Taiwan and in the 2006 case on dumped imports of the same product from China. I recall evaluating our financials and wondering how we could possibly survive the unfair competition. Fortunately the Commission also recognized that the domestic polyester staple fiber industry was injured by those imports.

Thanks to the Commission we got some much needed relief in those cases and those orders are still in place today. We are here today to discuss a different product, Fine Denier Polyester Staple Fiber measuring less than 3 denier. Even though the product is different, the experience we have had in the past several years is scarily similar.

Since 2014 the U.S. Market for Fine Denier has been overwhelmed by the surging imports from China, Korea, and Taiwan increasing by millions of pounds during a three-year period. Pricing for the Subject Imports has been unbelievably low. We have also seen growing low-priced imports from Vietnam and India.

We know that our customers are choosing Subject Imports at their unreasonably low prices over our product. They can do this because the Subject Imports are

interchangeable and compete directly with the domestically produced Fine Denier. Customers have told me that they want to continue buying Fine Denier from us. They value the quality of our product and the service we provide but the Subject Import prices are so low that they simply cannot turn down those offers.

The Subject Imports' aggressive underselling has allowed them to capture sales and market share at the expense of U.S. Producers including DAK. As a result we have had to cut our prices to attain sales and even then have lost orders altogether. Customers that used to take advantage of DAK's volume discounts have been switching to Subject Imports instead because the import prices are lower than any discount we could give.

Customer contracts, which in most cases are really only price agreements rather than volume commitments, have been broken or not renewed because of import offers. Virtually all of our customers now seek to renegotiate the price terms of our agreements every year. Before 2014, the typical period for renegotiation was three years. Since then, however our customers have been constantly coming back to us seeking a lower price driven by Subject Imports.

Very often they specifically ask us to meet or beat a Subject Import price to keep the business. That is

tough for us to do when the Subject Imports are trying to unload huge inventory volumes at essentially any price. These deep discounts have chipped away at our margins. Our major operating costs are our raw materials. Our primary raw materials are monoethylene glycol or MEG and purified terrathalic acid or PTA which are both petrochemical base products.

It's no secret that the bottom dropped out of the energy sector in 2015 leading to a significant decline in cost for us and other Fine Denier producers. But we could not take advantage of those lower costs, instead our prices fell even faster than cost because we had to compete with the low price of surging Subject Imports.

The ongoing downward pricing pressure by the Subject Imports even greater than the relief of lower raw material costs means that we are feeling an increasingly tight squeeze on margins. We are losing money and we are losing volume. If we cannot cut pricing low enough, we lose sales and customers to imports. The capital and energy-intensive nature of Fine Denier production means that we have to maintain a high operating rate to maximize efficiency.

If we cannot run our lines at optimal efficiency levels we face significantly increased unit costs and critical business decisions about shutdowns. The picture

of DAK's financial health in the past couple of years is a far cry from where we were in 2014. Back then we felt confident about our ability to obtain acceptable terms on our Fine Denier investments in the market based on expected growth and demand.

In 2015, we invested several million dollars to upgrade our Cooper River site in Moncks Corner, South Carolina to add 25 million pounds of Fine Denier production capacity. We were only able to utilize that additional capacity for five months before the negative impact of the unfair competition from the Subject Imports forced us to reduce the speed of the equipment, produce less volume and does not take advantage of this added capacity.

Around the same time we invested over 18 million dollars to invest in new polyester staple fiber capacity in our facility at the Provost site in Mississippi. This new expansion of our fiber business was focused on finding new production. The new capacity of 200 million pounds per year was planned to come online in the second half of 2016, bringing with it nearly 90 new full-time jobs.

But unfairly traded Subject Imports came surging into the U.S. Market in the intervening years and we were hit hard. DAK had to make the very difficult decision to postpone the project indefinitely. We should be able to earn a reasonable rate of return on our investments in our

Fine Denier business. Instead, our sales volume is unsustainable. This has led to sharp declines in capacity utilization in the past several years.

Our margins are under extreme pressure and our profitability has been abysmal. We have already had to make tough decisions that have impacted our employees including reducing wages and benefits. The question for me as head of DAK's fiber business is always about economics. I could have the new Provost facility up and running in nine months if it made economic sense to do so.

Instead, I am forced to ask whether it makes economic sense to keep producing Fine Denier at all and the stakes are higher than they were 5 to 10 years ago. Of the four remaining U.S. Producers of Fine Denier, each of us has only a single facility making the product. Therefore, that if DAK cannot keep the South Carolina Fine Denier production going, that's it for DAK as a Domestic Producer of this product.

The situation is not going to improve on its own. The Fine Denier industries in the Subject Countries all have a significant amount of excess capacity. In addition, they are all growing their capacity and in the case of China and India are supported by high levels of government subsidies. They have already shown they can quickly penetrate the U.S. Market.

The fact is that Subject Imports will continue hammering away at our industry until none of us are left. If Fine Denier imports from China, India, Korea, Taiwan, and Vietnam are not required to trade on fair terms we will be forced into a partial or complete shutdown of production. We will not be able to withstand continuing financial declines and lost market share beyond what we have already suffered.

In fact, DAK Americas has already developed plans in the unfortunate case our Fine Denier business needs to be shut down due to its inability to find a reasonable financial return. Thank you.

MR. ROSENTHAL: Mr. Sparkman.

STATEMENT OF MICHAEL SPARKMAN

MR. SPARKMAN: Good morning. My name is Michael Sparkman and I am the Senior Business Manager for Nan Ya Plastics Corporation America. Nan Ya is a U.S. Producer of Fine Denier polyester staple fiber and one of the Petitioners in this case. I have worked at Nan Ya for over 17 years in both technical service and Fine Denier sales.

Nan Ya's polyester staple fiber manufacturing facilities are located in Lake City, South Carolina. The Lake City plant rests on 700 acres and began production of Fine Denier polyester staple fiber as well as other types of polyester fibers in 1993.

I would like to describe for you today the product that is subject in this case, Fine Denier polyester staple fiber and give to you an understanding of how it is produced and used by our customers. I'll also share with your how our company has been affected by unfairly priced imports from Subject Countries.

Fine Denier Polyester Staple Fiber or Fine Denier is a manmade fiber similar in appearance to cotton or wool. The principal physical characteristics of Fine Denier include the denier or diameter, tenacity, length, finish, luster, and crimp. The manufacture of Fine Denier can be divided into two discreet stages. The first stage is the process of polymer formation where PTA and MEG are chemically combined to form a new product, polyester, which is then extruded.

The second stage of the process is staple fiber formation including drawing, crimping, cutting and bailing of the fiber. All Fine Denier has similar physical characteristics. Notably denier and cut length. These characteristics make Fine Denier suitable for spinning into yarn for textile applications like clothing as well as non-woven uses.

All Fine Denier is produced from the same raw materials, usually virgin feed stock or more infrequently from recycled post-consumer materials. Fine Denier is sold

through the same channels of distribution to end users who may spin the product into yarns or textiles or mechanical process or treatments of the fiber to form non-woven products.

All Fine Denier is produced using similar production processes and machinery with many of the same employees. Other types of polyester staple fiber have differences in the polymer formation and fiber formation processes. Finally, we and our customers perceive all Fine Denier to be a single product due to the product fiber's finer thickness, making Fine Denier suitable for spinning into yarns or converting into textile products.

By contrast, polyester staple fiber in thicker sizes of 3 denier or greater is viewed by U.S. Producers and purchasers as a different product that is not interchangeable with Fine Denier. The 3 denier and over polyester staple fiber is not used in textile applications but instead is used as stuffing to provide loft in products such as comforters and ski jackets. It is also used in carpet, unlike Fine Denier.

Thus, these two different types of polyester staple fiber are sold to different customers as well. I have brought along samples of the Fine Denier to be passed around so that you can see and feel the fiber's resemblance to cotton. Our customers generally convert the Fine Denier

either to a yarn for weaving or knitting into fabric or to a non-woven product.

Once converted, Fine Denier produced textiles are known for their soft surface texture, resistance to stretching and shrinking, wrinkle resistance, abrasion resistance and moisture resistance as well as dye-ability and wash-ability. For non-woven fabrics made from Fine Denier they provide specific functions such as stretch, softness, wash-ability, cushioning, thermal and acoustic filtration and sterility.

Fine Denier producers like Nan Ya strive to run a continuous high volume production process to maintain efficiencies. The nature of production is such that it is very expensive and disruptive to cease and resume production so maintaining a high level of capacity utilization is critical for producers in our industry.

That fact, plus the nature of the oil and natural gas based feed stocks we are dealing with means that our plants must have sophisticated chemical processing equipment and technology. Fine Denier production is highly capital intensive. Despite the ability of Nan Ya and other U.S. Producers to manufacture high quality Fine Denier we have been injured by unfairly priced imports from China, India, Korea, Taiwan, and Vietnam.

Fine Denier is a very price-sensitive business.

Margins are extremely tight so pricing pressure from imports of even a penny or two per pound less than our price has significant impact on our bottom line. The Foreign Producers subject in this case are making the same Fine Denier as Nan Ya and other U.S. Producers. It is chemically identical and can be used in any of the various applications that I have already discussed.

Foreign Producers from the Subject Countries are also selling their products through the same channels of distribution and for the same end uses. So the lower prices offered by these Foreign Producers have a very damaging effect on our ability to retain business. You can see from the data that the substantial inroads the imports from the 5 Subject Countries have been making in the U.S. Market since 2014.

As a consequence of unfairly low import prices from Subject Countries Nan Ya has lost significant sales because we simply cannot compete with low prices the Foreign Producers are offering. We have suffered declines in production and shipments since 2014 while inventories have increased. In late 2014 we had plans to add 45 million pounds of capacity and 25 new employees and made significant investments towards that goal.

Instead, because of the severe impact of the Subject Imports we had to idle some Fine Denier production

leading to a reduction in our Fine Denier work force. In addition, we have had prolonged reactor shut downs due to business loss to low-priced imports. This results in lower capacity utilization and less efficient production process.

Simply put, Nan Ya cannot remain competitive in the industry if unfairly traded imports continue to enter the U.S. Market and cause injury to Nan Ya's business and the entire domestic Fine Denier industry. Thank you.

STATEMENT OF THOMAS BREKOVSKY

MR. BREKOVSKY: Tom Brekovsky, Auriga. Good morning, my name is Tom Brekovsky and I am vice president of Polymer and Fiber for Auriga Polymers. I have employed at Auriga and its predecessor companies, including Herkselenese Cosa and INVISTA for almost 30 years. I began my career in the polyester business in 1989 with Herkselenese. I've been in my current position since 2008 and responsible for the polymer and fiber business of Auriga.

I'm here before you today because the Fine Denier industry is in a tenuous situation with the large and growing volumes of imports from China, India, Korea, Taiwan, and Vietnam over the past several years. Auriga and other U.S. producers have increasingly been faced with low priced offers by subject imports during our customer negotiations. Price is paramount in our customer's

purchasing decisions. Our customers are very sophisticated. They look at various competitive offers and use those offers as leverage in our sales and contract negotiations.

We are in a situation where we must respond. We either have to lower our price to meet the imports or we have to let go of the business. To be clear, price is the driving force in buying decisions when comparing our product to subject imports. The quality of the imported Fine Denier product is comparable to ours. If customers can buy Fine Denier from subject countries at lower prices, they will, and indeed have. We are not losing business to subject countries for reasons of quality or inability to supply a product. Subject import increases have not been in response to any shortage of supply of Fine Denier in the U.S. market. Auriga and other U.S. producers have had available capacity throughout the last three years. In fact, we would like to increase sales to our customers further, but are prevented from doing so, due to the unfairly low priced offers by subject countries. We cannot remain in business when forced to compete with companies that price below our costs and are willing to undercut our prices, however low we reduce them. The low import quotes have also caused customers to push back against price increases that Auriga has attempted in an effort to cover

increased raw material costs.

With the loss in volume to dumped imports, we have experienced declines in production and sales since 2014 and our bottom line has been affected as well. Our industry saw both sales and profits erode from 2014 to 2016 due to ever lower subject import prices. Import prices remain at extremely low levels, which are not sustainable. I would also note that changes in raw material costs are not the reason for our industry's injury. Our price negotiations often take into account raw material cost fluctuations through mechanisms that can be adjusted on a monthly basis. Over the past three years, raw material costs have fluctuated and the pricing within our agreements has allowed our prices to change as well.

We are not locked into sell at a price independent of cost changes. Instead, it is the lower prices of subject imports that we have to compete against that is harming our prices and our profits. Demand for Fine Denier has not been the cause of the injury we have suffered. Demand has been relatively stable, but subject import volumes have taken a large share of the market, causing our market shares to follow, and our production shipments to decline.

The Fine Denier business is highly capital intensive, so maintaining high operating rates to maximize

efficiencies is extremely important. The increased volumes of subject imports leading to reduced U.S. production shipments over the period of investigation have not only cost us market share, but have affected our production efficiencies.

Without relief against unfair inputs -- imports from the subject countries where producers have huge capacity, Auriga and the other U.S. producers face ongoing and substantial business losses. If the Commission does not impose duties, we cannot remain competitive in the Fine Denier polyester staple fiber market. Thank you.

STATEMENT OF NIK CASSTEVENS

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics. Good morning, my name is Nik Casstevens and I am the vice president of Palmetto Synthetics, a domestic producer of Fine Denier polyester staple.

I have been with Palmetto for 13 years and have been in the staple fiber industry for over 23 years. While Palmetto is not a petitioner in these unfair trade cases, my company fully supports this investigation. Palmetto is much smaller than the other three petitioning producers that are also testifying today. The damage we have suffered, however, is just as harmful. The last three years have been especially difficult for my company and with prices for Fine Denier declining markedly over this

period, our hope is that offsetting anti-dumping and countervailing duties on imports from the subject countries will reverse this trend.

Unlike the other vertically integrated producers here today, Palmetto is an extruder forward operation. That means we purchase virgin polyester resin or recycled bottle flake from other producers on the open market and use these various forms of polyester resin to produce our product lines.

We produce black fibers, colored fibers, and white fibers from both virgin and recycled inputs. For our recycled white Fine Denier, we purchase recycled and clean bottle flake, which we then melt and extrude. Palmetto focuses its production on smaller customers and their unique requirements for Fine Denier. Our largest production is a black Fine Denier, usually in 1.5 denier fibers and one and a quarter to 2 inch cut lengths. We sell our black fiber primarily to yarn spinners, who combine our fibers with cotton to make heather yarn. Heather yarn is then made into great T-shirts or other apparel. Our black fiber can also be used as 100 percent black polyester yarns.

In addition, the black fiber is used in nonwoven from bond products, where it's mixed with low melt fibers produced formed nonwoven products for various end uses.

Those uses include insulation and automotive applications, like hood and trunk liners and seat backings. Palmetto Synthetics also produces colored Fine Denier in colors like pink, green, and blue for use in T-shirts and other textile products. Again, our colored fibers are often mixed with white cotton fibers to produce heathers for these textile products.

We compete head to head with Fine Denier imports in all these color types and have seen our sales of fiber and prices erode significantly over the last few years. For example, the price for fine -- for black Fine Denier nonwoven fiber has declined dramatically by approximately 50 percent between 2014 and today.

Despite dropping our prices significantly, we're still losing sales due to imports. For years, we shipped one customer two loads roughly 80,000 pounds of black fiber per week. That customer began relying on imported black fiber in 2015 and now gets about half of its requirements from China and India. The import prices are as low as 60 cents per pound, substantially undercutting Palmetto's price.

We have also lost significant sale of Fine Denier to another major customer that spins yarn. Palmetto supplied about 75 percent of that customer's Fine Denier requirements in 2014. Today, we are down to supplying

about 33 percent of that customer's needs. The yarn spinning customer now relies on imports from alliance in India and imports from China for the fiber that that my company used to supply.

In another example in 2014, we started selling colored Fine Denier fibers to a customer in North Carolina. At the time we shipped the customer about 150,000 pounds annually. Today, we are down to 20,000 pounds. We believe that difference of about 130,000 pounds annually is supplied by Chinese sources. These are just a few examples of our longstanding customers replacing Palmetto's Fine Denier with subject import. The continued loss of business and significant erosion in the pricing for Fine Denier fibers has cost my company both lost sales and lost revenues and harmed my company in other ways. For instance in 2014, my company commissioned plans for a new Fine Denier line. Plans were drawn up and presented to Palmetto in mid-2015. By late 2015, however, market conditions had deteriorated so severely that our plans to add another Fine Denier fiber production line had been shelved indefinitely. Palmetto is the largest employer in Williamsburg County, South Carolina. We joined in this case because our business cannot survive under present conditions and hope that the Commission will take action to reverse the harmful effects imports have had on our company and our workers.

Thank you.

STATEMENT OF KATHLEEN CANNON

MS. CANNON: Good morning, Ms. Haines and members of the Commission staff. For the record, I am Kathleen Cannon and I will conclude our presentation by summarizing the main arguments on behalf of the petitioners in this case. You should each have a pink handout that will contain the confidential version of the slides that I will present today.

First, the domestic like product. The like product should be defined to mirror the scope of this investigation and consist of Fine Denier polyester staple fiber. The product should not be subdivided into different fiber types, nor expanded to include other fibers outside the scope of this case.

This proposed definition is consistent with the approach the commission adopted in the prior investigation of the thicker denier polyester staple fiber where no other types of fiber, including Fine Denier, were considered to be a part of the same like product as the three denier and above polyester staple fiber.

Each of the six factors that the Commission considers in defining a like product supports defining the like product here as Fine Denier Mr. Sparkman described the physical characteristics and uses of Fine Denier that

differentiate it from other types of fibers. Unlike the thicker denier PSF. Subject to the earlier round of trade cases that used as stuffing for sleeping bags, pillows, and furniture, as well as for carpeting, Fine Denier is primarily spun into yarn for textile applications like clothing and linens or is used in nonwoven textiles such as hospital gowns and drapes, baby wipes, household wipes, and filtration applications.

As a result, Fine Denier is not interchangeable with the thicker denier PSF. Customers do not perceive other types of fiber to be the same product as Fine Denier All Fine Denier is subject to the same manufacturing process and produced on the same equipment by the same employees. Prices for the product fall within a similar range and both producers and customers recognize Fine Denier as a discrete product.

Based on this light product definition, the domestic industry consists of all U.S. producers of Fine Denier. Those companies are all represented here today. DAK Americas, Auriga, Nan Ya, and Palmetto Synthetics. No company should be excluded from the domestic industry as a related party based on affiliations or importations as the primary interest of each of the poor producers is in U.S. production and each supports this trade action.

The statutory negligibility threshold is met for

each subject country on an individual basis. As shown in Chart 4, imports from China, India, Korea, Taiwan, Vietnam all surpass the 3 percent threshold over the most recent 12 months. In fact, imports from these five countries account for the vast majority of the all imports in recent months. Let me turn now to cumulation. The Commission should cumulate imports from all five subject countries as the statutory criteria are met. Petitions against all the countries were simultaneously filed and there is a reasonable overlapping competition between subject imports from each country and the U.S. like product. Fine Denier is produced to standard industry specifications and dimensions and is a fungible product regardless of its source country. Products from all subject import sources and the U.S. industry are sold through the same channel of distribution, which is primarily to end users.

These products overlap geographically in sales throughout the United States. And imports from each source country and from the domestic producers have been simultaneously present in the U.S. market throughout the period of investigation. Thus cumulation of imports from all five countries is required here.

Data that we presented in the petition and that the Commission has received in its questionnaire responses show that each of the statutory injury factors on volume,

price, and impact is met in this case. As you see in Chart 6, the volume of imports from the subject countries is substantial on an absolute basis. Subject imports totaled over 250 million pounds and accounted for 87 percent of all Fine Denier imports in 2016. The subject imports were also increasing significantly in volume over the 2014 to 2016 period from a level of 150 million pounds in 2014, subject imports jumped by over 100 million pounds to exceed 250 million pounds by 2016, an increase of almost 68 percent. As a share of the U.S. market, you will see this on your confidential chart, subject imports are also sizeable and surging. As you see in Chart 8, over the past three years, although there has been a slight demand decline for Fine Denier, subject imports have continuing to increase.

Subject imports have substantially increased their market share indeed from an already significant base in 2014. There's no question that based on the absolute volume and the relative volume of subject imports, they are both large and increasing.

With respect to price, imports from the subject countries have been aggressive at undercutting U.S. prices leading to lost sales and depressed U.S. prices. You heard our witnesses testify as to the importance of price in buying decisions for Fine Denier, given its fungible nature. Responses to your questionnaires confirmed both

the high degree of product interchangeability and the importance of price in this market. One condition of competition that is relevant to this industry is the significant level of direct imports from foreign producers. We are seeing direct imports increasingly across many cases as customers avoid paying a mark up to an importer or selling agent and benefit to an even degree by sourcing low priced imports directly from the foreign producer. Here, too, direct imports accounted for the largest volumes of imports in the pricing products reported. Chart 9 shows these imports are sold at prices below those of U.S. producers both on a quarterly basis and particularly on a volume basis. Just as purchasers compare the foreign producers' prices to the U.S. producers' prices in making buying decisions, so too should the Commission in analyzing underselling.

The quarterly pricing data on sales through importers that we have reviewed to date do not show the high level of underselling by subject imports that the domestic industry producers face in this market. We are reviewing those data to attempt to assess why the underselling by imports appears to be understated. Nonetheless, these data also show underselling in many instances by subject imports. When combined with the direct import pricing data, which accounts for the largest

import volumes reported here, as you see in Chart 10, there is significant underselling on a volume basis by subject imports overall.

Chart 11, which is confidential, further demonstrates that the subject import prices are lower than and have been depressing U.S. producer prices over the 2014 to 2016 period. As you see, the subject import AUBs are consistently and significantly below U.S. AUBs in each year. Further, subject import average unit values have shown a substantial reduction over the 2014 to 2016 period. The AUBs of subject imports fell from 69 cents per pound in 2014 to 51 cents per pound in 2016, a 26 percent decline. These lower subject import prices have pulled down and severely depressed U.S. prices as shown in the substantial reduction in U.S. average unit values over the period. These AUB declines are also reflected in the individual pricing descriptors for the quarterly pricing data. Confidential Chart 12 shows what has happened to U.S. producer prices as a result of the significant underselling by subject imports. Importantly, U.S. producers average unit values have plummeted by more than costs have declined over the period, leading to serious financial harm.

Data the Commission has gathered in lost sales and lost revenue surveys fur there confirm the adverse price effects of subject imports. All but one responding

purchaser reported that buying subject imports instead of domestically produced Fine Denier stated that the import prices were lower than the U.S. producer prices as you see in Chart 13.

Purchasers also reported that U.S. producers have reduced prices during the period of investigation to compete with subject imports in Chart 14. The adverse impact of these surging volumes of low priced imports on the domestic industry has been severe.

Chart 15 shows the substantial reductions in key trade variables. Production is down, shipments is down, capacity utilization is down, that the industry has suffered. The industry is presently operating at not even three-quarters of its available capacity.

And as Chart 16 shows, the industry's financial variables plummeted to an even greater degree. The industry experienced substantial declines in net sales and in all profit variables. Gross, net, and operating profits are all down. The percentage decline in the profits of the industry on a dollars' basis over the period is staggering. The ratio of profits to net sales is abysmal and unsustainable.

You heard the industry witnesses describe some of the negative effects their companies have suffered due to subject imports. Production curtailments, cancelled

investment projects, idled operations. Confidential Chart 7 provides more specifics on those effects from the U.S. producer questionnaires.

The causal nexus between the domestic industry's injury and the subject imports is strong. As you see in confidential Chart 18, subject imports directly displaced U.S. market share over the period of investigation. The gain in subject import market share and resultant loss in domestic industry market share is sizeable. In fact, all of the market share that the U.S. industry lost over the period was to subject imports.

Other factors cannot be blamed for the industry's trade and financial declines. As shown in Chart 19, nonsubject imports are a small and declining part of the U.S. market. In fact, the nonsubject imports lost market share to the subject imports too over the period of investigation.

Demand for Fine Denier polyester staple fibers showed a small decline over the POI. The percentage decline demand was far less than the percentage decline in U.S. industry production and shipments.

As shown in Chart 21, the greater declines in U.S. production and shipments relative to demand were because of the surging volumes of subject imports. In spite of declining demand, subject import volumes continued

to increase causing their market share to rise rapidly to the detriment of the competing U.S. industry.

This surge in low priced subject import market share resulted directly in lost U.S. sales, reduced production, idled capacity, reduced revenue and plunging profits over the period. Nor will the industry's condition improve absent relief. Foreign producers in the subject countries have sizeable capacity and significant idle capacity available to increase exports to the United States. I was hoping to depict that capacity in charts based on foreign producer questionnaires today, but very few responses have been submitted by foreign producers. Not all yet from Korea. Data available publicly on the subject producers, however, shows increasing capacity and significant idle capacity as you see in Chart 22.

Further, the subject producers are export oriented as shown in Chart 23. The 100 million pound increase in subject imports over the period of investigation shows how quickly subject producers can ramp up exports to the U.S. market when they choose to do so.

In sum, the domestic industry is in a highly vulnerable condition due to the injurious effects of subject imports over the past three years. That injury will only intensify absent remedial relief. Anti-dumping and countervailing duty orders to offset these unfair and

injurious trading practices are badly needed. Thank you. That concludes our testimony and we would be happy to answer your questions.

MS. HAINES: Thank you very much. That's extremely helpful. We'll start with Mr. Chang.

MR. CHANG: Good morning and I'd like to thank everyone for taking the time to present your statements and present your arguments. And so, to start off the questioning and keep it pretty simple, I think the first thing I wanted to know is tenacity, crimping, if you can just give me a sense of, you know, tenacity measures and what crimping exactly is, that would be great.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. So your first question was tenacity. And tenacity basically measures the strength of that fiber. You're going to take that fiber on both ends and try to break it, right. The higher tenacity, the more force it takes to break that fiber.

If you look at your fiber samples, you'll notice that the fibers are not perfectly straight. There is some zig and zag to those fibers. That is referred to as crimp.

MR. LANE: Ricky Lane with DAK Americas. The purpose of that crimp is to mirror the natural fiber. Like a cotton fiber is not a straight fiber.

MR. CHANG: Okay, so earlier in your statements,

you mentioned that, you know, all the Fine Denier is produced on the same machinery. However, depending -- is there any adjustments to the machinery that needs to be made, depending on, you know, what level of tenacity you want to achieve when you're producing the Fine Denier? And is there any changes related to the crimping process that would be needed?

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. Mr. Chang, I'm not sure that I quite understand in your question. In comparison from what to what?

MR. CHANG: So I guess let's say you're looking to produce a higher tenacity Fine Denier versus a lower tenacity Fine Denier. Is there any adjustment to the machinery that needs to be made or does -- do you produce -- does it -- is there no difference in terms of the components of the machinery in terms of whether you produce let's say a higher tenacity or a lower tenacity product?

MR. SPARKMAN: Again, Michael Sparkman, Nan Ya Plastics. The differences are both mechanical and chemical. So as I testified, there are two steps to our process, the formation of the polymer. And so there are steps in that formation of the polymer that is used to produce a lower tenacity, as well as steps in the drawing process that are used to produce that lower tenacity as

well.

MR. CHANG: Okay, so is -- so I guess what I was trying to get at, is there -- so what you're saying is there's -- is there no adjustment to the machinery that needs to be made? Do any parts need to be interchanged or replaced to account for difference in the tenacity when you're manufacturing a product? Or I'm sorry if I'm not understanding it completely. I just wanted to get a sense of whether there needs to be a major change in the production process overall depending on, you know, what denier type you're trying to produce or tenacity, sorry.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. The only change that's really needed is to slow down the drawing apparatus, so that we draw the fiber a little bit less.

MR. LANE: Richard Lane with DAK Americas. When he refers to drawing, that's more of a stretching of that fiber. So if you hold end and pull the other, you're going to stretch it a little further.

MR. CHANG: So are there major differences in the end use of the product based on the tenacity and the crimping or do they have relatively the same use?

MR. SPARKMAN: Again, Michael Sparkman, Nan Ya Plastics. The tenacities can have similar end uses and sometimes have differing end uses. In the textile

industry, there are two ways of form fabric or two major ways to form fabric from yarn. One is knitting a product, which would be similar to a golf tee shirt.

A second manner of producing fabric would be through weaving, which would be more similar to the dress shirts that we're wearing today. The knitting process requires a little bit more stretch and flexibility in the yarn, and therefore a mid-tenacity fiber is used more often in that product, where a high tenacity product would be used in weaving to gain greater strength in the final product.

MR. CHANG: Okay. Just to shift a little bit, so I'm trying to get a sense of differences between virgin-based Fine Denier and recycled-based. So you have all mentioned that you don't manufacture -- my understanding is that you don't manufacture recycled, or I guess one of you does. But the vast majority of the production is the version type. So I guess my question is, is there a particular reason why that's the case? Is there any interest moving forward in terms of producing more recycled-based Fine Denier.

MR. ROSENTHAL: Mr. Chang, this is Paul Rosenthal. I just want to jump in here before the witnesses answer. This issue is eerily reminiscent of the discussion we had in the so-called fiber pillow case, where

Respondents came in and and made a big argument about the differences between the recycled raw material and the virgin raw material, and the Commission found that what mattered was not the starting raw material but the finished product, which was interchangeable.

I would argue to you that whatever goes into the chemical process is really just another formula chemical, but the end result is the same product. So with respect, I know you want to get to that and I know the Respondents have raised that, but every company you'll find makes an election sometimes based on preference, sometimes based on history.

Roman, the company that Mr. Ruday worked for before, used to make a lot of recycled polyester staple fiber. But I will submit that the -- what you should be focusing on just like in the steel industry, where it really doesn't matter if you start with scrap or iron ore, you end up with carbon steel sheet or plate. The same thing is true here. Whether you start with recycled material or virgin, you end up with polyester staple fiber of Fine Denier.

MR. RUDAY: Oh, I would also like to say that the end -- oh, Mark Ruday, DAK Americas. I apologize. I'd also like to say that the end uses and the final product that is produced is exactly the same no matter what the --

as Mr. Rosenthal says, exactly the same source, and also in many cases the word "recycled," the definition is very important. It doesn't necessarily always mean recycled. It can mean different things.

It could be very simply a polyester chip that is formed just the same way as we -- as all the rest of the companies produce polymer, and just put through an extruder, which is essentially the same process as we do, just from a chemical process. So it's very different in the way, you know, the definition you utilize for that.

Your question specific of course was whether we'd be interested, and of course we're always interested. But it has not been in the past. It's a very minor market today in the Fine Denier. So it has not been a criteria where it has been a highly requested product, and it's a very, very small piece of the market today.

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics. We manufacture recycled fibers from punch consumer products, mainly bottles, and as Mr. Ruday said, it's a small segment of the polyester Fine Denier market. It's usually based on customer demand for specific end uses. But as said, they are interchangeable. There's no problem with that.

MR. CHANG: Could you then elaborate what the specific end uses are for that.

MR. CASSTEVENS: Most times it's not a product per se, but it is a brand who has a story they like to tell about sustainability.

MR. CHANG: And so just to make sure I understood, you know, what you all explained to me. So more or less you are doing that, okay. Maybe what's going into it might be slightly different but like the process itself and then what comes out of it is more or less the same, regardless of what the starting product was in terms of the raw material and component; correct? Is that a correct understanding?

MR. RUDAY: Mark Ruday with DAK. Yes, that is a correct understanding.

MR. CHANG: Okay, thank you. So one other thing I'd like to ask about is the conjugate versus non-conjugate. I just want to get a sense of, you know, what specifically is conjugate fiber, what's non-conjugate. Obviously clearly I'm a novice in this industry. I don't really know a whole lot about the nitty-gritty components of it.

So I just wanted to get a sense of what the differences are and, you know, if I can get an idea of what is one versus the other. Thank you.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. Mr. Chang, the main difference between a

conjugate fiber and a low denier fiber is the low denier fiber is what we refer to as a monocomponent. There's only one component in that product. A conjugate fiber is a bi-component product. So there will be two different types of material side by side in that, and the purpose of that is to create a spiral formation in that. Conjugate fiber is typically used for high loft applications such as filling, as we talked about in the higher denier applications.

MR. CHANG: And are there any major differences in the production process of these two types, or are they more or less pretty similar?

MR. SPARKMAN: There are major differences in the polymer formation, as well as the fiber formation.

MR. CHANG: And do these differences, you know, require again any changes in production lines? Are there any additional costs associated depending on whether it's a non-conjugate or conjugate product that you're looking to manufacture?

MR. SPARKMAN: One of the major differences is is because we're using two components side by side, it actually requires two separate reactors to produce each of those components. The type of spinneret is completely different because it has to be -- you have to have two components introduced and combined in the extrusion

process. The drawing and especially the crimping process is completely different to make the conjugate fiber versus the low denier.

MR. CHANG: So does that mean it's relatively difficult to switch production from one type to another, or is it something that's relatively easy to do?

MR. SPARKMAN: It would be -- on the same lines it would be impossible to produce both products.

MR. CHANG: Okay. So you have them on separate production lines?

MR. SPARKMAN: Correct.

MR. CHANG: Okay.

MS. CANNON: Mr. Chang, this is Kathy Cannon of Kelley Drye. I just wanted to add, the conjugate product that Mr. Sparkman is describing is not a Fine Denier product. It is the over three denier type product. They do not -- none of the industry we discussed clearly yesterday make a conjugate Fine Denier. So that is not a type of Fine Denier that is made in the United States.

MR. CHANG: Okay, thanks for that. That's actually great. Thanks for the clarification. Okay, so I had, let's see here. I have one question about -- I think this might be more specific to DAK and Auriga. So in your questionnaire responses, you reported some volumes of imports of Fine Denier. So I was wondering why you guys

were importing the product from other sources.

MR. BREKOVSKY: We can supply that post-session. Oh, Tom Brekovsky, Auriga. We'll supply that information in the post-session brief.

MR. CHANG: All right, great. Thank you. Also, are you guys aware of any third market countervailing duty or anti-dumping duty orders related specifically to the Fine Denier?

MS. RINGEL: Mr. Chang, Brooke Ringel, Kelley, Drye and Warren. We will also provide that information in the post-conference brief. But the short answer is yes, there are some third country barriers.

MR. CHANG: Okay, great, yeah. So if you can provide some background information sort of on the history of the orders and all that, that would be wonderful. And one last thing for the post-conference brief, if you guys can provide any background industry information for Korea and Vietnam, since we don't have a whole lot of information based on questionnaire responses.

MR. ROSENTHAL: We'll do our best.

MR. CHANG: All right. So that's all the questions I have for now. Thank you.

MS. HAINES: All right. We'll turn to Mr. Haldenstein.

MR. HALDENSTEIN: Good morning, Michael

Haldenstein in GC. I'm the attorney assigned to the case. Let me ask you, are there any differences in the type of product coming from each subject country that you're aware of.

MR. RUDAY: Mark Ruday, DAK Americas. Could you please repeat the question?

MR. HALDENSTEIN: Are you aware of differences in the types of product coming from each subject country?

MR. RUDAY: No, there are no significant differences coming from any of the different subject countries.

MR. HALDENSTEIN: Thank you. Do any of the producers used recycled materials to produce the over three denier product?

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics. We produce recycled product over three denier as well.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. We do not.

MR. RUDAY: Mark Ruday, DAK Americas. We do not.

MR. BREKOVSKY: Tom Brekovsky, Auriga Polymers. We did not during the Period of Investigation. We recently made an investment that is capable of producing product with recycled yarn, but we haven't made it yet. But we

recently made an investment this year.

MR. ROSENTHAL: Paul Rosenthal. Mr. Haldenstein, are you referring to recycled materials over three denier specifically or --

MR. BREKOVSKY: No, that's what I was --

MR. ROSENTHAL: Which would be non-subject merchandise.

MR. BREKOVSKY: Okay. So to clarify my response that the investment we made is capable of doing that, but it's not the intent of the investment, that it does have that capability.

MR. HALDENSTEIN: Thank you. For Palmetto, do you only use the recycled product for colored product? I mean is that only used for a colored fine deniery?

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics, and you're asking about the Fine Denier uses?

MR. HALDENSTEIN: Yes, so the recycled, the stuff that's made from recycled.

MR. CASSTEVENS: Yeah. No, the recycled material in Fine Denier, the majority of it is supplied as a white seminole fiber.

MR. HALDENSTEIN: Earlier, I thought maybe you were saying it was made into a heathered product?

MR. CASSTEVENS: We make black polyester, the majority of which is from a virgin polyester resin. We

have a couple of small programs which do utilize post-consumer polyester resin for black, but it's the smaller part of the recycle business for us.

MR. HALDENSTEIN: So the majority of your recycled product goes into a white, a bright white product.

MR. CASSTEVENS: That's correct, that is correct.

MR. ROSENTHAL: This is Paul Rosenthal again. I just want to clarify, because we're talking about really three separate materials or stages of production of their product. When we talk about recycled product, we're talking about recycled raw materials like scrap and steel or what I would say virgin materials you might regard as iron ore, as the comparable.

Then you're talking about the actual fiber. It's not recycled fiber. It's the same fiber Fine Denier made by recycling the virgin materials. But then the product may go into an application. That would be a tee shirt that's called a heather process, and again, it's just like -- because you know about steel, so I want to analogize to a product that you might have had some experience in, just like you can have a carbon steel sheet go into a refrigerator or an automobile or some other application like that.

So I just want to make sure as we're having this

conversation, we were identifying the product at the right stage. The recycled raw material versus virgin, the actual production of product they make, which is the fiber that then goes into all these various applications from tee shirts to whites and the like. I just want to make sure we're all talking about the same things.

MR. HALDENSTEIN: So the recycled and the virgin go, you know, Fine Denier PCF made from recycling and virgin goes into the same products. Is that -- is that --

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics. They can go into the same products, yes. They can both be spun into yarn, they can both be put into non-wovens. Again, a lot of that is driven by the customer itself.

MR. HALDENSTEIN: Is it fair to say that certain customers are requesting the recycled?

MR. CASSTEVENS: That's a fair statement, yes.

MR. HALDENSTEIN: And is that -- is it priced at a comparable level? I mean you could answer that in your post-conference brief if you'd prefer to.

MR. CASSTEVENS: Yes, I'd prefer to answer it in post-conference.

MR. HALDENSTEIN: A more general question on crimped. Is all Fine Denier PCF crimped, or is that just a portion of the market?

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. The vast majority of Fine Denier is crimped.

MR. HALDENSTEIN: Could you address whether the appropriateness of defining that as a separate like product in your post-conference brief? Because I believe I heard the Respondents that as a possible separate like product.

MS. CANNON: Kathy Cannon. Just to clarify, Mr. Haldenstein, address whether crimped product.

MR. HALDENSTEIN: Crimped. Crimped and/or recycled.

MS. CANNON: Crimped or recycled are a separate like product?

MR. HALDENSTEIN: Yes, if they're pursuing that. It sounded like maybe they are.

MS. CANNON: Okay. We'll be happy to do that.

MR. HALDENSTEIN: Do all the producers here today produce the larger, the higher denier product and do you switch back and forth between the different products based on demand?

MR. RUDAY: Mark Ruday with DAK Americas. Yes, we do make both the subject product less than three denier, and the higher denier products, and we do switch back and forth based on demand.

MR. BREKOVSKY: Tom Brekovsky, Auriga Polymers. Same situation.

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics. We do as well.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. We also produce both, but we have a large amount of idle capacity and it's not just demand-driven. I would also further state that the demand for the high denier is relatively small compared to the low denier demand.

MR. RUDAY: This is Mark Ruday with DAK Americas. I would also agree with those statements. We have a significant amount of under-utilized capacity, and the demand for high denier is much less and our equipment is actually more capable in the lower denier categories.

MR. HALDENSTEIN: Would you -- do all the producers agree that the Fine Denier market is larger, or is that not within the high denier, or is that not -- or is it the other way around? Maybe you can clarify that.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. The Fine Denier market is much larger than the high denier market.

MR. RUDAY: I think we should probably address that in the post-hearing brief, because the definition of market is a unique situation here. So I think it would be better if we did it in post-hearing brief, if that's possible.

MR. HALDENSTEIN: One more thing. My

understanding that there may be an issue of negligibility with respect to Vietnam. Could you be sure to address that in your post-conference brief?

MS. CANNON: We'll be happy to address it, although the import statistics that we have for Vietnam are pretty sizeable, so I'm not sure. Maybe there's something in the record I haven't seen yet.

MR. HALDENSTEIN: Yeah. There may be something in the questionnaires that contradict those numbers.

MS. CANNON: Okay. We'll be happy to look at that, sure.

MR. HALDENSTEIN: Thank you. That's all the questions I have.

MS. HAINES: Yeah. There will be an APO release tomorrow with I think some new information.

MS. CANNON: Thank you for saying that.

MS. HAINES: Mr. Knipe.

MR. KNIPE: Great. Thanks to you all for being here, particularly the folks that traveled from out of town. Welcome to sweltering D.C. So Mr. Brekovsky and Ms. Cannon, you mentioned a couple of things about demand being relatively stable or decreasing a little bit. What are the biggest drivers of demand for this product? Is it consumer spending? Is it the cost of substitutes?

MR. BREKOVSKY: Tom Brekovsky, Auriga Polymers.

I would say overall it's probably GDP, but as Auriga we are focused more on the non-moving end uses, which is primarily whites. I would say that market we see as growing slightly GDP above type rates. For the more, other than non-wovens, I'd probably defer to somebody else on that, in terms of that growth. We don't service that market in Auriga.

MR. KNIPE: Okay. So is it your understanding that there's a difference between the two markets in terms of demand drivers, between the non-woven and the woven applications.

MR. BREKOVSKY: I think specifically in the whites we are seeing growth in that market, but that's a much smaller market as opposed to the rest. So overall, we don't see growth in Fine Denier. So as I said in my statement, the Fine Denier market is relatively flat for the growth.

MR. KNIPE: Got it.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. Thank you for the question, Mr. Knipe. In the textile industry, what we've seen is this is obviously we all have to wear clothing. But a lot of what we wear is discretionary income, and kids are spending their money on video games and cell phones and other things. So we have seen a small decrease in the textile industry.

MR. KNIPE: Okay, and if -- either you could

address it now or post-conference brief, just so I understand the difference in terms of percentages of the market, how much goes to the non-woven applications and how much goes to woven, that would be great.

MR. ROSENTHAL: We'll do that. I just want to say thank you to everyone who decided not to invest in video games and instead wear clothes today. I do think it's important to note that while Mr. Brekovsky is mentioning his company's focus on the non-woven customers, they used to be in the textile business but the imports, and I'll let him speak for that.

But he's told us that the imports have basically driven him out of there. So they've retreated to a smaller subsection of customers, where there is some slight growth in demand.

MR. BREKOVSKY: Actually, and I can't remember the years. It was prior to my time being in the fiber business. It was prior 2008 that we had about three times our current capacity at Auriga and did supply the textile part of the market. And then during that period, we decided to idle those lines. So we were left with basically focusing on the non-wovens market, and that's why we're more just into non-wovens end uses today versus textile.

MR. KNIPE: Okay, thanks for that. Do any of

you domestic producers, do you do any downstream production like weaving or knitting, or is that only done to the people -- done by the people you sell to?

MR. RUDAY: Mark Ruday, DAK Americas. We do not do any downstream production of our fiber. That's only done with our customers.

MR. BREKOVSKY: Tom Brekovsky, Auriga. We do not either.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. We do not either.

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics. We also do not process downstream.

MR. KNIPE: Thank you. So it's not in the scope language of the petition that fibers can be coated with a finish or not coated. What kind of coating are we talking about or coatings?

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. Typically, a finish, an oil will be applied to the fiber. Polyester itself is rather an aggressive material, and in order to help it process through the downstream processing required to manufacture yarn and on wovens, we apply that finish as a coating to provide less friction as it goes through the metal machinery.

MR. KNIPE: So would that apply to woven applications only and not to non-woven?

MR. SPARKMAN: It would apply to both.

MR. KNIPE: Okay. What kind of oil is it?

MR. SPARKMAN: Can we address that in the post?

MR. KNIPE: Yes, yes, and the cost, cost trends over the period would be helpful as well for that oil. Is that consistent among producers? Do you apply the oils if customer request it, or is that sometimes done by the downstream producer?

MR. RUDAY: No. Mark Ruday with DAK Americas. We also add the oil.

MR. BREKOVSKY: Tom Brekovsky, Auriga. Yes, same answer.

MR. CASSTEVENS: Nik Casstevens with Palmetto. Yes also.

MR. KNIPE: Okay, great. Thank you, and it's also mentioned in the petition that a finish can be applied. Is that the same as the coating or is that different?

MR. RUDAY: Mark Ruday with DAK Americas. That's the same.

MR. KNIPE: It's the same, okay. I think it also mentioned that sometimes customers can request a timing of the application, whether it's before or after crimping. Is there a difference in the type of customer that requests pre-crimping finish coating or post-crimping

coating?

MR. RUDAY: Mark Ruday with DAK Americas. I think it's really based on the application or the product or what the customer's using the Fine Denier for, that may tend to provide difference in product characteristics to help them run the product. It's not a specific request from a customer. It's more of a producer to help the assistance of the downstream product.

MR. LANE: Ricky Lane with DAK Americas. That would be very unusual. That's not the common cause. Those customers don't define where they want their finish applied.

MR. KNIPE: Okay. Is that consistent for the other producers as well? Is that a minority of customers that might have a preference about coating.

MR. CASSTEVENS: Nik Casstevens, Palmetto. You know, customers do not dictate where the finish is applied.

MR. RUDAY: Mark Ruday, DAK Americas. Customers do not dictate. We -- I think what the industry tries to understand and help our customers run the most efficiently, and then the industry or the producer decides how to put it on. The customers don't dictate or do not ask. They just want it to run properly.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. We would agree.

MR. KNIPE: Okay, great. So I see that in your -- some of your questionnaire responses, you mention that formulas are sometimes used. Help me understand how prices are set in the industry. Do you use an industry publication? Do you index it to particular publications? Is it more than one industry publication?

MR. RUDAY: So Mark Ruday with DAK Americas. Most pricing is set based on the raw material inputs, which are significant. There are indexes and there are several. I would tell you two or three or primarily used to define the cost of the two primary raw materials as mentioned, terephthalic acid and monoethylene glycol. So that sets the raw material costs, and then the pricing is set based on the conversion fee above those raw materials that are from an index. Like I said, there's probably about two or three major indexes that people use.

MR. KNIPE: Okay, and do you all generally use the same indexes?

MR. BREKOVSKY: Tom Brekovsky, Auriga Polymers. I mean of theI mean there are several publications that we use, his, PCI, Chem Data. Those are probably the three most popular that we use. But it can vary. But they are all published, those indexes, the ones Mark described for PTA and MEG.

MR. KNIPE: Okay. If you all have information

about raw material cost series, I would love to have it. If it's something you could provide in postconference, specifically the two biggest MEG and PTA, if we could have a series on a monthly basis over the Period of Review, just so I can wrap my head around what's happening with this stuff, that would be really helpful.

Mr. Ruday, I saw that you had a Cape Fear plant shut down in 2013. Is that a PET plant? And is thatI'm not a chemist. The last chemistry class I took was in high school, so let me understand. Is that completely unrelated to what we're talking about here?

MR. RUDAY: Mark Ruday with DAK America. The Cape Fear facility that DAK shut down in 2013 actually produced three separate products. It produced a terephalic acid. It produced a polyester or PET resin primarily for bottles. And then it produced also polyester staple fiber.

That site became uneconomical inas a whole site and was shut down. The primary products at that site were our terephalic acid and our polyester resin, and that was shut down. So it was shut down in 2013, but it had multiple products on that site.

MR. KNIPE: Okay. And this is probably something you will want to address in the postconference, but how did that affect your production capacity and shipments of subject product?

MR. RUDAY: Yes, I'll address that in post.

MR. KNIPE: Great. And I also saw news of a temporary shutdown in one of your plants in November-December 2015?

MR. RUDAY: Mark Ruday with DAK Americas. We had an electrical outage on November 6, 2015. The Cooper River siteOh, sorry. So in November of 2015, there was a very unfortunate situation. We had dual-feed to our site. While one of the feeds was going down for its one-day annual maintenance, the other feed was lost. So it was a very flukey situation.

These are very, very large polymerization units, so when you use energy everything freezes. So we were down for about 29 days during that time period. And since then, we have put different criteria in place to improve our reliability and make sure it doesn't happen again, and we've had no issues since that and are able to meet the demand of the market. So we did have that situation for 29 days in the November period of 2015, that's correct.

MR. FREEMAN: John Freeman, Nan Ya Plastics. We actually had available capacity at this time period, and we did not experience an increase in our business. Actually, we continued to be damaged by the subject import's low pricing during this period.

MR. KNIPE: Thank you. If you would in the

postconference, would you just address, if there's a specific product line that that affected, which one, and what percentage of your shipments it affected, and whether you lost any customers by a contract, or you saw a dip in shipments as a result of that shutdown. And I understand you'll probably want to address that later, but that's fine.

Okay, just a couple more questions about potential like product.

Mr. Casstevens, you mentionedit sounds like you're the only domestic producer that deals with recycled material and with black PSF. Is that right?

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics. As I mentioned earlier, the majority of our post-consumer recycled product is sold as a white or semi-dull fiber.

MR. KNIPE: Okay, and it sounds like the market for recycled is basically based on, you said, branding or marketability aspect.

MR. CASSTEVENS: That's correct.

MR. KNIPE: Have you noticed an increase in the demand for recycled product?

MR. CASSTEVENS: Our demand for recycled has gone down recently, mainly due to imports coming in and lower priced imports, yes.

MR. KNIPE: And is there a significant cost difference between a production process using recycled versus virgin material?

MR. CASSTEVENS: There is, because you have the costs associated with collection, transportation, processing bottles into flake, and then flake into a useable pallet.

MR. KNIPE: Would that mean then that a recycled product commands a higher price?

MR. CASSTEVENS: That is correct.

MR. KNIPE: Okay.

MR. RUDAY: Mark Ruday with DAK Americas. My former company, Wellman, Inc., did produce product from recycled sources. And we produced hardly any, if very little, of less of the fine product. It's just not a very significant piece of the market. So it's a very, very small piece. It's much morewe did a lot of it in the higher deniers, but in the Fine Denier or subject products here under investigation, it's a very, very small piece of the market.

MR. KNIPE: Okay

MS. CANNON: I'm sorry, this is Kathy Cannon. I just wanted to clarify something, Mr. Knipe, on this recycled and the price and cost issue.

For Mr. Casstevens, he's testified that they are

doing this to respond to a customer need, and so they're incurring some more costs and they get a higher price for it because of the branding associated with that.

I would not assume from that that means that everything produced from recycled, if the imports were produced from recycled, that therefore they are commanding a higher price. Because, as we testified earlier, these inputs are interchangeable in terms of the end product that they make.

And so often, just as we saw in the larger denier staple fiber product, anything, regardless of what the input was, the output product is the same. And so the prices, in fact we're seeing lower prices. When we saw lower prices in that case, regardless of what the input material was. So it's not true that in the market simply because it's made from recycled it demands a higher price.

MR. KNIPE: Okay. Thanks. And one last question, again Mr. Casstevens, the black PSF. What's the size of the market for black PSF? I think you mentioned it goes into automotive applications, or filters. And what makes it black? Is it a die? Why don't more domestic producers make it?

MR. CASSTEVENS: Nik Casstevens, Palmetto Synthetics. The market size has varied. It's probably roughly in the last few years been around 15 million

pounds, more or less. Some of it goes into automotive, so there's been some growth there.

What makes it black is pigment, because there's a black pigment, it's carbon black. Pigment black 7. And because we're extruder forward, we can introduce the black pigment into the polymer stream at the extruder without contaminating a reactor, as the other producers here would introduce at reactor level prior to going through extrusion.

So the market in size is not very large, and it creates a major headache for people who are doing continuous polymerization.

MR. KNIPE: Okay, so I presume for the other domestic producers that would be a reason why that would be a non-motivator to get involved in the black market? Is it the cost of introducing this new product would be too high?

MR. ROSENTHAL: Mr. Knipe, I'll let the industry answer about the cost question, but we have the phenomenon that we often see in other cases where the respondents or others are focusing on a very, very tiny part of the market here. The 15 million pounds being referred to by Mr. Casstevens is a tiny fraction of the market.

Similarly, the relatively few customers who want recycled product for their raw materials for their branding

is very, very small, as had been noted before, including by Mr. Ruday. This does bring back memories of the larger denier polyester staple fiber case where we talked about how the respondents tended to focus on the whole rather than the do-nut. When we hear from them, I would like to hear as well really how many pounds are we talking about that are demanded of a recycled product, for example.

One of the ironies of that case was when they were arguing for some different understanding of recycled versus virgin materials. The argument wasand Ms. Cannon kind of referred to thisis the recycled product was seen as junk because the recycled materials were sweeping from factory floors of left over productcans, bottles, that sort of thingthat were seen as less pure, less expensive, less valuable raw material input versus these virgin materials.

I think you're hearing the opposite argument from Respondents today, which is somewhat ironic, but the bottom line, and the Commission found that ultimately it did make a difference when it came to the finished product.

So I think it's important to explore these things because these are issues that Respondents are raising. All I want to do is provide some context and perspective that a lot of these products that are being discussed are really niche, small, and they don't account, for example, for increases of 100 million pounds over the last couple of

years.

MR. KNIPE: Okay. Great. That's it for me. Thanks, guys.

MS. HAINES: Ms. Kim, do you have any questions?

MS. KIM: Hi, everybody. Thank you for being here. I have no questions today.

MS. HAINES: Ms. Hanson?

MS. HANSON: Hi. Good morning everyone. I do have just a couple of questions. For the producers in the room, if you could explain the quality factors that might distinguish your product from each other's product, or another product? Or are there such things? Like what are the things that your customer might return product for, if that ever happens?

MR. RUDAY: So Mark Ruday with DAK Americas. I would tell you the primary issue with all of our customers if price. While there are quality differences for out-of-spec product, it is all about the price. And as long as the product meets the specifications provided, there usually is no such thing as returns, or differences. It is about price within a very broad range of product quality parameters, I would say.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. Our products are, with almost no exceptions, interchangeable between both domestic producers and the

subject countries as well. Again, the only differentiating factor in these products is the price.

MR. BREKOVSKY: Tom Brekovsky, Auriga Polymers. I agree with what was said there, too. It's mainly if the product meets the product specifications, which they can from probably all those domestic suppliers as well as importers, it really comes down to price.

MR. RUDAY: Mark Ruday, DAK Americas. It may be like, I don't know if anybody is an accountant in the room, but if you get aif you pass the CPA exam, you're an accountant and nobody knows what you've got, whether you got a 100 or a 71. So as long as you pass, you're good. After that, it's just the price of the service. So I think that'sonce you meet the minimum requirement for quality, it's a price issue.

MR. ROSENTHAL: That does not apply to lawyers, however.

(Laughter.)

MS. HANSON: Great. Thank you all very much. And I did listen and process all of your comments about how capital intensive this production process is. And I wonder if you all have any thoughts or comments on minimum runs, or a typical size of an order, or I don't know if you call it a short run, I know that that's what it gets called when it gets to the fabric world. Is there a point where it's

not worth your while to do the order?

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. As I testified, our product is a continuous product. So in the reactors where we're making the polyester, where we're combining the PTA and the MEG, these are continuous processes. In other words, we can't just flip a switch and turn that reactor on, flip a switch and turn that reactor off. In order to turn off the reactor, it requires significant costs to us. We have to drain that reactor, clean it completely out, go through a rigorous maintenance review before we can start that reactor up.

So, yes, we absolutely do not want to do any short runs. We want to do continuous production.

MR. BREKOVSKY: Tom Brekovsky, Auriga Polymers. Same situation. Because it is a continuous process, economically it makes sense to keep that product running. And it's really just how you transition between products.

We can make different products as we're running, but if you get to a certain level then you're faced with a decision of idling the equipment.

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. Just to clarify, Ms. Hanson, when I say “significant,” I am referring to days, not hours, to shut down a reactor and restart.

MS. HANSON: And just to follow up on that point,

would that be similar to if you had a power outage in the middle of a run? You have to go back to square one? That's a hypothetical, but...

MR. RUDAY: Mark Ruday with DAC Americans. It's actually, a power outage in the middle of a run would actually be must worse. It's verythe reason why is that in these big reactors what you tend to do when you're shutting them down is you keep them hot and then the polymer flows out and it's all clean. When you lose electricity, it gets cold very vast and there's no way to get the polymer out fast enough. But that's a difference.

But the key factor I think for all of us here is that these reactors have an operating window. They can only go so slow, and they can only go so fast. So when your demand does not meet the criteria of how slow, you tend to have to build a lot of inventory, shut it downbecause it takes daysthen let the inventory go down, and then restart it. So that's a very expensive proposition because of the operating window of many of these reactors.

MR. ROSENTHAL: Ms. Hanson, I want to the answer suggests that the industry isn't interested in all sales. Because once you've gotten your reactor going, a customer comes to you, even if it's for a smaller amount, it's worth your while to supply that customer its needs. It's not

really at the melting or reactor stage where a lot of these product differences occur. A lot of them you can do by changing things later in the process.

So there aren't a lot of instances -- I can't -- I haven't heard of anywhere, especially with all this excess capacity where companies are being turned down for sales. The only example I have heard of anybody being turned away has to do with being offered, or told we'll take your product but only if you sell at this low price. And there have been occasions when our clients have said we can't afford to sell you that product at that low price.

It's not that they don't have the capacity; there's plenty of available capacity, if you look at the data.

MS. HANSON: Thank you. That's a very useful clarification. And perhaps I should phrase the question: At what point in your production process is the sale to the customer typically secured? So it sounds like you're continuously making product. So you're at the ready when the orders come in? It's not that you're waiting for the order to begin the process?

MR. RUDAY: Mark Ruday with DAK Americas. In our industry, we sell out of inventory. We tend to try to guess what the demand is going to be, make the product, and then sell from inventory most of the time. I'd say that's

a significant, 99 percent of the time.

MR. BREKOVSKY: But I'd also say, to add to that too, is most of the customers are long-standing customers and their orders are fairly predictable, too. And a lot of customers do provide forecasts. So it's somewhat predictable.

MR. LANE: Ms. Hanson, Ricky Lane with DAK Americas. When you mentioned a small order, we would just pull out of inventory, but we may not put that small volume on a machine on a regular frequency. We would then obviously have a bigger batch and a bigger inventory, so that when that customer had a small order on a regular frequency, we would just pull from inventory.

MS. HANSON: Great. Thank you very much.

I know that we're all touching upon the same recycled issues, but just to add my two bits to that as well, just trying to get some clarify, and I guess I'll look mostly at you, Mr. Casstevens, since you're the only one who works with the recycled product on the panel.

To make sure that I understand clearly, at the point when you begin the extrusion process what you are working with, whether it was virgin or recycled, it is chemically identical and it is scientifically the same product? Is that correct?

MR. CASSTEVENS: Nik Casstevens, Palmetto

Synthetics. That is correct.

MS. HANSON: Thank you. So at that point forward, there's really no distinguishing the Fine Denier PSF? It's all going to be the same, whether it came from recycled or raw virgin materials?

MR. CASSTEVENS: That's correct. You'd only know the difference if someone tells you.

MS. HANSON: Right. I also understand that the sustainable, organic, the yoga market perhaps, is looking for this recycled cachet, but it's a customer sales marketing issue, not a characteristic of the product itself?

MR. CASSTEVENS: That's correct.

MS. HANSON: And in terms of working with the recycled fiber to meet that customer's demands, can you tell us what country you are getting the recycled material from?

MR. CASSTEVENS: Our flight comes from the U.S. It's domestically sourced.

MS. HANSON: But not made by anybody in the room?

MR. CASSTEVENS: I would not know because it comes through collection sites. Models go through a collection site and there's no way to know who the initial resin was produced by at that point.

MS. HANSON: Are you actually breaking down the

bottles and doing the recycling of the bottles into the chips or the flakes?

MR. CASSTEVENS: We do not. We buy the

MR. LANE: Ms. Hanson, Ricky Lane with DAK Americas. DAK Americas has a joint venture recycling facility, so we actually producewe do produce some recycle flake. But most of that is directed to the carpet industry.

MS. HANSON: Great. Thank you very much. I think that helps me to clarify what we were hearing about the recycle issue.

The final question that I have, and perhaps, Ms. Cannon, you are in the best position to address it, is in terms of the overall imports coming into the U.S. market, the other large supplier that we see that's a non-subject country is Germany. And obviously what we see as average-unit-value there is much higher. I'm just wondering if anyone would care to comment, number one, on what makes the German product different? Is it different uses, different procedures, different structure, and so forth?

MS. CANNON: Kathy Cannon. We discussed yesterday about non-subject imports a bit, and everyone was quite adamant that they were not being injured by other imports and weren't seeing other problems with pricing product of

the same type they've seen from the five subject countries.

But Mr. Ruday can add on what specifically is different about Germany.

MR. RUDAY: So, Mark Ruday with DAK Americas. I think it would probably be best if we handled that in the posthearing brief. It will be much more clear than we trying to explain it in here in a public forum.

MS. HANSON: That would be great. I appreciate it. And actually, the same question for Mexico.

MS. CANNON: We will be happy to address that in post-hearing, too.

MS. HANSON: Okay. Thank you. That's all my questions.

MR. CHANG: I have one additional question. So I was just wondering, you know, what type of customers do you all generally deal with? And if there's any differences in the type of customers each of the U.S. producers work with?

MR. BREKOVSKY: Tom Brekovsky, Auriga Polymers. As I mentioned earlier, we typically are in the nonwoven end-uses, and most primarily Wipes is probably the largest end use for that. So i can't really comment on the textile parts. We really don't have textile.

MR. RUDAY: Mark Ruday with DAK Americas. We are about two-third textiles, one-third nonwovens. On the textile side of the business, we deal with what we consider

yarn spinners, people who spin yarn that goes in the fabric when it's knitting or weaving. And on the nonwoven side, we deal with both Wipes, as Mr. Brekovsky does, and also other medical gown and drape kind of customers. Those are our applications that we deal with.

MR. SPARKMAN: Mr. Chang, Michael Sparkman, Nan Ya Plastics. Basically any customer that wants to buy our staple fiber, as long as we can get a sustainable price, we'll be happy to sell to them.

MR. CHANG: So I guess if I understand that correctly, I guess it's safe to assume that there is some overlap with some of the customers that you all deal with?

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics. Yes.

MR. CHANG: Okay. Thank you. That's all I have.

MR. HALDENSTEIN: Michael Haldenstein, I have no further questions.

MS. HAINES: Okay, thank you very much. I think that concludes our questions. This is extremely helpful. Thank you for traveling all this way.

We will take a 30-minute break until about ten of.

(Whereupon, a brief recess was taken, to be completed this same day.)

A F T E R N O O N S E S S I O N

MR. BISHOP: Will the meeting please come to order.

Madam Chairman, the panel in opposition to the imposition of the anti-dumping and countervailing duty orders have been seated and are ready to present their direct testimony. I would remind everyone when they speak, please state your name for the benefit of the court reporter. Thank you. You may begin when you're ready.

MR. LUDWIKOWSKI: Thank you Commission staff. My name is Mark Ludwikowski. I'm from Sandler, Travis & Rosenberg and I would like to introduce as our first speaker, Dan Dunbar, Vice President of Sourcing from Suominen Corporation.

STATEMENT OF DAN DUNBAR

MR. DUNBAR: Good afternoon everyone. Hopefully, you can hear me well. I'm Dan Dunbar, the Vice President of Sourcing for Suominen Corporation. Suominen is the ultimate parent of Green Bay Non-Woven, who's named in the petition, and we're a global leader in non-woven wipes and personal hygiene products. We manufacture wipes for personal and baby care as well as for use in the workplace and household.

Our products are also well known for medical applications, including surgical drapes and swabs. Our company is proud

to be a 100-percent non-woven company. This puts us in a unique position to understand the needs of our customers and professionals that use our products. Non-woven fabrics are broadly defined as sheet or web structures bonded together by entangling fiber or filaments mechanically, thermally, or chemically. They are flat, porous sheets and are made directly from separate fibers or from molten plastic or plastic film.

Single use or durable fabrics, sown and non-wovens provide a number of functions, including absorbency, liquid repellency, resilience, stretch, softness, strength, bacterial barriers, and cushioning.

Suominen has three manufacturing facilities in the United States and approximately 700 employees globally. We're a consumer of the subject merchandise, which is an important input to our production process and final products and we purchase from both domestic and foreign sources.

We were surprised when we heard of this trade action. In our experience, foreign imports present no material injury or threat to the domestic industry. This makes sense when you think about it because the price is for polyester staple fiber are largely based on the cost of the raw materials, as stated earlier. And the cost of this feed stock was, on average, about 25 percent lower in Asia

than in the United States during the period of investigation.

While we do consider price in making purchases, as all companies do, our sourcing strategy focuses on minimizing of risk and teaming with suppliers that consistently meet our demanding standard, including safety, product requirements, and delivery. Our decision to purchaser foreign polyester staple fiber was the direct result of our worries over the domestic industry's inability to provide the product we needed. Concerned about being placed in the situation where we could not meet our obligations to our customers, we implemented a sourcing strategy to address risks associated with using a single company or country for supply.

There were several events leading to this decision. First, DAK abruptly stopped supplying material when it changed its business strategy. Suominen had little to no choice to seek alternative sourcing. Also, as a result of a fire in August 2014, BP was forced to declare a force majeure, which limited the supply of PTA feed stock to the domestic polyester industry.

Raw materials needed to produce polyester staple fiber were placed on an allocation system with domestic producers receiving limited feed stocks. This had an unfavorable impact on the availability of polyester staple

fiber in the U.S. In addition, there was a move by the domestic industry away from non-woven to woven to serve the textile industry. DAK shutdown their Cape Fear facility and directed its Cooper River facility to service the woven industry.

Faced with abrupt and unpredictable supply in the U.S., Suominen turned to imported product to reduce risk in 2015. Based upon its experience, Suominen came to the understanding that it was important to source for different geographical regions and manufacturers. Sourcing from just the U.S., which was done in the past, placed Suominen in a position of unacceptable risk. The approach we took is not new. We use a similar approach with our European facilities, which had taken steps to diversify supply risks in 2014.

To be honest with you, our preference would be to source domestically as this would reduce any complexity in the supply chain; however, we will always source from other regions or alternate regions to keep the supply chain open to manage risks. It is important to understand that Suominen is proud of its efficient and technologically advanced production facilities. The quality and availability of important inputs is a must in enabling Suominen to meet its demanding production goals and customer requirements.

Suominen sets high performance goals for itself and for its suppliers. To ensure that the production, product quality, and performance goals are met, Suominen qualifies all suppliers prior to use. This is a demanding process that typically takes six months, if not longer. Suominen conducts extensive audits of its suppliers to ensure the suppliers meet its high efficiency and quality demands.

The state of the facility, including housekeeping and cleanliness practices, safety standards and operational processes are key factors in our supplier qualification. This is extremely important to Suominen as the majority of our products involve human contact and we must ensure that supplier's products consistently meet strict market application requirements that could include toxicity, comfort, fluid management, and conformability. For wipes, for example, we need to consider how our product interacts with lotions, packaging, and with the consumer.

Suominen's sourcing decisions may also be driven by the customer as they direct the use of a specific supplier. We have, for example, a relationship with the Taiwanese supplier for our feminine hygiene product. Our customer specifically requires that we use this supplier. I've brought a sample of this product for you to see today and it's really just the top sheet of this product, which

I've peeled away for you, but you can feel the softness of the product. But there's a number of things that top sheet has to provide and a lot of that has to do with moisture management, the insults that it can accept, the conformability to the individual, the softness, the feel, the touch, alright, those are all very important factors and polyester is a very important part of that, okay.

The fiber we buy from the supplier is specifically formulated to provide those features. It also ensures that our manufacturing process runs smoothly and that the customer is happy with the final product in terms of performance, appearance, and delivery.

Once a supplier has been qualified with a customer, Suominen cannot simply change suppliers at will. Products could take many years to develop with our customers and some products require many levels of testing that could start with consumer panels as well as safety testing for skin irritation, skin sensitivity, and cytotoxicity. Because of this customers demand continuity in our suppliers. For example, there may be color and brightness variations between suppliers. There may also be differences in finish, crimp, as we talked earlier, shape of the fiber and the level of absorption as well as other factors.

This is important because these factors

absolutely impact the final product's look, feels, and functions. Internally, it is also difficult for our company to change suppliers and this does not happen on a whim. Our production facilities manufacture to very controlled and precise recipes. Changes in suppliers affect this and could also impact our waste water management, our processing time, and our overall operating and material efficiency.

The decision to purchase Chinese polyester staple fiber was the result of significant due diligence and risk assessment. We considered sourcing from Europe, the Middle East, and Chine. The Middle East was ruled out based upon geopolitical concerns and risk assessment. We considered a Turkish supplier, which we consider part of Europe, but decided to go with the Chinese producer because we had already started trials with them in our European facilities and they were, as a result, a known and tested producer.

We found that their efficiency and technology met our demanding standards. In short, we knew we would be happy with their product and performance. Despite the fact that they had a previous relationship with Suominen, they still had to go through a rigorous qualification process for Green Bay non-wovens.

In summary, in considering whether imports

injured the domestic industry, it is important that the Commission understand the big picture. Any injury to the domestic industry is of their own doing. They placed companies such as ours in a position that forced us to turn to additional sources of supply as they either could not or communicated that they may not be able to supply the necessary quantities of the product.

To protect our employees and customers, we have worked hard to ensure that we have an available supply of the required polyester staple fiber.

I appreciate the opportunity to be here and will be happy to answer any question. Thank you.

MR. LUDWIKOWSKI: Thank you Commission staff. Our next speaker is Bynum Poole, President of David C. Poole Company.

STATEMENT OF MR. BYNUM POOLE

MR. POOLE: I'm Bynum Poole with Poole Company. I've been with Poole Company in the fiber business for about 26 years now. Our family started the company by my father in '73. We've been through the industries. We know all the Petitioners. We have been in Fine Denier, course denier, filament, PET bottle, resins as distributors and also as manufacturers. We know this market inside and out.

We kind of saw the history of what was happening in the textile industry as well as the supply of

the polyester staple fiber you know years back. Mainly started in 2008 when Wellman that was referred to shut down due to economics. They shut down their plant. That still left you know significant capacity in the fiber industries, but we saw Wellman had been a very specialty-type producer. They would make different types of fibers. They had the type of mentality that would be make a fiber that fits the customer, then one fiber fits all.

We kind of saw that that was kind of going away in the U.S. market, so we went off and looked at developing fibers that would replace on the more specialty on a customer demand-type model. We invested and bought a coarse denier line, which is not involved in this petition, but due to the capital requirements that everyone knows, we need to be able to service the customers and the need that was not being serviced here in the U.S. we went over and partnered with Asia to do some products.

Some of the products we have done are virgin, more so for the smaller customers who needed specialty virgin who aren't the big ones like the producers in the Petitioner's supply. While we also do a lot of specialty products like cationic dye. We do some blacks that cannot be supplied here because of denier and supply restraints. We also on the same footing back in 2008 we started to look at when sustainable became a big issue. Poole Company at

that time decided that there was a growing opportunity for a truly sustainable fiber in the market and we wanted to do it to differentiate ourselves versus what was referred to as a recycled product. Recycled in the past days was referred to as a fiber that was made up of -- you know as they say “anything.”

It could be post-industrial. It could be post-consumer. It could be all different types of scrap. But now, as everybody knows, all these corporations have sustainable goals, so we decided at that time to make a post-consumer recycled fiber that would fit all the end uses anywhere from textiles to non-wovens to furniture to filling. You know the whole parameter, but we mainly concentrate in the Fine Denier.

One of the things that kind of got us into you know at that we see -- there was a lot of comments that the raw material is different. Well, theirs is all chemical-based you know from MEG and PTA, whereas, ours is 100 percent coming from post-consumer bottles. Ours is certified by a third-party certification company that it is 100 percent post-consumer bottles, so you know what you're getting. And also, the FTC has come down with rulings now that says recycled has to be diverted from a landfill, so there is definition.

Now in the past when they refer to the -- which

I was not around for, but involved in the past recycle petition where they were trying to separate the recycled. Back then, you know there wasn't a sustainable. There wasn't really a difference between recycled and post-consumer recycled. Now there is. Now the consumer knows the difference, wants the difference, and asks for the difference, and that's what we are supplying.

Again, our fiber comes from 100 percent post-consumer recycled bottle flakes. It's third-party certified, so you know there is the difference. One of the things is not on the raw material difference there is production equipment difference. You know in a continuous polymerization they have totally different equipment on the front side of it, whereas, for the product for post-consumer recycled you have to not only start out with good, clean, 100 percent bottle flake from consumer, but you also have to put in the right blending. You have to have the right drying and extrusions, then it follows through to the process. So there is some difference in the process compared to virgin polyester.

The other areas you know virgin polymer is a homopolymer, whereas, the base polymer that is made to go into bottles is not and Joe, who is our technical director, can answer most of those kinds of questions; but it's more of a copolymer type product that's used. When making

bottles, they add a polymer in to affect the crystallinity when they're blowing the bottles, which virgin polyester staple fiber does not have, so there is a slight difference in chemical from the base product from a virgin versus to a recycle, not only from where the content comes from.

Yes, there's a physical characteristic that you know a virgin polyester is a lot wider. It is a lot cleaner source. You know we're working with the best and the cleanest from bottles, but you know you cannot truly max the clarity of a virgin polyester, so there is some esthetic difference that you can see. Again, the difference is from 100 percent post-consumer recycled. One of the big differences from this industry, the parts that we manufacture are 1.5 or lower. We manufacture a 1 denier, a 1.2 denier, and a 1.5, which aren't made here in the USA, so there is a specifics there.

We make also fibers that have different specifications, different than what's made here. Everybody was asking about tenacity. Here for the PCR that's made there's limited -- on the tenacity most of it is mid to low tenacity where our products are high tenacity and we need that to be able to go into more rigorous applications that -- you know for textiles and for non-wovens that the current market can't supply. Also, that involves in shrinkage. Shrinkage is another one where it's a form of

the higher tenacity and the heat set as well. And again, that is something that is not made here that a lot of our customers demand.

For channels of distribution, they're somewhat similar, but most of ours is different. Most of the producers here are continuous and they build inventory and for multiple customers to take multiple products. Ours is very specialized. Our distribution is we make a certain type of fiber for a certain customer and that is then distributed and held in inventory for that customer. It is very customer-specific instead of market in general, so we are -- you know we see that as a little bit of difference in how we distribute and manufacture it.

Some other areas are we do ours in smaller batches. You know it's a smaller type scale equipment versus the continuous ones. You can stop the line. Yes, it's a little bit less, but nothing like stopping a continuous pumulization. You can stop and start and make new products and change the products as needed for the customer's end use. You know extrusion-based there's a lot more flexible and it's not complex and expensive as what the continuous pumulization for a virgin found in your staple fiber.

One of the biggest thing is not only that it is a different polymer coming from flakes you know it was said

that our PCR or recycled fiber is considered the same thing after it comes out as a fiber. Now that is definitely not the case. It might have physical similarities and characteristics, but when it goes to the consumer a virgin fiber cannot be called sustainable. It cannot be considered earth-friendly like recycled fiber can. The customer's perception and the market perception is vastly different for a virgin staple fiber than for a post-consumer recycled and we are seeing growing and growing interest in it. It is more expensive, but with the nature of supply and demand, economics of scale we see as more people demand it the economics of scale will come more in line.

One of the things on the cost perspective the cost of flake -- in EcoSure post-consumer cycle there's a flake index the same as they were saying there's PETA and MEG for raw materials. They're totally separate indexes, so that constitutes they're separate. If they're separate enough to have different indexes, then they're considered enough to have separate classifications. And most of our pricing is set by the bottle flake index and we do it in China and most of our manufacturing is in China because that's where most of the bottles are. Here in the U.S. there's mid-30 percent recyclability on plastics PET. There's very limited amount of washing it to provide it, so

we have gone to China to where there is 90 plus percent recycle rate of PET and a lot more in Asia where there's higher quality in recycle and washing and sorting operations where there are not as much here, very, very limited here. Most of the material that is good quality here goes back into the FDA-approved water bottles and Coke-a-cola bottles in 10 percent, which is also they marketing sustainable carve out for the bottling industry.

Since there are different indexes in the supply and demand curve, there's totally different inversion. They kind of follow in the same trends, but PET flakes prices go to the availability of PET flake. It's dependent upon how many people recycle and not depending on the conversion of MEG and PTA from oil and natural gas. It's a totally different supply and cost supply structure. And most of our supply and costing is based off the cost of bottle flake and its supply and demand curve, which can be high when conversion is low and it could be the opposite. It's a different curve.

You know a lot of the sustainable reasons why people want to use PCR, and we say PCR because it's post-consumer recycled. And again, the FTC, as we've said, that it needs to be diverted from the landfill. You know not only is it diverted from the landfill the reason why a lot of these companies that are out there who are

specifying the PCR fiber and content is not only because it's diverting material from landfill an in depth study done by NOPC, which is the National Organization of Plastic Containers organization, they have done extensive research which showed making fiber from bottle flake versus virgin saves 84 percent in energy. It reduces greenhouse gases using bottle flake material for fiber by 74 percent. It reduces water by about 20 percent.

Now these are things that the market looks for and everyone has their sustainable goals. You have your KMarts. You have your Proctor & Gambles. You even have your Suominens and everyone. You can only limit so much on how you package or your transportation. You have to look for content. And this is a very huge market that is growing and growing, especially with the Millennials. They're looking to protect the earth and they want a product that can do it and that's what we're trying to provide and we think it is vastly different than virgin polyester as a sustainable fiber.

And I appreciate you all's time in listening to me and when it's our turn for questions we'll be glad to answer any that you have.

MR. MENEGAZ: Good morning. This is Gregory Menegaz with the law firm deKieffer & Horgan. I'm here with my colleague, Judith Holdsworth, on behalf of two

importers, Fibertex Corporation and Consolidated Fibers. Unfortunately, Ernest Elias with Fibertex could not make it, but I'm going to read his testimony.

The good news is that Mr. Kunik, with Consolidated Fibers, is familiar with both of the products that we're going to speak about. We're going to be explaining why two very specific products deserve separate like product treatment. And with that, I'm going to turn things over to Mr. Kunik. We have distributed samples of the products that he's going to discuss to the Commission staff.

I don't have samples of the other product, but we're going to start with his, which is a short-cut fiber, and he's provided a sample of a standard fiber, just to contrast it. And my discussion is going to be about a siliconized fiber. So let's first talk about the short-cut.

STATEMENT OF ROBERT KUNIK

MR. KUNIK: Good afternoon. I am Bob Kunik, President and Owner of Consolidated Fibers. We are a family-owned, sixty-year-old company based in Charlotte, North Carolina. We employ twenty people, and our business is the distribution of synthetic fibers and yarns.

Previously, in addition to our fiber business, we owned and operated for over forty years, Waverly Mills

in Laurinburg, North Carolina, a spinning mill for apparel industrial yarn applications. At its height, we employed over five hundred people. In 2008, we exited this business, mainly due to pressure from imported yarns and fabrics.

Currently, almost all of our sales are done in the USA, providing products to U.S. manufacturers. In addition to managing our sales team, I coordinate the supply chain and purchasing of all of our fibers and yarns for Consolidated Fibers. I am here today, in part, out of our concern for the business of Consolidated Fibers, but also for the downstream manufacturers that depend on our supply of fibers for their continued operation and product offerings.

As we have made reference to in the importer questionnaire response filed by our company, we believe that polyester short-cut fibers should not be included in the subject merchandise, or at least should be treated as a separate like product.

These short-cut fibers differ from the subject merchandise in the following ways: They are uncrimped; they are packaged in small bags or boxes instead of bales; they contain 11 to 13% moisture versus less than 1% moisture for traditional spinning and traditional nonwovens; they are much shorter in cut length with most

fibers in the five- to six-millimeter range, unlike the thirty-eight millimeter range for most other subject merchandise.

And I know that you have some samples of the product, but if you just take a look at these fibers, you can see, as opposed to the other samples that you've been given today, it's truly a very different product in appearance and in hand in the characteristics that I just mentioned.

These short-cut fibers are utilized in conjunction with other fibers like pulp to form products in what is called a wet-laid process. This is essentially a paper-making process and these are basically paper products. End uses include filtration, packaging and other industrial applications, as well as other special technical papers.

In addition to the different and unique physical characteristics, I want to comment on other ways these fibers are vastly separate from the products referenced in the questionnaire and in the scope of this case.

Number One, interchangeability. These short-cut fibers are 100% not interchangeable with the other fibers in this case. These products are made for the paper machinery I referenced earlier and above. If you

tried to present these fibers into a traditional non-woven or textile spinning mill, it would cause these factories to shut down and cause huge damage to their operating equipment.

Number Two, customer and product perception. The customers who use these short-cut fibers are totally different and distinct from any other customers who utilize the subject merchandise. To help you understand this as I've referenced, I've shown you the samples. The vast majority of this subject merchandise is used by very large integrated spinning and fabric manufacturers who utilize Fine Denier long-stapled crimped fibers.

These traditional processes use baled fiber that is very similar to cotton, and incorporate the use of large carding machines, spinning frames and weaving and knitting machines. In contrast, the short fibers that I am referencing today are very short, uncrimped fibers that are introduced into paper-making slurries that form totally different industrial products.

Number Three, production processes and common manufacturing facilities. These short-cut fibers are made on different lines than subject merchandise called batch lines. Within these batch lines, special cutting, packaging and spraying systems are used to produce distinct properties needed for our customers. Other types of

subject merchandise cannot be made on these batch lines.

It's important to note that the production runs and lot sizes are relatively small compared to the very large quantities generated from the continuous lines used to make the fibers in the bulk of the subject merchandise covered by this case.

One final and important point to make is that these short-cut fibers are not being produced by the petitioners, nor any other U.S. producer at this time, or in the last ten to fifteen years, for that matter. To include these short-cut fibers in this case will only hurt the U.S. manufacturing base we service in the sale of these fibers. Thank you.

STATEMENT OF ERNEST ELIAS

MR. MENEGAZ: Again, Greg Menegaz for the record, from deKieffer & Horgan. I'm going to be reading the statement of Ernest Elias, Vice-President of Fibertex Corp. So, Ernest Elias is a vice-president and 50% owner of Fibertex Corporation. I'm trying to read it in his voice here.

"We are a family-owned company based in Teaneck, New Jersey, operating for over twenty-five years, distributing polyester staple fiber to manufacturers in the U.S. and Canada. Our customers include U.S. manufacturers of pillows, bedding, mattresses, filters, automotive

components, insulation media and many other general industrial components.

"While we employ only a small number of people in our logistics and distribution operations, we provide a valuable service in making critical raw materials available to our customers on a 'just-in-time' basis, and this enables them to operate profitably and competitively with their large downstream U.S. manufacturing work forces.

"I oversee and am responsible for all operations of the company. Fibertex has completed the importer questionnaire issued by the Commission, but feels that the questions and answers, while accurate in themselves, do not accurately reflect the relationship between the PSF produced by petitioners, in respect of which the petitioners are claiming relief, and the PSF we import in order to service the needs of our U.S.-based manufacturing customers.

"In particular, the main products produced by petitioners for which they are seeking import relief, are the virgin polyester staple fibers produced for spinning and some nonwoven end uses, such as spun lace, etc. The bulk of the PSF below 3.0 denier that we import is for non-spinning end uses and is 0.9 denier siliconized PSF, which is blown into products for filling pillows and cushions, more details of which we now set forth below.

"Based on the manifold distinctions which I'm about to enumerate, we believe that the fibers we import should not be included in the subject merchandise, or at least should be treated as a separate like product."

And I apologize, it's gonna get a little bit complicated, but Fibertex is defined the spinning and spun lace fiber types envisioned by the petition as "P", and the fibers that we are seeking a like product treatment for as "Fine Denier siliconized fibers", or "F".

"So for physical characteristics, 'P', made from virgin raw material, PTA and MEG. 'F', made from recycled PET bottle flake, primarily.

"'P', mostly 1.2 to 1.5 denier. 'F', mostly 0.9 denier." And we will provide a table in our post-conference brief, in case you want us --

"'P', all have dry nonsilicone type spinning finishes. 'F', have all siliconized finishes.

"'P', high tenacity over 5.0, critical for these end uses. 'F', lower tenacity and not critical.

"'P', mostly dyable, 'F', not dyable.

"'P', often optically brightened, and 'F', not optically brightened.

"As for interchangeability, 'P' and 'F' are not interchangeable at all. Siliconized fibers, or 'F', are not to be used on spinning and spinning-type fibers, and

cannot be processed by blowing as they are too dry.

"Channels of distribution. Spinning-type fibers, or 'P' are commonly sold directly from farm producers to the U.S. spinner on medium long-term contracts which are often indexed to the raw material, oil, PCX, PTA, MEG cost. 'F' are normally sold by a farm producer to a U.S. importer such as Fibertex, who then ships 'just-in-time' from his local warehouse facility to the U.S. manufacturer.

"Both customers and producers of 'P' and 'F', respectively, are operating in completely different markets with totally unrelated demand fluctuations and little in common with regard to pricing structure, importers, stockists, etcetera. Many of the customers of one will be unaware of the existence of the other.

"As for common manufacturing facilities, the manufacturing process for 'P' and 'F' are quite distinct. That is not to imply that a facility for 'F' cannot make 'P' and vice versa, since both have fiber extrusion, drawing, crimping and finishing processes. But the set-up of the respective facilities will be quite different.

"With respect to the production processes and employees, as mentioned, most of 'P' is made in large vertically integrated virgin plants producing PSF from PET and MEG by catalyzation, a major chemical reaction, in

quantities between 200 and 400 metric tons per day. 'F' is produced in much smaller plants using recycled PET bottle flakes as the raw material, which are washed, melted and re-extruded into PSF, with no major chemical reaction, in quantities of usually between 60 and 80 metric tons per day.

"Finally, with respect to price, the markets for 'P' and 'F' are quite different and the structure of the production plants is different, so the respective pricing structure is unconnected.

"So based on all these criteria, Fibertex requests that there be separate like product treatment for the Fine Denier siliconized polyester for blowing into nonwoven fillings. Thank you very much for the Commission staff time."

MR. MARSHAK: This is Ned Marshak on behalf of the Chinese respondents. We don't have any direct testimony today, but we're available for questions, and we'll be filing a post-hearing brief.

MS. HAINES: Does that conclude your testimony? Okay. Thank you very much. We'll start with Mr. Chang.

MR. CHANG: All right, good afternoon. And thank you for everyone to take the time to come out here and provide your testimony regarding these investigations. So, first, I just wanna keep it simple. What exactly is

siliconized fiber? Like, how does that work? What exactly is that?

MR. KUNIK: The siliconized is a special coating that's used to produce a down-like, soft, slippery fiber. And the real reason is to duplicate feathers or down. If you wish, we could provide samples at some point. But it's a real slippery product that replicates the feel of those down-like feathers.

MR. MENEGAZ: I would add, there was a discussion of oils and coating in the earlier session. And you know, we've been through these cases before, in the China case in 2006. All the factors of production and the Chinese manufacturer made public, and there are multiple oils that are used on polyester staple fiber, such as fiber oil and mineral oil to help guide the fiber through the machinery.

That's not what we're talking about here. What we're talking about is a special oil that is added after the crimping stage, and it would really foul up the machinery of a company trying to make non-siliconized fibers on a regular basis. It's like you have to shut down the machinery and clean it extensively to switch. And so it's a very special coating that is for a very special process, which is basically blowing and filling up pillows and cushions.

MR. CHANG: Okay, and so how long does that process take to adjust from the other oil to the specialized oil that you were just referencing?

MR. KUNIK: There'd be significant -- well, I guess the nature of the question, I'm not sure if you can --

MR. CHANG: Yeah, so I guess what I'm trying to get at is -- 'cuz you were referencing that significant changes need to be made, so I guess how long would it take to make those changes? And, too, I guess more specifically, what would those changes be?

MR. KUNIK: Well, the changes would be, adding the application of the special oil and coating and the siliconized finish, but I think the point is, especially as it relates to the subject merchandise, is it really probably would not be made on the same lines, because it's so potentially damaging to the vast majority of the subject merchandise.

For instance, if you got that siliconized oil in a product for spinning or nonwovens, it would be really dangerous to the intended end use.

MR. CHANG: Okay, so in what ways would the production lines be different for these products?

MR. KUNIK: Well, as it relates to the subject merchandise, the Fine Denier, they're normally smaller

lines, batch lines, lower volume, as Mr. Menegaz referenced, smaller lines, because of the nature and the process of adding the silicone.

MR. CHANG: So you guys touched -- I think you touched a little bit on the end uses of these different products. And I was wondering if I could get a little bit more specificity, I think, with the short-cut is paper products, like, specifically what kind of paper products, what type of customers are you dealing with, with those products?

MR. KUNIK: Well, the customers, like I mentioned, kind of fit into a broad category called "wet-laid" and the end use applications are things like filtration papers, adhesives, certain types of tapes.

We have an addendum that we can add in the post-hearing brief, that we consider confidential that we can provide. It's a good piece of product literature that will really explain it. But they're kind of like paper like products, filtration, masking tapes, things like that.

MR. CHANG: So based on what I've heard from you all's testimony, it seems like the denier that's made from the post-consumer recycled product -- my understanding, it seems like it's a growing industry. Is that a correct assumption to make?

MR. POOLE: Bynum Poole with Poole Company.

For post-consumer recycled to be truly called a sustainable fiber, yes, it is growing. We see it starting to grow fairly rapidly. It has been traditionally a very small percent as everybody has testified here earlier, but these things take time to grow the market and for them to understand it, and I think now, with the change, especially with the millennials and the way people are buying and thinking, this is a critical factor in how they buy and how they think.

I mean, look at Patagonia. They're growing tremendously and all their products are made with organic cotton and recycled polyester. Post-consumer recycled. With certifications listed on it.

MR. CHANG: Okay. So aside from, sort of, the sustainability and branding and marketing components that have been discussed earlier, are there any other driving factors behind consumers' decision to go with the denier that is produced from post-consumer recycled materials?

MR. POOLE: Well, to clarify, the deniers can be anywhere from 1.0 denier up, to 500 denier staple. For the Fine Denier, what our customers are coming to us is because our fibers are 1.2 or true finer deniers. We manufacture with our partners on equipment that is -- I mean fiber that is imported with our partner manufacturers to be able to do a finer denier, 1.5, 1.2, and 1.0 denier,

which is critical for a lot of different applications.

Also, has been described here among other things as tenacity. Tenacity is very important. The strength of the fiber. Here in the U.S, still there is no one who can make a high tenacity, post-consumer recycled fiber. That is very important, so we see, not only the characteristics of being finer denier are growing and more the applications are growing because of the, finely, the availability of it, but you know, also the characteristics that go along with it, with the tenacity and shrinkage. I hope that answered your question -- or did it not?

MR. CHANG: I guess it sort of answered the question, but I guess -- let's say you had a high-tenacity, Fine Denier, polyester staple fiber that was virgin-made, versus the, let's say, same tenacity, same cut length, but then composed of the post-consumer recycled material.

So what I was trying to get at is, is there something from the post-consumer recycled produced Fine Denier polyester staple fiber that--in the consumers' eyes--distinguishes it from the other type? That's kind of what I was trying to get at earlier.

MR. POOLE: Well, the consumers' eyes, the ultimate consumers, they really don't know what fiber is, so they go for the content that is labeled on a product. And when it is labeled as post-consumer, that's what they

want to buy.

And so in the consumers' eye, they see it totally differently as a polyester. Same thing as total different as a cotton, totally different as a viscous rayon fiber. They see it as a more sustainable fiber and they do see it differently.

MR. CHANG: So going back to the standard and the short-cut, are there substantial cost differences, technologies and investments, things of that nature, between the manufacturing processes of the two products?

MR. KUNIK: Yes. The values, the specific values we can do in the post-hearing brief, but the values of the short-cut fiber are significantly higher than the subject merchandise. These are more expensive products. They're categorized by shorter runs.

It's more expensive to package them in these either 25-, 50-pound boxes or, you know, or cartons -- you know, they're packaged separately. As you can see, when I took the samples out, it's very hard to handle, so there's special handling, so their different process is more expensive. The values are higher and these are, again, products that, you know, our customer bases come to us and said, “We can't get 'em here,” and that's how we've gotten in this business over the years.

MR. CHANG: And is there any difference in the

type of employees that are required to manufacture the product? Or employees could be cross-trained to manufacture one product or another?

MR. KUNIK: Different employees, partly. Yes, I mean I think there's gonna be some special training. Probably. I think it's safe to say probably some special training to do it.

MR. CHANG: One last question, it's more of a housekeeping question. In terms of importing the Fine Denier polyester staple fiber, have you guys imported under any other HTS codes besides the one that was outlined in the questionnaire?

MR. KUNIK: No.

MR. CHANG: That was all the questions I have for now.

MR. DUNBAR: No.

MR. POOLE: No.

MS. HAINES: Okay, thank you. Mr. Haldenstein?

MR. HALDENSTEIN: Thank you. Mike Haldenstein, I'm the attorney assigned to the case. I think I heard a mention that there was a different chemical in the recycled product. Could somebody identify that and clarify how much of that chemical is in the product?

MR. MCFAYDEN: This is Joe McFayden. I'm with Poole Company, just a brief introduction. I've worked for

Willman Incorporated, similar to Mark Ruday for about thirteen years, and I've worked for Poole Company for four years and I have a chemical engineering background, so technical director for Poole Company.

And so the chemical differences that you see with the 100% post-consumer recycle fiber really are a result of the chemical differences that are in the polyester backbone that's used for the bottles. And I know everybody hasn't had chemistry in a while, but if you remember back to some organic chemistry, you can have some forms that are straight, kind of para, and some that are bent, like iso, so there is a certain mold percentage of a IPA and isophthalic acid that substitutes in for bottle resin, and it's typically used really in the bottle industry to keep the bottles clear, from becoming hazy and crystalizing when they're blown.

So that carries through as was mentioned earlier with the extrusion process, there's really no more reaction, you're just melting down and re-extruding that polymer back through into fiber. So that is a difference. Now, typical virgin polyester fiber producers would use the straight form of that, and it can be chemically analyzed.

I guess there's no real reason that they would use that copolymer in the production of virgin polyester fiber, but it is, like I said, an artifact that comes

through from the recycled product, from bottles. Does that make sense?

MR. HALDENSTEIN: It does. Does it affect the properties of the --

MR. MCFAYDEN: It can. And where it can affect the properties is, really back to the crystallization and how all that -- there's a couple of things that go along when you melt fibers. You've got polymer chains that are so long, when you melt and extrude them, you're aligning those polymer chains. When you draw them out, you're further aligning them, but what tends to happen then is they line up together and they almost form -- they do form crystals.

Then you can add heat to the fiber after that is stretched, and you can increase that crystal any further. So by having that copolymer in there, it can affect the rate of that crystallization in the resulting fiber. And that can carry through and change the hand of the fiber, how soft it feels, how it may perform in resiliency tests and things like that.

MR. HALDENSTEIN: Can that lead to defects in the product?

MR. MCFAYDEN: I wouldn't call them defects. I'd call them different characteristics. Any no spinning process, you know, you can have defects from drips and

melts and things like that. That would be true for virgin, as well as recycled.

MR. HALDENSTEIN: Thank you. I'm wondering if I heard this correctly, that 1.5 denier product is not made in the United States? Or is that -- did I misunderstand?

MR. POOLE: Currently, from our tests, that definitely there is no one here who's making 1.2 deniers have been called a 1.5 or more like a 1.7, 1.8 denier, so there is a limit on Fine Denier of 1.5 and below in production here for PCR fiber.

MR. HALDENSTEIN: You said there's a limit on --

MR. POOLE: Well, there is -- I'm sorry. Not a limit. There is none made. I'm sorry.

MR. HALDENSTEIN: There's none under 1.5?

MR. POOLE: There's none under 1.5. And especially, there's none under, you know, none with a higher tenacity in the higher shrinkage even at 1.5 or 1.8 denier, due to the drawing as explained earlier. There's limited production -- there is no production for that.

MR. HALDENSTEIN: Thank you. Who is making it in the U.S.? Who is making the short-cut and the siliconized product?

MR. KUNIK: To the best of our knowledge, there's no production of short-cut fibers in the USA as it

relates to the siliconized fiber for the Fine Denier subject merchandise, there may be a very, very little bit, but I don't think there's hardly any being made here. So for the short-cut fibers, nothing. For the siliconized subject merchandise, it could be zero. It's very, very little, if it is.

MR. HALDENSTEIN: Thank you. When the Commission looks at the like product, it generally focuses on domestic production activities. So generally the Commission wouldn't define separate like products if there was no domestic production. So you may want to look at some of our earlier investigations where we indicated that, when you're addressing like product.

With respect to the recycle, is it fair to say it's mainly a customer perception on the product rather than the physical characteristics of the product, or is that -- am I overstating it?

MR. POOLE: I don't think it's really a customer perception, because it is a reality of what the product is made out of. That's why we had a third party certification that follows it through with plant visits and audits, and we have certification from SCS, which is a globally recognized third party certification company.

We get certifications that guarantee -- that provide that it is price consumer provide along. So it's

not just a perception. I think it's, you know, it's the actual product is a sustainable fiber, not just perceived as one. It is a sustainable green fiber that reduces energy greenhouse gases and doesn't go to the landfill.

MR. HALDENSTEIN: Are there any real physical differences in the product that are apparent?

MR. POOLE: Again, on the recycled fiber it wouldn't be as clear as a virgin. Again, no virgin -- no virgin customer would use a post-consumer recycled as a virgin, unless it was intended for sustainable goals, because it is not as crisp and clear and it's more expensive. So there's no financial reason to do that.

Same as on the price consumer recycle side, if you're wanting sustainable fiber and the callout for the customer and the customer's demand, you wouldn't want to use a virgin because it is not sustainable fiber. It is not considered a sustainable fiber.

MR. HALDENSTEIN: Did I hear correctly that the siliconized product is made from post-consumer waste, or is that not correct?

MR. KUNIK: Bob Kunik, Consolidated Fibers. Can you repeat the question one more time?

MR. HALDENSTEIN: I was asking about the siliconized. I thought I heard that it was made from -- it was recycled, made from recycled product, post-consumer

waste?

MR. KUNIK: Yes, yes.

MR. HALDENSTEIN: Does it need to be or is that just -- is there any reason it's being, or is it a cost or --

MR. KUNIK: Well, you know I think it's mainly to hit certain price points.

MR. HALDENSTEIN: Okay. Is post-consumer waste less expensive in third countries?

MR. KUNIK: Kind of -- to kind of get into the weeds here a little bit, the siliconized stuff is more -- it's different than the post-consumer that Mr. Poole's referring to. Most of this stuff for the siliconized Fine Denier is coming from post-industrial and lower end value products. It's not a lot of post-consumer. It's more post-industrial.

MR. POOLE: This is Bynum Poole. For the -- fibers from what we know of it, it has only the main characteristic it needs to have is the silicon and the Fine Denier. It is not -- it does not have to have the strength and tenacity, and they're not asking for the callout for the sustainability. So they have flexibility to use different raw material streams, whereas we don't. Ours is -- we have to guarantee ours as 100 percent post-consumer recycled, and ours is also going to very critical for

tenacity.

So you have to use the high end grade of bottle flake, same as that would be used then to go into Coca-Cola and water bottles, which they use in every bottle that you consume from Coca-Cola and Pepsi.

MR. HALDENSTEIN: And this is for which type of product, your standard?

MR. POOLE: Well, our post-consumer recycled brand. I was referring to from what I know of the other, the fill products, that they don't have the -- the siliconized products, they don't have to have the tenacity and all the strength and characteristics that for the -- for our non-wovens and for the textile industry would need. Their main issue is the silicon and the denier.

MR. HALDENSTEIN: Okay, thank you. I have no further questions.

MS. HAINES: Mr. Knipe.

MR. KNIPE: Great, thank you and thanks to you all for being here. I think I know the answer to this question, but to your knowledge do all the subject countries produce and export product made both from virgin and from recycled? Maybe a better question is are there any countries that --

MR. KUNIK: Bob Kunik, Consolidated Fibers. Yes, to the best of my knowledge.

MR. KNIPE: Okay, and for the countries or for the producers that do make virgin material, the same raw materials? Okay.

MR. KUNIK: Yes.

MR. KNIPE: So on the recycled issue, I heard I think it was Mr. Dunbar or Mr. Poole refer to a number of different types of recycled materials. So there's flake, there's post-industrial, there's post-consumer, and I also heard I think Mr. Kunik you referred to different values for those types of recycled material.

So when you purchase recycled product or you import it, is it typically one of those types or can they be mixed together?

MR. POOLE: Bynum Poole of Poole Company. I can only be one type. It can be -- for our products, it can only be 100 percent post-consumer recycled. As stated, the FTC has a made a ruling on recyclability, that it has to be diverted from the landfills. So in true nature, a recycled -- just calling post-industrial as a recycled fiber is not nowadays considered recycled because post-industrial waste hasn't been diverted to the landfills in decades. The only thing that is still being diverted to landfills is post-consumer bottles.

MR. KUNIK: Bob Kunik, Consolidated Fibers. You know, our products are not that. They're the lower end use

product, mainly going into decorative pillows. We don't ever specify post-consumer. We really more refer to it as like a regenerated fiber. It's a different, a different product.

MR. KNIPE: So are there different price structures associated with those different recycled sources?

MR. POOLE: Bynum Poole of Poole Company. Yes, there are. In some indepth indexing, they have different types of flake indexes. Flake can be of different grades. So there's not only -- there's different grades of 100 percent post-consumer flakes, and then there's market for it lower end waste, which Bob refers to as regen, which most of those do go into either the three denier type products for cost savings.

MR. KNIPE: Okay, and the same question I asked the domestic panel in the morning. I would love to get my hands on a price series. I assume you all subscribe to some kind of industry publications that publishes these kinds of price series. If you could provide that, that would be really helpful to the Commission. Specifically, it sounds like you're saying when you say "flake," that can refer to just post-industrial or post-consumer?

MR. POOLE: No. For bottle flake has its own index designation. To my knowledge, there is no -- there

is no index or pricing mechanism to follow post-industrial waste, yeah.

MR. KNIPE: Okay.

MR. POOLE: That is an extremely small percent of the market. Most of it is now 100 percent recycled.

MR. KUNIK: Bob Kunik, Consolidated Fibers. You know, again to the best of my knowledge, there's an index for the virgin raw materials, PTA and MEG. There's a published index for post-consumer bottle and bottle flakes. For the recycled or the regenerated, there isn't such index. We don't buy it on any index pricing.

MR. McFAYDEN: If I could add to it, this is Joe McFayden with Poole Company. Flake, as you mentioned, you know, typically would refer to the 100 percent post-consumer recycle flake, and it's the bottles that are chopped up. There is another process that's used and it's used more primarily in the packaging industry, when they want to re-introduce a recycled stream.

They'll take the bottle flake, re-extrude that into pellets and make resin pellets out of it, and then that may get re-introduced into another extruder mixed with virgin to make, you know, bottles with some content of recycled material. So if you see our pit resin indices or any kind of data like that, that's usually referred to in that process.

So it's another step in processing and it adds cost. But they're able to filter out some things and provide food grade bottle resin for packaging. So you may see that too as not something that we don't use as raw material, but in your economic analysis you may see that as well.

MR. KNIPE: Okay. Thanks for that. I think Mr. Poole you mentioned differences in supply and demand for recycled products. I'm assuming you're saying demand has gone up for recycled product, based on cache for recycled, sustainable product, is that right?

MR. POOLE: Yeah. Bynum Poole with Poole Company. It's twofold. On the demand side from the consumer, we are seeing the demand growing, as more and more consumers are wanting and demanding these sustainable fibers. On the supply-demand of the flake, it does vary differently than virgin. You could also look at your sourcing here in the U.S., since we have several different distinct climates or used to.

In the winter, the collection of bottles goes down, so the availability of bottles is reduced. So normally in the winter months, your bottle prices tend to go up because there's not as many. In the summer, when everybody's drinking water bottles and walking around, they're consuming a lot more water bottles. A lot more

water bottles are collected and turned into flake.

So usually in the summer months, the raw material prices go down. It has a very distinct, different supply and demand of the flake prices compared to virgin. Virgin is just based on MEG and PTA, on the refining that comes through, oil and natural gas, which is a constant and a totally different supply and demand.

MR. KNIPE: Interesting. Have you seen any introduction of regulatory sort of standards affecting supply and demand? Like state of California, for example, introducing some kind of -- increasing the amount of post-consumer recycled product?

MR. POOLE: We wish there would be in the U.S. There's no financial incentive for most people here to pick up and collect a bottle and take it to earn money. In a lot of countries it is and is also laws. A lot of states have deposit states, where you know, you pay an extra five cents a bottle to have a Coca-Cola and you get that refined when you take it back.

Unfortunately, there are very few countries -- I mean very few states are like that. So we're basically living by the household putting in the curbside or carrying it in the back of their car to a collection site.

MR. KNIPE: Okay. So you haven't seen that effect of demand and supply necessarily yet?

MR. POOLE: It does affect it here in the U.S., and that's one reason why we're doing it in China, where they have a 90 plus percent recycle rate, and it's more of a financial and a regulatory reason for them recycling their bottles than versus here.

MR. KNIPE: Okay. A couple more questions. You mentioned siliconized product. What percent of the market does that represent?

MR. KUNIK: Bob Kunik, Consolidated Fibers. Fractional, less than one percent. It's really small.

MR. KNIPE: And for the attorneys, do you have a position on whether the Commission should collect additional pricing products if we elect to go to a final phase investigation?

MR. MENEGAZ: That would be what we'd be requesting, yes.

MR. KNIPE: For what specifically?

MR. MENEGAZ: For the siliconized and the short cut from our part, and perhaps I won't speak for the recycled.

MS. SMITH: And this is Kristen Smith from Sandler Travis. We would also for the post-consumer recycled product.

MR. KNIPE: So in your post-conference brief, I'm just anticipating as we go further down the road to

avoid emails that we might exchange down the road, if we get that far, propose some pricing products that you think would zero in on that issue. The last question, are there any differences in the types of sales between contracting spot sales that you might make, depending on the type of product, whether it's virgin or recycled?

In other words, if Pategonia, for example, is a big consumer of PCR material, are they more likely to buy via contract versus spot sales, and is there a division in the end users market based on those two?

MR. POOLE: Bynum Poole of Poole Company. Mostly for the PCR, especially like for Pategonia, it's more seasonal in tee shirts. So they wouldn't have a long term contract. It's more, you know, they're more smaller and more specialty. So they wouldn't be issuing it into a long term contract. It would be probably a very short term verbal kind of for a short seasonal program.

MR. KUNIK: Bob Kunik, Consolidated Fibers. For both products, siliconized and short cut, we do very little spot. It's really most of them are quarterly and a few of them are six months. But most of them are quarterly contracts.

MR. KNIPE: Okay. That concludes my questions. Thanks to you all.

MS. HAINES: Thanks. Ms. Kim, do you have any

questions?

MS. KIM: I don't have any question.

MS. HAINES: Ms. Hanson.

MS. HANSON: Yes. Thank you all for your comments. Mr. Poole, your position, just so I can't see you so yes. To start with the recycled issue again, just so we get it all on the record as clearly as we can, the body that does the certification, could you tell us more about that or who it is or provide more information?

MR. McFAYDEN: This is Joe McFayden with Poole Company. I mean there are a few that do it globally. We use one in particular. We'll provide that in the post-conference brief and provide the information to you.

MS. HANSON: Okay, and that certification is recognized by the FTC, by who in the enforcement realm would be verifying that this certification means something?

MR. McFAYDEN: I'm not sure if the FTC does, but we'll clarify that as well.

MS. HANSON: Okay. That would be great. Thank you. And again, just to illustrate that point of why I'm asking it, if I made this fiber from virgin material but I know that the customer is out there that wants it from recycled and I lie and I say I have made this recycled fiber and here's my certification, who is it that's going to catch me? Does it mean something to U.S. Customs in

terms of classification of the product, and I think the answer to that is no. But I'll let you clarify it with your --

MR. McFAYDEN: This is Joe McFayden with Poole Company again. So there are questions that come up like that in retailers especially, on the retail end, and I'll explain that there can be chemical indicators, chemical indices, chemical tracers. They're used to verify the fiber and trace it back. Those would be proprietary and outside of some of the things that, you know, other fiber producers would use as well, and they could verify that this was produced from a known source at that point.

MR. POOLE: Bynum Poole with Poole Company. And on certification as well, they are -- if there is a callout and they want to rename, to carry on the certification through the end use, we use SCS, which is Scientific -- what is it? It's an acronym for Scientific Certification Services. They watch these things.

So if we even or even a customer does a call out using something that refers to their certification and doesn't follow through, they are watching. That is their job. But it is -- so that's why they're globally recognized and using them and their logos, people know that they're following it and it's certified. I hope that answers some of it.

MS. HANSON: That will help, and I know if you provide more information, that would be useful. A couple of times you've mentioned in the presentation of this PCR material that it's not as clear or not as white, and as the industry person, honestly my specialty is apparel, not the fibers and the fabrics and yarns, so pardon my ignorance on this. But color is introduced at the yarn stage not the fiber stage, other than the black fiber that we heard Mr. Casstevens talk about. Is that correct?

MR. McFAYDEN: This is Joe McFayden. I mean at the fiber production stage, we can introduce a color such as titanium dioxide to improve the whiteness, and it also adds a delustriant. In some cases, optical brighteners can be added at the fiber production stage, and that's usually referred to as luster. So whether it's the dull, semi-dull optically brightened or non-optically brightened.

So that is added. Where the dinginess or the yellowness and the non-clarity comes from, when you're reheating the polyester molecules, there is some oxidation that occurs, some degradation, and that tends to bring the yellowness up and if you're familiar with color measures, the B value. B goes up towards yellow.

So yeah, you can dye those fibers, like you said, in the yarn state and makes blues and greens and reds after they're formed in the yarns. But of course you would

-- or a dye house may struggle with lighter shades or pure white if they were trying to have a direct replacement for virgin.

MS. HANSON: That was very helpful, thank you. To stay on my color theme for a moment and switch over to the siliconized, just my question in the statement from Mr. Elias that we read mentioned that these siliconized fibers are not dyeable. Why is that?

MR. KUNIK: Bob Kunik, Consolidated Fibers. They're not dyeable because of the inputs of the material. They're from fabric waste, thread waste. There's just a mixing of the material. They wouldn't, you know, the end use that they go to, they would never be dyed anyway, but they couldn't be dyed because of the inputs.

MS. HANSON: So if there were a textile end user that wanted to make yarn and then dye it, this product would not be suitable for that at all?

MR. KUNIK: No.

MR. POOLE: Bynum Poole, Poole Company. Also the silicon would block the dye site, so we would not be able to dye it.

MS. HANSON: That makes sense, so for the short cut fibers, Mr. Kunik, the primarily end use of those is paper-like products; is that correct?

MR. KUNIK: Yes.

MS. HANSON: So those end use products are not classified in a textile chapter of the tariff. They end up some place else?

MR. KUNIK: I'm not 100 percent sure of the harmonized tariff code for my customers. I know that it's the same harmonized tariff code for the subject merchandise, but for my customers I'm not sure.

MS. HANSON: So you're importing the fiber -- walk me through again, and I'm sorry because you probably covered it. But your role in the supply chain for this fiber getting to your customer, what are you doing?

MR. KUNIK: We're a distributor. So we buy from our sources. We warehouse it strategically in several warehouses in the country and we provide, you know, the sale, getting it to the customer, provide some technical help too. So we're a broker, a distributor.

MS. HANSON: Right, and then what they make of it, you're not really aware of it. Got it.

MR. KUNIK: Yeah. I'm pretty aware of what they -- I just don't know the code.

(Off mic comment.)

MS. HANSON: Okay. I don't think it's necessary. It was just me being curious, but --

MS. HOLDSWORTH: Would you like to have that information in the post-hearing brief?

MS. HANSON: Thank you. I don't think that's necessary. It was just for my own curiosity.

MS. HOLDSWORTH: Thank you very much.

MS. HANSON: Thank you all. That's the extent of my questions for this panel.

MR. KNIPE: I don't actually have a question. I just want to say thank you for the samples, and the same to the Petitioners. This is really helpful, particularly in the preliminary phase when we can't get out into the field and see. I really appreciated looking at the product we're talking about. So thanks for that.

MS. HAINES: Okay. I think we're done with staff questions. Thank you very much. It was extremely helpful. Time for closing statements. I think we -- let's just go straight to closing.

MR. BISHOP: This panel is dismissed. Thank you so much, and we'll get ready for closing remarks.

Closing remarks on behalf of Petitioners will be given by Paul C. Rosenthal of Kelley, Drye and Warren. Mr. Rosenthal, you have ten minutes.

CLOSING REMARKS OF PAUL C. ROSENTHAL

MR. ROSENTHAL: Thank you. I have to say that I'm not disappointed in the Respondent's presentation today. As the dude in the previous polyester staple fiber cases involving the three denier and above cases, they

focused on the hole and not the donut, and not even the entire hole.

By their own admission, virtually everything they were talking about this morning or this afternoon amounted to one percent of the total market, one and a half percent possibly, and what they talked about in terms of like product and production is very easily rebuttable and we'll spend some time in our post-conference brief talking about that.

As a matter of fact, U.S. producers do make a fair number of these types that they talked about, and to the extent that they don't, as Mr. Haldenstein pointed out, don't have a right under the statute to a separate like product definition and they certainly won't prevail on that argument, at least based on the Commission precedent.

So I'm not sure why they spent as much time as they did, but what is striking is how little time, zero time they spent on the statutory factors that the Commission has to analyze, the price, the volume, the impact. We've heard nothing in their testimony focusing on this, the hole, that explains why the volumes have been so significant and why they've grown. They have explained nothing about why the domestic industry's market share has declined so precipitously over the last few years.

They've explained about why the purchasers in

the questionnaires that you received thus far have basically said we've gone to purchase subject imports because of price, and while confidential, the vast majority of purchasers made exactly that point. A high percent have said we bought subject merchandise in this period. We bought it because of low price.

They didn't say they bought it because it wasn't available by U.S. producers. They didn't say it was a specialized product. They said we bought it because of low price. Nothing was offered by the Respondents today and nor could it be. Maybe this is all they've got. I think it is.

They have not talked at all about the declining sales and capacity utilization by the domestic industry. They haven't talked at all about the financial harm that has befallen the domestic producers. In essence, every important element that the Commission has to look at has been ignored by the Respondents today.

Maybe they'll address it in their post-conference brief. But based on the record today, it is obvious that the domestic industry has been injured by the imports from the subject countries, and should make an affirmative determination in this case. Thank you.

MR. BISHOP: Closing remarks on behalf of Respondents will be given by Ned H. Marshak of Grunfeld

Desiderio Lebowitz Silverman and Klestadt. Mr. Marshak, you have ten minutes.

CLOSING REMARKS OF NED H. MARSHAK

MR. MARSHAK: Thank you. First, I'd like to thank the Commission staff and I will thank you in advance for the diligence of your getting the information in the questionnaires and the diligence in your looking at the questionnaires and examining what's on the record.

You've been inundated with cases in the past couple of months, more than I've ever seen in years and years, and I guess we could thank the people at Kelley Drye for that. I can't believe the number of cases they've been filing. We also, just as a preliminary matter, we agree with the industry witnesses here today. There really are specific, discrete products, the post-consumer recycled product, the short cut fiber and the Fine Denier siliconized fiber.

These are discrete products. They may be small parts of the market, but they're separate parts of the market. Whether you agree or not whether they should be separate like products for this preliminary phase, what's important with the witnesses who came today, that these products are very important for their companies, and it shows that this is not a monolithic industry. This is not an industry where -- Petitioners would like you to think

this is just one product, and it's made the same way all over the world and Petitioners can make everything.

They want you to believe that, but when you look at the questionnaire responses, that's not true. We were late into this game. We were just hired recently by our clients. So what did we do? We read the public version of the petition and we said oh my gosh, why even bother? Imports are increasing absolutely, they are. They're taking a greater share of the market, they are.

It looks pricing is close. Maybe imports may be a little lower priced. Petitioners have said that their profits are going down. We're realists. Based on the public record, things don't look that good. But as in this case, as in all your cases, that's just the beginning of the analysis. There have been many, many cases where there's been extreme underselling and there are many cases where you have a loss of market share and declining profitability, and you still find no injury or even no reasonable indication of injury.

Why? Because you look at the questionnaire responses, and that's where this case is going to be won or lost. When you look at the questionnaire responses and they're all confidential, and that's why we really didn't have anything to say today, if you look at what the purchasers are saying. Look at what companies are saying

who buy the merchandise, who buy the product from both our clients and from the domestics, and they're going to tell an entirely different story as to what you heard today.

And we're going to put this in our brief. We can't talk about it now, but it's going to be in the brief. When you look at the major customers in this case and there are real problems with the domestic producers, in getting product from the domestic producers and whether the domestic producers can supply the market, can supply their customers in a way where their customers are confident that they can get product today and can get product tomorrow.

The domestics talked today about well, one plant was shut down for a month. But a plant that's shut down for a month, it's not just that month. It's what's going to happen in the future. If I'm shut down for a month this year, am I going to be shut down next year? Could I trust you again for the future?

And if I have to go for a second source of supply, if I have to go to China or another country to get product when I'm shut down, you know what? Maybe I should stay there and I'm going to stay there not because of the price, but because of the availability of the merchandise and the reliability of the sources of supply.

I think when you look at the questionnaires and you see what the major producers have to say, you're going

to have -- be seeing an entirely different story from what you heard this morning.

As to threat, yes. China exports a lot of this product to the United States. We believe we export the product because they've been pulled into the market because of the domestics' inability to supply the product. But look where our -- what we supply? We supply much more in the home market, significantly more in the home market in China, and significantly more to third countries.

The U.S. may be importing market from the Chinese, but it's definitely not the most important market, and our sales to the U.S. they could go up a little bit, they could go down a little bit. But it's what's going on in the Chinese home market where it's just going to grow and third country markets throughout the world where our sales are going to grow, which shows that we're not a threat to the domestic industry. Thank you.

MS. HAINES: 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 gain a better understanding of the product and the conditions of competition in the Fine Denier polyester staple fiber industry. Before concluding, please let me 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 Monday, June 26. If briefs contain business proprietary information, a public version is due on Tuesday, June 27th. The Commission has tentatively scheduled its vote on these investigations for Friday, July 14th and will report its determinations to the Secretary of the Department of Commerce on Monday, June 17th (sic).

The Commission's opinions will be issued on Monday, July 24th. Thank you all for coming. The conference is adjourned.

(Whereupon, the conference was adjourned at 1:19 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Fine Denier Polyester Staple Fiber from China, India, Korea, Taiwan and Vietnam
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HEARING DATE: 6-21-17
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NATURE OF HEARING: Preliminary

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