

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
LOW MELT POLYESTER STAPLE FIBER (PSF)  
FROM KOREA AND TAIWAN

) Investigation Nos.:  
) 731-TA-1378-1379  
) (PRELIMINARY)

Pages: 1 - 127  
Place: Washington, D.C.  
Date: Tuesday, July 18, 2017



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6 KOREA AND TAIWAN )

7

8 Tuesday, July 18, 2015  
9 Main Hearing Room  
10 U.S. International  
11 Trade Commission  
12 500 E Street, S.W.  
13 Washington, D.C.

14 The meeting commenced, pursuant to notice, at  
15 9:30 a.m., before the United States International Trade  
16 Commission Investigative Staff. Michael Anderson, Director  
17 of Investigations.

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1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Michael Anderson, Director of Investigations  
4 (presiding)

5 Elizabeth Haines, Supervisory Investigator

6 Porscha Stiger, Investigator

7 Laura Rodriguez, International Trade Analyst

8 Nabil Abbyad, Economist

9 Janet Freas, Accountant/Auditor

10 Peter Sultan, Attorney/Advisor

11 William R. Bishop, Supervisory Hearings and  
12 Information Officer

13 Sharon Bellamy, Records Management Specialist

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

3           Kelley Drye & Warren LLP  
4           Washington, DC,

5           On behalf of:

6           Nan Ya Plastics Cooperation, America

7           Michael Sparkman, Senior Business Manager, Nan Ya  
8           Plastics Cooperation, America

9           John Freeman, Assistant Director of Sales, Nan Ya  
10          Plastics Cooperation, America

11          Gina Beck, Economic Consultant, Georgetown Economic  
12          Services LLC

13

14                   Paul C. Rosenthal            )

15                   Kathleen W. Cannon            )- OF COUNSEL

16                   Brooke M. Ringel                )

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

3 deKieffer & Horgan PLLC  
4 Washington, DC

5 On behalf of:

6 Bernet Internatinal Trading, LLC  
7 Consolidated Fibers, Inc.  
8 Fibertex Corporation  
9 Stein Fibers, Ltd.

10 Mervyn Bernet, Chief Executive Officer, Bernet  
11 International Trading, LLC

12 Ryan Bernet, Vice President of Operations, Bernet  
13 International Trading, LLC

14 Robert Kunik, President and Owner, Consolidated Fibers,  
15 Inc.

16 Ernest Elias, Vice President and 50% Owner, Fibertex  
17 Corporation

18 Sidney J. Stein, III, Vice President, Stein Fibers,  
19 Ltd.

20 Jaren Edwards, Vice President of Sales, Stein Fibers,  
21 Ltd.

22 Gregory S. Menegaz )

23 ) -- OF COUNSEL

24 Judith Holdsworth )

25

1 Alston & Bird LLP

2 Washington, DC

3 On behalf of:

4 Milliken & Company

5 Jon Fee ) -- OF COUNSEL

6

7 Squire Patton Boggs (US), LLP

8 Washington, DC

9 On behalf of:

10 Far Eastern New Century Corporation

11 Peter Koenig ) -- OF COUNSEL

12

13 Interested Party Appearance:

14 Precision Custom Coatings, LLC

15 Peter Longo, Chairman and Owner

16

17 REBUTTAL/CLOSING REMARKS

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

19

20 Respondents (Gregory S. Menegaz,

21 deKieffe & Horgan PLLC)

22

23

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1 P R O C E E D I N G S

2 (9:30 a.m.)

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

4 MR. ANDERSON: Good morning, everyone. Welcome  
5 to the U.S. International Trade Commission's conference in  
6 connection with the preliminary phase investigation  
7 anti-dumping duty investigation, anti-dumping investigation  
8 number 731 TA-1378-1379, concerning low melt polyester  
9 staple fiber from Korea and Taiwan. My name is Michael  
10 Anderson. I'm the director of the Office of Investigations  
11 and I'll be presiding at this conference.

12 Among those present from the Commission staff  
13 are from my far right, our Supervisor Investigator Ms.  
14 Elizabeth Haines, our Investigator Porscha Stiger, and to my  
15 left are Attorney Advisor Peter Sultan, and our economist  
16 Nabil Abbyad, and our Accountant and Auditor, Janet Freas,  
17 and our Industry Analyst, Laura Rodriguez.

18 I understand that all parties are aware of the  
19 time allocations. And I would remind speakers not to refer  
20 in your remarks to any business proprietary information and  
21 to speak directly into your microphones. We also ask that  
22 you state your name and your affiliation before speaking for  
23 the benefit of the court reporter. They can't always see  
24 the name tags at the table.

25 All witnesses must be sworn in before presenting

1 testimony. Any questions regarding the time allocations  
2 should be addressed with the Secretary. Are there any  
3 questions?

4 Mr. Secretary, are there any preliminary  
5 matters?

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

9 MR. ANDERSON: Thank you, Mr. Secretary. Very  
10 well, let us proceed with opening remarks.

11 MR. BISHOP: Opening remarks on behalf of  
12 petitioner will be given by Kathleen W. Cannon of Kelley  
13 Drye & Warren.

14 Ms. Cannon, you have five minutes.

15 OPENING REMARKS OF KATHLEEN CANNON

16 MS. CANNON: Good morning, Mr. Anderson and  
17 members of the Commission staff. I am Kathleen Cannon, with  
18 Kelley Drye, appearing on behalf of the petitioner Nan Ya  
19 Plastics Corporation America. The case we have brought to  
20 the Commission today involves injury caused by unfairly  
21 traded imports to yet another part of the U.S. fiber  
22 industry, this time to the domestic producers of low melt  
23 polyester staple fiber.

24 Although this is the first trade case targeting  
25 low melt fiber, it is not the first time the Commission has

1 examined the low melt product. Back in 1999, the domestic  
2 industry producing coarse denier polyester staple fiber  
3 brought a case against dumped imports from Korea and Taiwan.  
4 In that case, the Commission found that low melt polyester  
5 staple fiber was not part of the same domestic like product  
6 or a U.S. industry as the core standard fiber. That finding  
7 was based on the unique by component structure and  
8 differential melting points of low melt fiber as compared to  
9 other polyester staple fiber. The discrete characteristics  
10 of low melt are designed for use of the product as batting  
11 due to its bonding characteristics.

12 By contrast, coarse denier is designed to  
13 provide loft in applications like pillows, while fine denier  
14 is designed to be spun into yarn for textile or nonwoven  
15 applications. Based on these differences, the Commission  
16 should continue to treat low melt as a discrete like product  
17 in this case as well.

18 The 1999 trade case is also relevant for another  
19 reason. After the domestic industry succeeded in having  
20 duties imposed on imports of coarse denier polyester staple  
21 fiber from Korea and Taiwan, we saw a significant increase  
22 in imports of low melt fiber from Korea and Taiwan. Many of  
23 the same foreign producers and importers are involved in the  
24 production and sales of both of these products. As the  
25 trade orders limited the Korea and Taiwanese producers'

1 ability to sell the coarse denier product into the United  
2 States, they shifted to selling more of the low melt  
3 product here.

4 In 2001, the year after the order on coarse  
5 denier was imposed, imports of low melt from Korea and  
6 Taiwan totaled about 10 million pounds. By 2014, the  
7 beginning of this period of investigation, subject imports  
8 totaled over 150 million pounds, 15 times their volume in  
9 2001. By 2016, the volume of imports from Korea and Taiwan  
10 reached almost 200 million pounds, a 20 fold increase since  
11 2001 when low melt was excluded from the earlier case.

12 Subject import market share has also been  
13 substantially increasing over the period and has directly  
14 displaced the U.S. producers' market share. The low melt  
15 industry is now down to supplying a small part of its own  
16 home market.

17 As was true in the coarse denier case, as well  
18 as in the fine denier case that Nan Ya and other U.S.  
19 producers filed earlier this year, the principal means that  
20 the unfair imports have used to penetrate the U.S. market is  
21 price.

22 Purchasers reported to you that subject imports  
23 from Korea and Taiwan are priced lower than the domestic  
24 product. These lower prices have been enabled the foreign  
25 producers to grab sales at the expense of the U.S. industry,

1 causing U.S. prices to plummet.

2 While raw material costs have declined, U.S.  
3 prices have fallen farther and faster as domestic producer  
4 cut prices to try to prevent losing sales to subject  
5 imports.

6 Unfortunately, the U.S. producers are losing  
7 that battle. Domestic producers have lost substantial  
8 market share and their prices have declined so much, that  
9 the industry's profitings have now fallen to losses over the  
10 period.

11 The precipitous decline in the domestic  
12 industry's financial condition places it in a precarious  
13 position that will not allow the U.S. producers to remain in  
14 this business absent a remedy.

15 Notably, the conditions of competition existing  
16 in the market should have lead to very positive industry  
17 results. U.S. demand has expanded significantly, which  
18 should have allowed increased sales, better prices, and  
19 better profits. Instead, shipments dropped and U.S.  
20 producers were forced to curtail production, leaving a  
21 massive amount of capacity idle.

22 Nonsubject imports are small and declining. So  
23 they are not the problem. Nor are sales of niche products  
24 offered by subject importers, an explanation for the injury  
25 to the U.S. industry as we often hear.

1                   The domestic industry is capable of supplying  
2                   low melt in myriad types and in increased quantities  
3                   throughout the United States, but it cannot do that unless  
4                   the unfair trading practices of the Korean and Taiwanese  
5                   producers are remedied. Thank you.

6                   MR. BISHOP: Opening remarks on behalf of  
7                   respondents will be given by Gregory S. Menegaz of deKieffer  
8                   & Horgan.

9                   Mr. Menegaz, you have five minutes.

10                  OPENING REMARKS OF GREGORY S. MENEGAZ

11                  MR. MENEGAZ: There we go, okay. Well, good  
12                  morning, everybody, thank you for listening to our  
13                  presentation. We have a number of witnesses here obviously.  
14                  I am here from the deKieffer & Horgan, Gregory Menegaz, and  
15                  I represent several importers, including Bernet  
16                  International, Consolidated Fibers, Fibertex, and Stein  
17                  Fibers. There are additional witnesses for purchasers and  
18                  importers that will be speaking on the second panel. They  
19                  all have in common their opposition to the petition on low  
20                  melt PSF.

21                  On behalf of these respondents, I would like to  
22                  direct the staff's attention to some key facts and issues  
23                  that we think will be significant to the Commissioners for  
24                  their determination as to whether there's a reasonable  
25                  indication that the domestic industry represented by a sole

1 petitioner is injured or threatening with injury by reason  
2 of Korean and Taiwanese imports of low melt polyester staple  
3 fiber or PSF.

4 As you have read and will hear more about from  
5 today's panels, the subject merchandise consists of pure  
6 polyester core and a pure polyester sheath. The sheath  
7 melts at a lower temperature in a bonding oven, and thereby  
8 surrounding the sheath, and imparting certain unique  
9 properties to the PSF.

10 So as -- in terms of the key points in  
11 contention, first, there's a universal concern about the  
12 filing of this particular case because the petitioner  
13 traditionally has served only a small percentage of this  
14 market for low melt PSF in the United States. In fact, low  
15 melt was as a product developed abroad. If the petition is  
16 successful or even moves forward, there will be a crisis in  
17 industries consuming low melt, including the U.S. automotive  
18 industry in particular.

19 Petitioner has no feasible prospect of serving  
20 this entire market or even a large portion of it. Moreover,  
21 petitioner does not offer various key, low melt products  
22 generally at all. These products were not around at the  
23 time that low melt was split off from the main PSF case and  
24 determined to be a separate like product.

25 The technical specifications, conditions of

1 competition, import trends and domestic sales data for some  
2 of these products are so unique, that based on the  
3 traditional like product criteria established in the record,  
4 we will be asking the Commission to considering treating  
5 them as separate like products in this case.

6 The respondents' panel will speak in detail  
7 today about the facts that petitioner has been unable to  
8 qualify technically for certain products and has elected not  
9 to make other key products that make up perhaps 20 or 30  
10 percent of this market.

11 These products include a black low melt, that  
12 has been steady growth in automotive applications, where it  
13 has replaced more toxic and heavier molded plastics in  
14 automotive applications such as trunk liners and engine  
15 insulation liners, etcetera in cars. And this has enabled  
16 U.S. car manufacturers to meet new higher efficiency fuel  
17 standards.

18 There's a limited substitutability between the  
19 white low melt made by the petitioners and the black low  
20 melt that is, you know, substantially responsible for the  
21 increase in demand worldwide, not just in the United States.

22 Another product you will hear about today is  
23 called crystalline low melt. And that's a product whose  
24 molecular structure remains crystalline rather than  
25 amorphous throughout the entire production process. And it



1 has a faster production process and higher moldability, and  
2 it was developed, you know, basically in conjunction with  
3 automotive end users. And it's not made by the U.S.  
4 industry. And they've apparently not tried or haven't  
5 expressed any interest in making it. So it's not -- simply  
6 not available here.

7           You have heard and will hear from petitioner  
8 today that they can serve the entire market. Yet how?  
9 They've never done so and such claims must be closely  
10 scrutinized.

11           We confess that the petition of the record  
12 materials are far from clear detailing petitioner's capacity  
13 on a product by product and line by line basis. The concern  
14 is that now with three anti-dumping petitions or orders,  
15 they're claiming triple injury on the same lines.

16           We also understand from general industry  
17 knowledge that any low melt line can be converted within  
18 three to five days to a conjugant line and vice versa. And  
19 so, we're concerned the petition may be claiming idle  
20 capacity that is in fact used for conjugant or reserved for  
21 conjugant. We just can't tell from the materials that are  
22 on the record. And so, in the same vein, the market for  
23 black low melt is booming and expanding, but conversely, is  
24 nearly impossible to convert because once you run the black  
25 on the line, there are major contamination issues and

1 concerns when you reconvert to white.

2 And so, we encourage the staff to ask both  
3 panels aggressive questions about this. We believe  
4 petitioner may suffer from structural dilemma, where they've  
5 made a long-term business decision not to open a black line,  
6 whereas foreign producers have been running black dedicated  
7 lines for years and thus have the ability to take advantage  
8 of growth in the market. These circumstances may well  
9 extend -- explain to a large extent the petitioner's  
10 allegations of lost market share.

11 Moreover, the record that we've been able to see  
12 so far refutes petitioner's allegations of underselling.  
13 And of course since most of that data is confidential, we'll  
14 be expanding on that in our post-conference brief.

15 Finally, the staff should be careful to avoid  
16 attributing injury to such declines in profitability to  
17 import competition when it appears that these changes may be  
18 primarily, if not entirely, attributable to changes in raw  
19 material cost. It is well known that due to far more  
20 abundant supply of the main ingredient PTA in the Far East,  
21 the cost of this critical raw material is significantly  
22 lower than the price of PTA in the U.S. markets, where  
23 critical shortages had downstream effects on various PSF  
24 products and their further manufactured goods industries.

25 Finally, we appreciate the staff's time and look

1 forward to the after noon panel. We think the public and  
2 confidential record information will demonstrate that the  
3 subject imports are not a cause of material injury or threat  
4 of injury in this case. Thank you very much.

5 MR. BISHOP: Would the panel in support of -- to  
6 the imposition of the anti-dumping duty orders please come  
7 forward and be seated?

8 Mr. Chairman, this panel has 60 minutes for  
9 their direct presentation.

10 CHAIRMAN ANDERSON: Good morning, Mr. Rosenthal  
11 and to our witnesses thank you for being here today. Please  
12 proceed when you're ready.

13 MR. ROSENTHAL: Thank you, Mr. Anderson. Good  
14 morning and good morning to the staff. We are going to  
15 start today's testimony with Michael Sparkman from Nan Ya.

16 STATEMENT OF MICHAEL SPARKMAN

17 MR. SPARKMAN: Good morning. Thank you. My  
18 name is Michael Sparkman and I'm the senior businessman  
19 manager for Nan Ya Plastics Corporation, America. I've  
20 worked for Nan Ya for over 17 years in both technical  
21 service and low melt sales. I was here just a few weeks to  
22 testify on the find in your case.

23 Unfortunately, we are being badly injured by  
24 unfairly traded imports in the low melt business as well.  
25 Nan Ya's low melt manufacturing facility's located in Lake

1 City South Carolina. The 700 acre Lake City plant began  
2 production of low melt polyester staple fiber in 2008. I  
3 would like to describe for you today the unique product that  
4 is the subject of this case and give you an understanding of  
5 how it is produced and used by our customers. I'll also  
6 discuss how our company has been injured by unfairly priced  
7 imports from Korea and Taiwan.

8 Low melt polyester staple fiber is a synthetic  
9 fiber which has a principal physical characteristic of a  
10 by-component structure in which the components at a lower  
11 temperature than in which one component melts at a lower  
12 temperature than the other. Nan Ya's low melt is produced  
13 with an outer core that melts at a lower temperature than  
14 the inner core. When heat is applied to the low melt  
15 fibers, the outer sheath melts and bonds with various --  
16 bonds various fibers together to form a desired shape.  
17 Different end uses require different melt points. The melt  
18 point for the outer sheath can vary from approximately 110  
19 degrees Centigrade up to 220 degrees Centigrade.

20 The inner core, in contrast, does not melt until  
21 temperatures reach 250 degrees Centigrade. Other physical  
22 characteristics of low melt similar to other forms of  
23 polyester staple fiber include denier length, finished  
24 luster, and crimp. All low melt has similar physical  
25 characteristics, notably the lower sheath melt point denier

1 and cut length.

2                   The manufacture of low melt can be divided in  
3 two stages. The first stage of the process is polymer  
4 formation. PTA or Polyethylene Terephthalate and MEG,  
5 Mono-ethylene Glycol, are chemically combined in order -- in  
6 one reactor that will eventually form the polyester core of  
7 low melt.

8                   All low melt is produced with these same raw  
9 materials. Usually from virgin feedstock, although it can  
10 be produced from polyester post-consumer materials.  
11 Polyester that will form the outer sheath is formulated in a  
12 second reactor, where PTA and MEG are mixed. Some of the  
13 PTA, though, is replaced with purified Isophthalic Acid or  
14 PIA.

15                   The added PIA allows the outer sheath to melt at  
16 a lower temperature. The melt point of the outer sheath can  
17 be controlled by the amount of PIA added to the second  
18 reactor vessel. The second stage of manufacturing of the  
19 manufacturing process is extrusion and fiber formation.  
20 During extrusion, the polyester in each reactor vessel is  
21 combined through special channels in the spinnerets to form  
22 continuous filaments in a core sheath configuration of  
23 semi-solid polymer.

24                   The polymer is drawn and cooled before it is  
25 crimped, cut, and baled. Because the lower melting

1 temperature, we must heat set the crimp in this product at a  
2 reduced temperature than we would with other kinds of fiber.

3 Nan Ya's low melt is produced on a dedicated  
4 production line using equipment and employs specific to low  
5 melt.

6 The unique physical characteristics of low melt  
7 make it suitable for various end uses. I've brought along a  
8 couple of samples of these end uses. One of them being a  
9 filtration mask and batting.

10 Our customers use low melt in batting for quilts  
11 and linings for automotive interiors, as well as  
12 soundproofing and insulation, among other uses. Once  
13 converted, low melt products are known for the excellent  
14 formability and ability to retain their shape over time.

15 All low melt is sold to distributors or directly  
16 to end users. All low melt is perceived by U.S. producers  
17 and customers to be a discrete product due to the fiber's  
18 unique melt properties, making low melt suitable for  
19 specific end uses and unusable for providing loft or  
20 spinning into yarn.

21 Those end uses rely on other polyester staple  
22 fiber products. Polyester staple fiber of 3 denier and  
23 above or coarse denier polyester staple fiber provide loft  
24 and stuffing in comforters, ski jackets, and furniture.  
25 Fine denier polyester staple fiber measuring less than 3

1       denier is primarily used in textile applications. Because  
2       the end uses and customers vary, low melt is not an  
3       interchangeable -- is not interchangeable with either coarse  
4       or fine denier polyester staple fiber.

5                 At Nan Ya, we strive to run a continuous high  
6       volume production process to maintain efficiencies. Our  
7       reliance on oil and natural gas based feedstocks also mean  
8       that our plants must have sophisticated chemical processing  
9       equipment and technology.

10                Moreover, the nature of low melt production is  
11       such that it is very expensive and disruptive to cease and  
12       resume low melt production. So maintaining a high level of  
13       capacity utilization is critical.

14                Unfortunately, Nan Ya's capacity is heavily  
15       underutilized. In fact, we could double our capacity with  
16       existing equipment if pricing was not so bad as a result of  
17       subject imports.

18                Despite the ability of Nan Ya to manufacture  
19       high quality low melt polyester staple fiber, we have been  
20       injured by unfairly priced imports from Korea and Taiwan.  
21       Low melt, like other polyester staple fibers, is a very  
22       priced sensitive business. Profit margins are extremely  
23       tight and customers will demand a price concession or will  
24       switch to imports if we don't reduce our price to the low  
25       import priced levels.

1                   Foreign producers, subject in this case, are  
2 making the same low melt product in the -- as Nan Ya. It is  
3 chemically identical, can be used in the same applications  
4 as Nan Ya's products, and competes directly against our  
5 products for sale.

6                   So the lower prices offered by these foreign  
7 producers have a very damaging effect on our ability to  
8 retain business. Nan Ya has lost significant sales because  
9 we simply cannot compete with the low prices the foreign  
10 producers are offering. We have suffered significant  
11 declines in production and shipments since 2014. We have  
12 also experienced a decline in the number of production  
13 workers and in hours worked over the period.

14                   Because of the severe impact of subject imports,  
15 we have had to idle some low melt production. That resulted  
16 in even lower capacity utilization and less efficient  
17 production process.

18                   In fact, our capacity utilization is now at an  
19 unsustainably low level. And our profitability has fallen  
20 to losses over the past two years. Simply put, Nan Ya  
21 cannot remain competitive in an industry if unfairly traded  
22 imports from Korea and Taiwan continue to enter the U.S.  
23 market and cause injury to Nan Ya's business. Thank you.

24                   STATEMENT OF JOHN FREEMAN

25                   MR. FREEMAN: Good morning. My name is John



1 Freeman and I am Assistant Director of Sales for Nan Ya  
2 Plastics Corporation, America. I have worked at Nan Ya for  
3 over 18 years and have spent almost 10 years in low melt  
4 fiber sales. I'm appearing here today because my company is  
5 in a tenuous position as a result of the surge in unfairly  
6 traded imports of low melt from Korea and Taiwan. From 2014  
7 to 2016, subject imports flooded into the United States and  
8 continued to increase in 2017. We had been constantly  
9 facing low priced import offers during our customer  
10 negotiations. We have lost and continue to lose numerous  
11 sales and substantial revenues as a result of the  
12 unbelievably low prices offered by both Korea and Taiwan.  
13 These imports have undercut our prices, causing us to reduce  
14 our prices to unprofitable levels.

15           When I meet with customers, they tell me that  
16 Nan Ya must be competitive with the low import prices to  
17 keep their business. Our customers are sophisticated and  
18 this is a relatively small U.S. market with a close-knit  
19 group of players.

20           They describe the competitive offers that they  
21 have received. So we know the prices we have to compete to  
22 get the business. Our customers make clear that if we do  
23 not adjust our pricing downward to meet or beat the import  
24 price, we will lose sales.

25           Price is by far the number one force in our

1 customers purchasing decisions. Imported Korean and  
2 Taiwanese low melt is interchangeable with domestic low melt  
3 in the eyes of our customers. The factor that ultimately  
4 drives their purchasing decisions, therefore, is price.

5 We are not losing business for reasons of  
6 quality, delivery, or service associated with the Korean or  
7 Taiwanese low melt or due to a lack of supply. We have  
8 always been able to supply our customers and have excess  
9 capacity. We would like to sell even more low melt, but  
10 instead are losing sales and being forced to idle existing  
11 capacity due to the unfair import competition.

12 We have provided numerous examples of lost sales  
13 and lost revenue for Commission's record. I never thought  
14 that Nan Ya would face low melt import prices that are as  
15 rock bottom as those we have seen in the past couple years.  
16 Although we can adjust to many market conditions, we cannot  
17 remain in business when we are forced to compete with  
18 companies that price below our cost and are willing to  
19 undercut our prices however much we reduce them.

20 The underselling by subject countries has been  
21 extreme and increasing over the past two years, causing us  
22 valuable sales. For example, in 2014, we were selling four  
23 truckloads of low melt fiber per week to a particular  
24 customer with multiple locations throughout the United  
25 States. That dropped to one truckload per week on average

1 in 2015, a reduced volume, due to the low prices offered by  
2 the subject imports. By 2016, we reduced our prices to  
3 below our variable cost to regain volume. Even at that  
4 unprofitable price, we were only able to keep sales of this  
5 customer at half of what they were in 2014.

6 By the second quarter of 2017, the competing  
7 subject import prices were so low that we couldn't afford to  
8 drop our prices any lower. We are now down to zero  
9 truckloads for this customer.

10 We understand that opposing parties may argue  
11 that U.S. customers purchase subject imports because they  
12 were black or crystalline low melt products. Those niche  
13 products do not explain the subject import surge. First,  
14 black and crystalline each make up smaller parts of the U.S.  
15 low melt market. Second, Nan Ya can produce black low melt,  
16 but pricing for that product is too low as a result of the  
17 subject import for production that make economic sense for  
18 us.

19 In reality, the example I just gave of sales to  
20 a major customer lost to subject imports has nothing to do  
21 with the black or crystalline low melt, but it is a common  
22 example of what we have experienced for many years now.

23 As I mentioned, low melt is a highly price  
24 sensitive product. Margins are extremely tight, so pricing  
25 pressures from the imports have a significant impact on our

1 bottom line. The lower prices offered by foreign producers  
2 in Korea and Taiwan have had and continue to have a very  
3 damaging effect on our ability to obtain and retain  
4 business.

5 From 2014 to 2016, as subject imports penetrated  
6 the U.S. market, we watched our financial position  
7 deteriorate to a loss and our market share plummet. We have  
8 also had to reduce the size of our capital investments in  
9 recent years.

10 In addition, unfair imports have affected Nan  
11 Ya's ability to maintain necessary production levels. The  
12 capital intensive nature of the low melt industry makes it  
13 important that producers maintain high operating rates to  
14 maximize efficiencies.

15 As Mr. Sparkman described, low melt producers  
16 aim for continuous high volume manufacturing and high  
17 capacity utilization to maintain efficiencies. If we cannot  
18 run our lines at optimal efficiency levels significant to  
19 cost result, production curtailments or shutdowns are often  
20 our only alternative.

21 Since 2014, Nan Ya has been forced to curtail  
22 production due to the loss of business to subject imports.  
23 We've also experienced declining production, shipments, and  
24 capacity utilization, as well as reductions in our  
25 workforce. Our company goal is to build up our workforce

1 and add jobs, but instead, we are being forced to cut jobs.  
2 It is difficult to stand by as increased volumes of unfair  
3 imports cost our workers their livelihood.

4 Even though demand for low melt has increased  
5 between 2014 and 2016, subject imports have captured the  
6 demand growth at our expense. Despite increasing U.S.  
7 demand, our shipments have declined as we lost significant  
8 sales to unfair imports.

9 The subject imports not only captured all the  
10 demand growth, they took some of our existing sales, too. I  
11 would also like to comment on Nan Ya's knowledge of the low  
12 melt industries in Korea and Taiwan. Our parent company's  
13 located in Taiwan, so we have information on the Asian  
14 producers. We understand that low melt producers in Korea  
15 and Taiwan have been investing significantly to expand their  
16 existing capacity. They're now operating at low capacity  
17 utilization rates and are desperate to export their  
18 oversupply at any price to unload this excess capacity. Our  
19 industry is bearing the brunt of their oversupply  
20 situation. Given that subject producers have huge capacity  
21 and room to grow, we face ongoing and substantial business  
22 losses without relief from the unfair imports. Korean and  
23 Taiwanese import volumes will continue to grow and the  
24 prices of those imports will continue to drop to even lower  
25 levels unless we obtain trade relief.

1                   We cannot survive as a company and remain in  
2                   business when we suffer continuous financial erosion and  
3                   have to reduce our U.S. shipments, even when demand is  
4                   growing, all due to the behavior of the unfair imports.  
5                   Thank you for your attention.

6                   STATEMENT OF BROOKE M. RINGEL

7                   MS. RINGEL: Good morning. For the record I am  
8                   Brooke Ringel and I will address the key legal issues in  
9                   this investigation. First, the domestic like product and  
10                  the Domestic Industry. The scope of the case is low-melt  
11                  polyester staple fiber which is a bi-component fiber having  
12                  a polyester fiber component that melts at a lower  
13                  temperature than the other polyester fiber component.

14                 The Commission's domestic like product should  
15                 mirror this scope. As Mr. Sparkman testified, low melt has  
16                 specific physical characteristics and applications that  
17                 differentiate it from other types of polyester staple fiber.  
18                 In fact, the Commission had previously examined low-melt in  
19                 the context of the cases on course denier polyester staple  
20                 fiber from Korea and Taiwan in 2000.

21                 There the Commission found that low-melt fiber is  
22                 a separate domestic like product based on the six factors  
23                 the Commission looks at in its like-product analysis. The  
24                 Commission's analysis in those prior cases continues to hold  
25                 true today and contrary to what we expect respondents to

1 argue later, the Commission's like product factors support a  
2 single domestic like product consisting of all low-melt PSF.

3 With respect to physical characteristics, all  
4 low-melt has a unique bicomponent structure comprised of two  
5 separate polyester streams that melt at two different  
6 temperatures. These physical attributes allow low melt to  
7 bond under heat processing with other natural or synthetic  
8 fibers. The bonded fibers retain shape and formability  
9 specifically suited for non-woven applications including an  
10 automotive lining, soundproofing, insulation and batting as  
11 you have seen today. Low melt's unique  
12 bi-component nature and its use in bonding fibers together,  
13 preventing fiber migration and creating shape. All low-melt  
14 fibers share these same basic characteristics and uses. All  
15 low-melt is subject to the same manufacturing process and  
16 produced on the same equipment by the same employees.  
17 Certain aspects of the production process such as the use of  
18 two separate reactors during polymerization, the  
19 introduction of purified isophthalic acid to reduce melt  
20 temperature and a lower heat setting during crimping are  
21 unique to low-melt production versus other types of  
22 polyester staple fiber.

23 These factors distinguish low-melt from course  
24 denier polyester staple fiber measuring three denier and  
25 above and from fine denier polyester staple fiber measuring

1 less than three denier. Course denier polyester staple  
2 fiber unlike low-melt is used for loft and fill applications  
3 such as stuffing for sleeping bags, pillows and furniture.  
4 Fine denier polyester staple fiber unlike low melt, is used  
5 in knitting or weaving into textiles or in the manufacture  
6 of baby wipes and hospital gowns and drapes.

7 For these reasons, low-melt is not  
8 interchangeable with these other polyester staple fiber  
9 products. As the Commission previously found in the earlier  
10 polyester staple fiber cases, low-melt would not be used in  
11 fill application because it lacks the same loft  
12 characteristics as course denier polyester staple fiber.  
13 Low-melt would also not be used in fine denier applications.  
14 Similarly those other polyester staple fibers lack the  
15 bonding characteristics of low melt and could not be used in  
16 automotive lining, sound proofing or insulation applications  
17 requiring shape and formability.

18 Producers and customers do not perceive other  
19 types of fiber to be the same product as low-melt as the  
20 data in the prior course denier polyester staple fiber cases  
21 demonstrated. As Mr. Sparkman testified, low melt is made  
22 on a dedicated production line which is separate from course  
23 and fine denier production.

24 Accordingly, low-melt constitutes a single  
25 domestic-like product and based on that like-product



1 definition the domestic industry consists of all U.S.  
2 Producers of low-melt. There are only two domestic  
3 producers of low-melt, Nan Ya Plastics, the petitioner in  
4 this case and Fiber Innovation Technology, a very small U.S.  
5 Producer. There are no related party issues that would  
6 support the exclusion of either producer from the Domestic  
7 Industry.

8           Turning to cumulation, the Commission should  
9 cumulate imports from Korea and Taiwan in analyzing material  
10 injury as the statutory criteria for cumulation are met.  
11 The antidumping duty petitions against Korea and Taiwan were  
12 simultaneously filed on June 27th. Further there is a  
13 reasonable overlap in competition between Subject Imports  
14 from each country and the U.S. Product based on the four  
15 factors the Commission examines. Low-melt is a fungible  
16 product regardless of source. It is produced to common  
17 industry specifications and utilized in the same range of  
18 applications. U.S. Produced, Korean and Taiwanese low-melt  
19 are all sold through the same channels of distribution. Low  
20 melt from the U.S., from Korea and from Taiwan compete in  
21 the same geographic regions and were also simultaneously  
22 present in the U.S. Market throughout the Period of  
23 Investigation. Cumulation is therefore required.

24           Finally, a word about direct imports. Petitioner  
25 requested direct import data be collected because many U.S.

1 purchasers in the low-melt industry do purchase directly  
2 from foreign producers, eliminating the selling agent  
3 importer. The Commission has not collected direct import  
4 data as part of the database in this preliminary  
5 investigation.

6 As a result, the pricing data available to the  
7 Commission are not comprehensive and the Commission is not  
8 able to conduct a meaningful price comparison as part of its  
9 material injury analysis. Under the Federal Circuit's  
10 decision in American Lam, the Commission should recognize  
11 the absence of a complete database at this time on the  
12 direct import pricing issue as you proceed to the final  
13 stage of the case to gather these data.

14 To ignore this type of competition is tantamount  
15 to giving carte blanche to foreign producers that sell  
16 dumped subject merchandise directly to U.S. purchasers.  
17 Thank you.

18 STATEMENT OF PAUL C. ROSENTHAL

19 MR. ROSENTHAL: Good morning again. I'm Paul  
20 Rosenthal with Kelley Drye. My testimony this morning will  
21 summarize the key data available to the Commission all of  
22 which support findings of present material injury caused by  
23 the Subject Imports and threat of further material injury  
24 from those same imports.

25 Our first substance slide on the board is

1        numbered slide two and it concerns the data on  
2        negligibility. As you can see, both Korea and Taiwan far  
3        exceed the negligibility threshold of three percent of  
4        imports. What is remarkable is that these two countries so  
5        completely account for the import trends comprising over 98  
6        percent of total imports as indicated in slide number 3.  
7        Non-subject imports at less than 2 percent of total imports  
8        play a tiny role in the U.S. Market.

9                The next slide shows the substantial volume of  
10       imports from Korea and Taiwan. Notably the Subject Imports  
11       started at high levels and have grown even larger over the  
12       past three years. Imports are now close to 200 million  
13       pounds, a twenty fold increase over a few short years ago as  
14       Ms. Cannon explained.

15               Slide five is confidential as it shows the growth  
16       in market share by the Subject Imports. At the beginning of  
17       the period Subject Imports market share was astronomical by  
18       any measures, yet they have grown to even larger higher  
19       levels totally dominating the U.S. Market.

20               Slide six, also confidential compares the average  
21       unit values of Subject Imports to U.S. Producer AUVs. As  
22       you can see, the Subject Import AUVs consistently were lower  
23       than the U.S. producer AUVs for each year of the period as  
24       all AUVs consistently declined.

25               Confidential slide seven derived from U.S.

1 Producer questionnaires submitted to the Commission  
2 demonstrate that the prices of the highest volume products  
3 fell dramatically over the POI. We are talking about double  
4 digit declines for each of those products. We are limited  
5 in what we can say about underselling at this conference for  
6 a couple of reasons.

7 First, as Ms. Ringel has explained and has been  
8 acknowledged by the importers and purchasers of the subject  
9 merchandise, direct imports are an important factor in the  
10 trade of the subject merchandise. Unfortunately there are  
11 no data on direct imports on the record thus far and there  
12 simply cannot be a proper comparison of underselling without  
13 information on the pricing of direct imports. We encourage  
14 the Commission to collect information on direct imports in  
15 the final investigation.

16 Second, there appears to be discrepancies in the  
17 underselling information that has been submitted to the  
18 Commission thus far. We will be presenting information on  
19 some of those discrepancies and the Respondents' data in our  
20 post-conference brief. These discrepancies need to be  
21 addressed to ensure that the comparisons that the Commission  
22 makes are fair.

23 The next slide, also confidential however  
24 provides what is the best evidence in the record so far of  
25 the underselling by Subject Imports and that evidence comes

1 from the purchasers lost sales and lost revenue survey.  
2 According to that survey, an extremely high percentage of  
3 purchasers who acknowledged buying Subject Imports reported  
4 that the imports were in fact lower priced than the U.S.  
5 Product. In other words, the purchasers are telling you  
6 that import prices are lower than the domestic prices. That  
7 is pretty good evidence.

8           The next slight, nine which contains confidential  
9 data as well summarizes the key industry trade indicators.  
10 As you can see, every key indicator is down by significant  
11 percentages over the Period of Investigation. Production -  
12 down. Shipment volume and shipment value -- down. Shipment  
13 AUVs also down. Even the capacity utilization number which  
14 was bleak to begin with sank even further. Workers, hours  
15 worked, wages paid, also declined.

16           Confidential slide 10 indicates how the financial  
17 indicators declined mirror the slide in the trade  
18 indicators. That sales volume dropped dramatically while  
19 gross profits and operating incomes both went from positive  
20 to negative. Likewise for net income. Not surprising the  
21 operating and net income declines in percentage terms were  
22 very significant. It is important to note, with relatively  
23 small companies and at relatively small market these  
24 absolute and percentage numbers reflect a dramatic and very  
25 harmful shift.

1           Lest there be any doubt as to the source of the  
2 Domestic Industry's problems, confidential chart eleven  
3 should erase it. As this chart clearly demonstrates the  
4 Subject Imports have gained market share at the direct  
5 expense of the Domestic Industry. Every pound loss by the  
6 Domestic Industry has been captured by the Subject Imports.

7           Slide twelve reinforces this point. It shows  
8 that non-Subject Imports which have always been low are not  
9 the cause of the Domestic Industry's problems. Indeed,  
10 non-Subject Imports have even seen a slight loss in their  
11 remaining share thanks to the Subject Imports.

12           So, having ruled out non-Subject Imports as a  
13 cause of the Domestic Industry's injury, what about demand?  
14 Confidential slide thirteen demonstrates that demand cannot  
15 explain what happened to the Domestic Industry either. The  
16 data show that as demand was increasing, U.S. production and  
17 shipments were declining. Not only did Subject Imports  
18 capture all of the increase in demand, they went further and  
19 took sales from the Domestic Industry and as indicated  
20 earlier increased their market share.

21           The claims by Respondents that they could not get  
22 the right products from U.S. producers where they needed to  
23 hedge their supplier base all cannot explain away the  
24 significant volumes and low prices of the Subject Imports.  
25 Regarding threat of injury, the Commission has not received

1 enough information from foreign producers questionnaires to  
2 calculate the amount of capacity utilization and excess  
3 capacity to determine the true extent of the threat posed by  
4 the imports from Korea and Taiwan. Several of the  
5 Respondents however have revealed enough about themselves  
6 publicly to make clear the imminent and lethal threat those  
7 companies represent to the survival of the Domestic Industry  
8 producing a low-melt fibers. Some of the quotes in slide  
9 fourteen are both revealing and chilling at least if you are  
10 someone who hopes to maintain a domestic low-melt industry.

11 Huvis, for example claims and we don't doubt that  
12 it is the number one producer of low-melt in the world.  
13 They added even more capacity in 2013 and boast 45 percent  
14 of the world market and by the way, the U.S. is one of the  
15 top export markets for Huvis.

16 Toray claims to be the world's third largest  
17 low-melt producer. It broke ground on a new low-melt  
18 manufacturing facility in 2015 that would more than double  
19 its production capacity. The purpose of that expansion  
20 according to that company is to fulfill its goal to be the  
21 world's biggest low-melt producer.

22 Even Taekwang a relatively new Korean Producers  
23 has rapidly expanded and has become a growing source of  
24 aggressively low-priced low-melt in the United States.  
25 Taiwanese producer Far Eastern boasts a world top five

1 low-melt producer that admits to being export oriented and  
2 claims it continues to expand its reach overseas so that's  
3 what the Domestic Industry is facing.

4           These producers are among the largest in the  
5 world and have set their eyes and their goals on their  
6 export markets. Indeed, they already control a significant  
7 amount of the U.S. Market share. Given their size and  
8 growing capacity they can easily supply the entire U.S.  
9 Market and wipe out what remains of the domestic low-melt  
10 industry.

11           The subject imports represent the real and  
12 imminent threat of further material injury. In sum, the  
13 evidence of record supports finding a present material  
14 injury and threat of material injury. The members of the  
15 Panel would be pleased to answer your questions but before  
16 we do, I want to introduce Gina Beck of Georgetown Economic  
17 Services who will also be able to answer questions along  
18 with our other witnesses. Thank you.

19           MR. ANDERSON: Thank you Mr. Rosenthal and thank  
20 you to our witnesses who are here today, took time out of  
21 your businesses to be here. Thank you for your testimony.  
22 We would like to start now by turning to staff questions and  
23 we will start with our Investigator Ms. Stiger.

24           MS. STIGER: Good morning. Thank you all for  
25 being here and making your presentations.



1                   I would like to start with a question about  
2                   recent changes in the industry and technology so can you  
3                   talk about if there has been any developments in industry  
4                   technology, I believe Mr. Menegaz mentioned in his opening  
5                   remarks that this crystalline low-melt that is produced  
6                   faster and then that the black low-melt. There are  
7                   different qualities. It was replacing less toxic, heavier  
8                   low-melt so can you speak to that?

9                   MR. SPARKMAN: So, Michael Sparkman, Nan Ya  
10                  Plastics. The majority of the market, the vast majority of  
11                  the market still is a standard white polyester low-melt  
12                  fiber. The defense talked about black in automotive and the  
13                  crystalline. The crystalline low-melt actually is not  
14                  replacing other low-melt fibers but replacing other  
15                  plastics other than polyester in there.

16                 However all these products share a common  
17                 characteristic, which is they have a low-melt component and  
18                 a high-melt component in there and they all serve the same  
19                 purpose, they serve the same markets and the same purpose  
20                 which is bonding and shape and form.

21                 MS. STIGER: Okay, thank you.

22                 MR. FREEMAN: John Freeman, Nan Ya Plastics, just  
23                 wanted to add on the black, that technology we really have  
24                 not seen any new developments. The way you produce black  
25                 has remained constant over the last Period of Investigation,

1 over the last several years.

2 MS. STIGER: Okay, in standard, low-melt, just  
3 the white in terms of producing the standard low-melt PSF  
4 there has not been any significant technology changes in  
5 producing that material?

6 MR. FREEMAN: John Freeman, Nan Ya Plastics. No,  
7 there is not.

8 MR. ROSENTHAL: Ms. Stiger, this is Paul  
9 Resenthal. I'm subject to being corrected by my clients but  
10 just to take the mystery out of this so-called exotic black  
11 low-melt product. It is essentially standard low melt  
12 product but you add color at the beginning of the process  
13 and therefore because you have to essentially run that  
14 product through your entire process it adds additional cost  
15 to it. Makes it a more costly product because then you have  
16 to clean everything out if you are going to run another  
17 product through if you don't have a dedicated line through  
18 it.

19 I don't think there is any particularly new or  
20 different technology with respect to that. It just turns  
21 out to be a higher cost product to make.

22 MS. STIGER: Okay, great. Thank you.

23 MR. ROSENTHAL: Am I getting corrected by  
24 anybody? Okay, thank you.

25 MS. STIGER: Okay, so Ms. Cannon mentioned in her

1 opening remarks that the demand has been increasing and I  
2 think the Respondents also mentioned that in theirs. Can  
3 you talk about sort of the barometers of demand for low  
4 melt? Like what do you look at to determine that it is  
5 increasing? And in terms of the foreseeable future do you  
6 anticipate that it's going to continue to increase?

7 MR. SPARKMAN: We've testified today that and  
8 from the records that you guys have taken you've obviously  
9 seen that we've seen substantial growth in the low-melt  
10 industry. Our forecast and analysis show that growth does  
11 seem to be leveling out. We don't anticipate growth levels  
12 nearly at the level that we've seen over the last few years.

13 One example would be the automotive industry  
14 which is really plateaued and recent trends have shown that  
15 the demand for automotive has started to wane. There still  
16 is some potential growth for some of the other products out  
17 there and as new products transition into that. But overall  
18 we believe that growth will be limited in the future.

19 MS. STIGER: Okay, great. Thank you. I have  
20 some questions related to the scope now. I was wondering if  
21 you've filed any changes to the scope with the Department of  
22 Commerce and then I have a couple of follow up questions.

23 MS. RINGEL: Brooke Ringel, Kelley, Drye and  
24 Warren. We have filed some minor scope amendments with  
25 Commerce to clarify that the scope covers bicomponent fiber

1 as described with two polyester components. We specifically  
2 removed the exclusions of non-bicomponent fiber because that  
3 was obvious from the affirmative language of the scope but  
4 these again were just minor clarifications.

5 MS. STIGER: Okay, so that ties into my follow up  
6 question. Thus far in the investigation I have received  
7 feedback that the ASC statistical reporting numbering of the  
8 5503200015 you know it could cover polyester/polyester or a  
9 mix of polyester/polyethylene/polyester, other components  
10 and so we would like you to comment on whether we should  
11 rely on official statistics or rely on the questionnaire  
12 data considering that it could contain a comprise of these  
13 mixes. It is not always purely polyester/polyester.

14 MS. RINGEL: Brooke Ringel, Kelley, Drye and  
15 Warren. Reading the language of the HTS, the HTS number,  
16 classification number that we have identified, the 0015  
17 number is specific to polyester. There is a separate number  
18 for I believe polypropylene and there is a separate other  
19 basket category as well.

20 So any bi-component, the appropriate  
21 interpretation of the HTS language is that only  
22 polyester/polyester bi-component should be classified as  
23 that 0015 number. For that reason we believe that the  
24 official import statistic sticks and should be relied upon  
25 in this investigation.

1 MS. STIGER: Okay, so this relates to the  
2 production. And in the Petition on page 9 it states that  
3 the manufacturer of low melt PSF, which is primarily made  
4 from virgin materials, can also be made--but can be made  
5 from recycled raw materials. So I was wondering if you  
6 could comment on if there are any end-use applications in  
7 which non-virgin low melt PSF cannot be used  
8 interchangeably with virgin low melt PSF due to any chemical  
9 imperfections or other technical limitations.

10 MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics.  
11 First of all, let me--Ms. Stiger, let me clarify that only  
12 the core, which is the high melt portion, could be  
13 manufactured with either virgin or recycled. The sheath,  
14 because of the addition of the PIA in the reaction, has to  
15 be of virgin material.

16 However, there is no difference--one cannot take  
17 a piece of virgin and compare it with PCR and tell the  
18 difference, either physically or chemically. And so they  
19 would be interchangeable.

20 MS. STIGER: Okay, that concludes my questions.  
21 Thank you.

22 MR. ANDERSON: Thanks very much, Ms. Stiger. Now  
23 we'll turn it over to our attorney, Mr. Sultan.

24 MR. SULTAN: Thank you. Good morning.

25 I would like to start with a question about the

1       like product.  You've argued that in the 2000 determinations  
2       we defined low melt polyester staple fiber as a separate  
3       like product, and that we should follow that practice in  
4       these investigations.

5                        But it seems to me that the low melt product was  
6       defined a little bit differently in the 2000 investigations  
7       as it is here--and I might be wrong about that, but I'd like  
8       some clarification on this.  Looking at page 6 of the  
9       Petition, you explain that low melt can be produced in  
10      either a core sheath configuration or a side-by-side  
11      configuration.

12                      And in the 2000 investigations, low melt was  
13      described as having a unique sheath and core structure.  So  
14      could you clarify that for me, please?

15                      MS. RINGEL:  Sure.  Brooke Ringel, Kelley Drye &  
16      Warren.  So in the 2000--or the 1999 Petition for the 2000  
17      determination, the low melt--identification of low melt  
18      product was based on the HTS language, which still does  
19      identify a core sheath configuration for the  
20      polyester-polyester by component figure.

21                      In--based on our client's knowledge of the  
22      industry, we now understand that core sheath--that, excuse  
23      me, that low melt polyester-polyester low melt can also be  
24      made in the side-by-side configuration.  Nan Ya Plastics  
25      does not make the side-by-side configuration.  And as far as

1 we know, there have not been significant imports of the  
2 side-by-side configuration to date. But we do know that  
3 there is--we are aware that there is at least some foreign  
4 production of this configuration.

5 Beyond the difference in the configuration, there  
6 is no difference in the product. It is still a by-component  
7 polyester-polyester low melt fiber with the same  
8 characteristics and end uses.

9 Because of that, we expanded the scope of this  
10 investigation to encompass by-component fiber of any  
11 configuration. Again, because there is no difference in the  
12 physical characteristics or the raw materials, the  
13 production process, the end use of the fiber.

14 The 2000 determination addressed the core sheath  
15 configuration because that was the understanding of the  
16 product at the time. The change in technology, the minor  
17 change in technology, or the ability to produce in a  
18 different configuration, does not modify the basic  
19 characteristics that still matter and still hold true with  
20 respect to the Commission's 2000 determination.

21 MR. SULTAN: So my understanding is that most low  
22 melt polyester staple fiber is produced in the core sheath  
23 configuration. Is that your understanding?

24 MS. RINGEL: That is correct.

25 MR. SULTAN: Okay, thank you. Do you happen to

1 know whether the other domestic producer makes product in  
2 the side-by-side configuration?

3 MS. RINGEL: We don't have particular knowledge of  
4 that.

5 MR. SULTAN: Okay. I think I heard that Nan Ya  
6 does not make the black low melt product because prices are  
7 too low for that? Is that correct?

8 MR. SPARKMAN: Nan Ya is fully capable of making  
9 black, again as Mr. Rosenthal testified and we agreed.  
10 Black is only the addition of a color. It's like saying you  
11 can make a blue car but you can't make a red car. It's just  
12 the addition of color to the product.

13 But that addition to color does come with some  
14 additional production costs. And because of the low price  
15 in the market, we cannot afford to produce that product at  
16 this time.

17 MR. SULTAN: What about the crystalline low melt?  
18 Do you make that?

19 MR. SPARKMAN: We do not currently make the  
20 crystalline low melt, as well.

21 MR. SULTAN: And do you happen to know whether the  
22 other domestic producer makes either black or crystalline  
23 low melt?

24 MR. FREEMAN: John Freeman, Nan Ya Plastics. Our  
25 understanding is they do make black low melt and crystalline



1 low melt, the other producer.

2 MR. SULTAN: Thank you.

3 MR. SPARKMAN: Mr. Sultan, I would add to that.  
4 The crystalline low melt is a very, very small portion of  
5 the market today. And our production requires economy of  
6 scale to be profitable. Because of that low demand for that  
7 product, at this time we don't make it.

8 MR. SULTAN: Thank you. Does Nan Ya's corporate  
9 parent in Taiwan--I'm sorry, did Nan Ya's corporate parent  
10 in Taiwan export the subject merchandise to the U.S. during  
11 the Period of Investigation?

12 MR. FREEMAN: Our corporate parent did export  
13 fiber before--before we started to produce here in the U.S.  
14 And they did not export low melt fiber during the Period of  
15 Investigation.

16 MR. SULTAN: And you started to produce when?

17 MR. FREEMAN: 2008.

18 MR. SULTAN: Thank you.

19 MR. ROSENTHAL: Mr. Sultan, I just want to amplify  
20 on that answer. Paul Rosenthal. What's interesting is that  
21 the product made in the U.S. by Nan Ya was essentially  
22 identical to the product imported from Taiwan made by Nan Ya  
23 U.S.'s parent. And so one of the issues that you may hear  
24 about is comparability of the domestic product to the  
25 imported product.

1                   Well, it was a perfect example of how the U.S.  
2 product is perfectly substitutable for the imported product.

3                   MR. SULTAN: Thank you. My final question. How  
4 do the prices of low melt compare to the prices of other  
5 polyester staple fiber, generally? Is low melt a premium  
6 product, for example?

7                   MR. SPARKMAN: Mr. Sultan, Michael Sparkman,  
8 Nan Ya Plastics. The cost of manufacturing low melt would  
9 make it a premium product. However, today in the market  
10 because of the low prices of the import, we actually have to  
11 sell it at a lower price than other fibers that we produce.

12                   MR. SULTAN: Thank you.

13                   MR. ROSENTHAL: Mr. Sultan, before you end your  
14 questioning, I wanted to go back to your first question  
15 concerning like product and the Commission's definition of  
16 the low melt product, and why it made its determination it  
17 did in 2000.

18                   The real focus of that was not the sheath versus  
19 side-by-side, which as Ms. Ringel pointed out wasn't really  
20 a consideration, it's the bonding element of that and how  
21 that was what differentiated the low melt product from the  
22 so-called coarse denier product, the staple fiber product at  
23 the time.

24                   So it was the requirement for bonding, and the  
25 characteristics that came from that, that differentiated it

1 as opposed to the configuration.

2 MR. SULTAN: Thank you for that. That's all I  
3 have.

4 MR. ANDERSON: Okay, thank you, Mr. Sultan.  
5 Before I turn it over to Mr. Abbyad, since we're talking  
6 about black and crystalline, I just want to close the loop  
7 on a couple of questions. There's a lot of interest in  
8 that, and I'm sure we'll hear more about these two products  
9 in the next panel. But you mentioned that black low melt,  
10 it is really a color change, but are there any performance  
11 characteristics that differ it from standard white, either  
12 in the application or performance characteristics  
13 technically?

14 MR. SPARKMAN: So the reason--Mr. Anderson,  
15 Michael Sparkman, Nan Ya Plastics--the reason why black is  
16 used is only for appearance. There is no chemical  
17 difference. The bonding is identical in the two fibers.  
18 The manufacturing, the raw materials, all identical with the  
19 exception of a pigment that is added to give it the black  
20 color.

21 The black is used primarily in the automotive  
22 industry and is used in applications where the fiber might  
23 actually be visible. So for example in the trunk, where the  
24 white would be used in--for soundproofing within the panels,  
25 or under the carpet in the automobile.

1                   Obviously though in other applications such as  
2                   the mask that you have there, black would not be applicable  
3                   because one wants something that would appear to be clean,  
4                   to start with, if they're going to use it to filter the air.

5                   MR. ANDERSON: Unless it's your Halloween costume  
6                   and--

7                   (Laughter.)

8                   MR. ANDERSON; So thank you for that response.  
9                   It's very helpful. Now following on that, you mentioned  
10                  that you presently are ot producing the black or the  
11                  crystalline. At any time during the POI did you produce  
12                  either products? And if you didn't, what would it take to  
13                  produce those products as far as investment, changes in your  
14                  machinery, your production lines, your technology, raw  
15                  materials et cetera?

16                  MR. FREEMAN: John Freeman, Nan Ya Plastics. We  
17                  did not produce either product during the Period of  
18                  Investigation. As we've testified, for black we do have the  
19                  ability to produce black. It just has to make economic  
20                  sense for us, and it has not made economic sense due to  
21                  subject import pricing.

22                  The crystalline is a little more advanced  
23                  product. I think--and currently we do not have the ability  
24                  to produce the crystalline product.

25                  MR. ANDERSON: That's very helpful. Can you say

1 anything more about what would take? Obviously I think in  
2 response to Mr. Sultan's question you mentioned that the  
3 other produced does make it. So is this a--what kind of  
4 investment, or what kind of equipment would be involved in  
5 manufacturing crystalline?

6 MR. SPARKMAN; Mr. Anderson, Michael Sparkman.  
7 Could you repeat the question, please? I'm sorry.

8 MR. ANDERSON: So it sounds like you confirmed  
9 under Mr. Sultan's questions that there is a U.S. producer  
10 who makes crystalline. So I was just curious, in your  
11 facilities what would it take if you wanted to get into  
12 crystalline production? What would it take as far as  
13 investment? Or what type of equipment? What kind of setup  
14 would you have to have to do that?

15 MR. SPARKMAN: It's our understanding that this  
16 crystalline product can be manufactured using the same  
17 equipment that we are currently using. Again, a large  
18 consideration for us is the economy of scale. It's got such  
19 a small niche, and our production lines are geared to  
20 manufacture a large production. Our capacity is currently  
21 120 million pounds a year, with the capability of doubling  
22 that if need be. I would also note, Mr. Anderson, that  
23 there are subject--there are countries outside of the scope  
24 that also have the ability to produce--let me rephrase that--  
25 --they don't just have the ability but they are producing

1 this crystalline low melt and importing it into the United  
2 States.

3 MR. ANDERSON; Okay, that's very helpful. Thank  
4 you. And then my final question is about the market. How  
5 much of the overall product market do these two account for?  
6 And what has been the trend in demand for black and  
7 crystalline over the POI? And if you don't know that now,  
8 I'd welcome it in a post-conference brief.

9 MR. ROSENTHAL: We talked about this yesterday in  
10 preparation, and I will give you our best estimate, and  
11 we'll try to confirm this for the post-hearing, but--  
12 post-conference brief, but our best estimate is crystalline  
13 might account for as much as 4 percent, but no more than  
14 that. And the black probably 10 percent.

15 MR. ANDERSON: Okay. Very helpful. And if  
16 there's anything you want to add in the post-conference  
17 brief about the trends over the POI in either of those, or  
18 if you have any information--

19 MR. ROSENTHAL: I will add something now, if you  
20 don't mind, which is--because I think that the Respondents,  
21 based on the opening statement, might lose sight of this,  
22 there are a couple of things just from a legal point of  
23 view.

24 Number one, it is not necessary for a domestic  
25 industry seeking relief to produce every product within the

1 like-product category, as you know. And the fact that they  
2 don't, there really isn't any consequence of that. In fact,  
3 there are many industries that can't supply every product  
4 along the continuum of products within a like-product.

5 More important, when you look at the--and this  
6 goes to your trend question on black--yes, it is true that  
7 the automotive industry has been a good customer, probably  
8 the largest customer for the black product, and they account  
9 for some of that increased demand we've talked about. But  
10 the import increase and the great gain in market share by  
11 the imports on top of an already large market share cannot  
12 possibly account--be accounted for by the small percentage  
13 of the market accounted for by black product, or  
14 crystalline product. You heard the example provided earlier  
15 by Mr. Freeman about losing those carloads every month, and  
16 none of that, none of those lost sales and lost market share  
17 that he's referring to there had anything to do with the  
18 crystalline or the black product.

19 MS. BECK: Gina Beck from GES. Just to add, all  
20 of the lost sales and revenue examples that were submitted  
21 in the Petition also do not represent the black fiber or  
22 crystalline.

23 MR. ANDERSON; Okay, thank you all very much for  
24 answering and providing that helpful information. Now I  
25 will turn it over to our economist, Mr. Abbyad.

1                   MR. ABBYAD: Good morning. So my first question  
2                   is with regards to the issue of over-selling versus  
3                   under-selling. So we see quite a bit of under-selling of  
4                   pricing products 1 and 2 by the domestic producers relative  
5                   to the imported subject product, and we were wondering if  
6                   there are any explanations for that.

7                   Is there a quality premium, for instance, or  
8                   other factors that may be contributing to that?

9                   MS. BECK: We would like to go into it further in  
10                  our postconference brief. We've definitely identified some  
11                  issues with the data, and we can go into that into specifics  
12                  in our brief.

13                 MS. CANNON: This is Kathy Cannon. In answer to  
14                  your question, no, we don't think it's quality or other  
15                  factors that are so much explaining. We think there are  
16                  some other issues that are data-driven, and there may be  
17                  some discrepancies in terms of the natures of the product  
18                  that aren't accounted for in the price descriptors, and we  
19                  will identify those as well in our brief.

20                 But I think if you would like to get anything  
21                  further from the industry witnesses in terms of their  
22                  experience in the market, it is certainly not consistent  
23                  with evidence that the U.S. producers are selling at lower  
24                  prices, nor is that reflected in the market share shifts  
25                  you've seen.



1                   MR. ABBYAD: Thank you. My second question: Do  
2 any of your purchasers require supplier certification?

3                   MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics.  
4 Mr. Abbyad, certain customers do require a certain degree of  
5 qualification on that. But again, this is a very--a similar  
6 product--that might not be the right word. It's a  
7 replaceable product in there. And we've been able to come  
8 into the market and replace products that were running  
9 import, and imports have been able to come in and replace  
10 us as well.

11                   We've not lost any customers because our product  
12 was not able to physically compete with an import product.  
13 We've lost business purely on price and price alone.

14                   Let me add, that we've not had any qualification  
15 issues.

16                   MR. ABBYAD: Okay, thank you. My next question:  
17 The share of commercial shipments to distributors has  
18 increased since 2014, while the share to end users has  
19 declined over the same period. Is there an explanation for  
20 that trend?

21                   MR. ROSENTHAL: I'm not sure I would agree with  
22 that, since I don't think you've got all the data that you  
23 need to make a conclusion there. So if you don't mind, we'd  
24 like to reserve comment for our post-conference brief.

25                   MR. ABBYAD: The next question is with regards to

1 raw materials. How do you purchase your raw materials?  
2 Have raw material prices affected the price of low melt PSF?  
3 And please discuss any expected trends with regards to this.

4 MR. FREEMAN: Well there's two primary raw  
5 materials, as has been testified. PTA, pure tarafalic acid,  
6 we purchase that from a merchant producer here in the U.S.,  
7 BP out of Cooper River. For the other primary component,  
8 ethylene glycol, we get it from our own production site in  
9 Texas.

10 Raw materials have been trending down, as we  
11 know. The key for us is the fact that we've had to reduce  
12 our price more than the movement in raw materials in order  
13 to compete with the subject imports.

14 So we have seen pricing decrease with the raw  
15 material movements, but also additional in order for us to  
16 obtain and retain business.

17 MR. SPARKMAN: Mr. Abbyad, Michael Sparkman, Nan  
18 Ya Plastics. I'd further add that, although as Mr. Freeman  
19 testified here, that we had seen raw material decreases,  
20 maybe to give you a little bit more detail, in 2015 and 2016  
21 we did see raw materials decrease. However, we saw prices  
22 decrease more than the cost of the raw materials.

23 Further, in 2017 we've seen an increase in raw  
24 material costs as those have bottomed out and started to  
25 come back up. However, low melt prices are actually lower

1       today than they've ever been before.

2                   MR. ROSENTHAL: Paul Rosenthal. I'd like to add  
3       one or two more thoughts on the raw materials' issues. I  
4       think Mr. Menegaz in his opening statement made a reference  
5       to raw material costs may be the problem for the domestic  
6       industry. And I think he made some other references to that  
7       being the cause of our injury and maybe insufficient supply,  
8       or supply disruptions.

9                   On the first point, the lower raw material costs  
10      can't be and shouldn't be a problem for the domestic  
11      industry, all other things being equal. If our costs are  
12      going down, if we can maintain our prices, the industry  
13      should be making more profit.

14                  What's upside down about this situation is raw  
15      material costs are going down and the industry's small  
16      profits are turning into losses. So there's something else  
17      going on there. It means that they're having to drop their  
18      prices faster than the raw material costs are going down.

19                  And there's one reason for that: Import  
20      competition. Secondly, to the extent there's some claim  
21      that they've had an unreliable supply of raw materials, or  
22      somehow they have been unable to meet their customers'  
23      demands because of raw material issues, that's not true.

24                  We heard in one of the other cases involving  
25      fibers that problems that BP had with supplying the industry

1 was a cause of problems. That's not happened with this  
2 company, or with this industry. There's been no supply  
3 disruptions. There's been no inability to supply customers  
4 because of any issues that raw material producers, that they  
5 may rely on, may have had. So I just wanted to clear that  
6 up for the record.

7 MR. ABBYAD: Okay, thank you. That's all the  
8 questions I have.

9 MR. ANDERSON: Thank you, Mr. Abbyad. Ms. Freas?

10 MS. FREAS: I want to continue the discussion on  
11 the raw materials. I heard this morning someone mention  
12 that the U.S. prices for the PTA were higher than the Middle  
13 East prices. Can someone elaborate on that?

14 MR. ROSENTHAL: I think that was Respondent's  
15 counsel in his opening statement. Maybe he'll want to  
16 expand. I'm not sure--do you have the information on that?  
17 I don't think we should be speculating about that. We'll  
18 let Mr. Menegaz expand on his claim.

19 MS. FREAS: That's all of my questions. Thank you  
20 for your testimony.

21 MR. ANDERSON: Okay, thank you. Ms. Rodriguez?

22 MS. RODRIGUEZ: Good morning. I just have a  
23 couple of things, clarifications. Given that you've said  
24 that, you know, there's been this ascendance of the Korean  
25 and Taiwanese imports into the United States, what in your

1 view--and that pricing is the key factor in this  
2 competition, is there anything different in--because I'm  
3 assuming from what I know so far that it's capital-intensive  
4 production--are there any distinctive differences between  
5 how the products are manufactured? Or to what do you  
6 attribute their ability to keep the prices so low?

7 MR. FREEMAN: John Freeman, Nan Ya Plastics. As  
8 we stated earlier, we do produce low melt in Asia and  
9 Taiwan. We don't see a difference in production processes  
10 between Taiwan and Korea and the U.S.

11 It really comes back to price. We're not here  
12 today to say imports from Korea and Taiwan of low melt  
13 should not come into the U.S. We're asking that they come  
14 in at a fair price that we can compete against.

15 Other countries do produce low melt, as well:  
16 China, Japan. But as you see, the significant portion of  
17 our market as far as imports into our country have been  
18 captured by Korea and Taiwan, in our opinion due to price  
19 not quality or service.

20 MR. ROSENTHAL: Ms. Rodriguez, I'll expand on that  
21 point by Mr. Freeman with respect to production of product  
22 in other countries. You have a pretty good idea of how  
23 aggressive the Korean and Taiwanese prices are when the  
24 Chinese are not in the market competing here. And  
25 conversely, the Japanese produce, as far as I know, this

1 crystalline product. And I believe they sell some of that  
2 product here. But it's at a higher price. That's that  
3 small niche product.

4 So it's not as if the product doesn't exist and  
5 can't be produced by other countries, it does. And there  
6 are some imports. But it's a niche product, and all that  
7 has to happen to be able to produce more of that in the  
8 United States and black product and virtually every product  
9 is a higher, fair price.

10 The only differentiation between the U.S.  
11 production of the vast majority of product demanded by the  
12 marketplace is price, nothing else.

13 MS. RODRIGUEZ: Just so I understand, but are they  
14 bringing--pricing this as a type of loss leader to enter the  
15 U.S. market? I mean how are they able to, given it's  
16 capital intensive? How do they do that?

17 MR. ROSENTHAL: The Commerce Department will tell  
18 you more about that, and how much they're dumping, and how  
19 much they're being subsidized, but you heard that they've  
20 got a tremendous amount of capacity. As I mentioned in the  
21 slide 14 of my presentation where it states, we're all  
22 summarizing the statements by the bigger Respondent  
23 companies, whether it's Huvis or Toray, or Far Eastern, they  
24 are the largest producers in the world.

25 They have a tremendous amount of capacity, and a

1        tremendous amount of excess capacity. The U.S. market--and  
2        they've dominated the U.S. market. It does not matter to  
3        them. They can unload more of their excess capacity. And  
4        you heard, because we have good sources in Korea and Taiwan,  
5        they have a lot of excess capacity there. It makes great  
6        sense for them to unload their excess capacity at below  
7        variable cost to keep their overhead covered, at least, and  
8        ship the product here.

9                        So we're not saying they're being stupid or  
10       nefarious. They're making good economic sense for  
11       themselves. It just happens to be that it's dumping, and  
12       it's hurting the domestic producers.

13                      MS. RODRIGUEZ: And just one follow-up question.  
14       Well when this product is manufactured, just for my own  
15       understanding, and you stated earlier that the raw material  
16       prices are trending down, so what are the core components of  
17       the production--the price of production, I mean that make up  
18       the pricing costs?

19                      MR. ROSENTHAL: Well raw materials make up a  
20       portion of it, but what's really troublesome is that the  
21       rest of the costs, the whole fabrication costs, or  
22       conversion costs, is where I guess folks used to  
23       differentiate themselves. And any profit would be there.  
24       And that's evaporated entirely.

25                      There's no longer any ability to make a profit on

1 those conversion costs. And, by the way, I think there is  
2 evidence submitted by the Respondents that will confirm  
3 that; that the conversion costs or fabrication prices that  
4 have been offered by, or demanded by customers has gone down  
5 because of the competition by Korea and Taiwan.

6 And don't forget, and one of the dynamics here is  
7 that the Korean and Taiwanese producers are competing  
8 against themselves for sales, which are putting increased  
9 pressure on the domestic producers as well to match those  
10 prices. So it's a dynamic that whatever their cost  
11 structures are, they're selling and competing against  
12 themselves at low prices and forcing the U.S. producers to  
13 match those prices to get those sales.

14 MS. RODRIGUEZ: Thank you. I don't have any  
15 further questions.

16 MR. ANDERSON: Thank you, Ms. Rodriguez. And  
17 now, we'll turn it over to our Supervising Investigator, Ms.  
18 Haines.

19 MS. HAINES: Hi. Thank you for coming. Just a  
20 few minor questions. In the respondents' opening statement,  
21 I believe you said that there was a critical shortage of the  
22 raw material, I think, was it PTE or PTA? Can you please  
23 address that statement?

24 MR. FREEMAN: They're referring to an event that  
25 happened at BP, a PTA supplier, in Quarter 4 of 2014, where



1       they had a fire at their plant and lost production capacity.  
2       PTA, at that point, is a product that we purchase merchantly  
3       in the U.S. market. We also have the ability to import when  
4       we need to.

5                   And at that point we started to import the  
6       product when they had the fire and had to bring down some  
7       capacity. We did not have an issue supplying our  
8       contractual regular customers at that time. We did not do  
9       any official allocation. We did not declare any Force  
10      majeure at that time. And we continued to produce product.

11                   MS. HAINES: Okay. Thank you. Again, in their  
12      opening statement, the respondents, I believe they said that  
13      there were certain products that the domestic producers are  
14      not qualified to produce. I think that's the language he  
15      used. So I'm not sure if he was referring to the black that  
16      you don't make. Or are there products that you're not  
17      qualified, because that was the word he used, qualified, to  
18      make?

19                   MR. FREEMAN: I took their statement they're  
20      referring to the black and the crystalline. We don't have  
21      any major issues where we attempted to qualify our fiber and  
22      failed, and then we're shut out of a market or end-use.

23                   MS. HAINES: Okay.

24                   MR. SPARKMAN: Ms. Haines, Michael Sparkman, Nan  
25      Ya Plastic. I'm guessing that what they may be trying to

1 refer to is the fact that, if we haven't made a product,  
2 then we haven't taken it to the customer and they haven't  
3 run a qualification of it to say, "Yes, your product works."

4 MS. HAINES: Okay. Thank you.

5 MR. SPARKMAN: But that does not mean that if we  
6 were to make the product that it could not easily qualify.

7 MS. HAINES: Okay. Also, I know we've touched  
8 on this already, but they did make the point that they do  
9 not believe the domestics could fully meet the market demand  
10 in the U.S. and you -- can you address that again for me,  
11 please?

12 MR. SPARKMAN: I believe it was Mr. Abbyad that  
13 we had talked about this, and we talked a little bit about  
14 our volume here. Right now, we have one line that is  
15 dedicated to low melt. We don't run any other product on  
16 that line. We can't run any other product currently on that  
17 line. That line has a capacity of 120 million pounds.

18 We have a secondary line that is currently  
19 running some other products. And as the defense testified,  
20 we can easily switch that -- he said, well, you can switch  
21 that over to conjugate. Well, we can do just the opposite  
22 as well and easily switch it to low melt production --

23 MS. HAINES: And that would take --

24 MR. SPARKMAN: -- and that --

25 MS. HAINES: -- just a couple of days? Is that

1 a matter of days to do that switch? Or how long would that  
2 take?

3 MR. SPARKMAN: It would require us to  
4 manufacture new spinnerets, which could take up to four to  
5 six weeks.

6 MS. HAINES: Okay.

7 MR. SPARKMAN: And that would allow us to double  
8 our capacity and go to 240 million pounds, which basically  
9 covers almost all of the demand of the U.S. market today.

10 MR. FREEMAN: It was also asserted that we have  
11 this issue of low melt because we have available capacity on  
12 our fine denier as part of the other case that's active. We  
13 do not run fine denier on this dedicated low melt line and  
14 we have not run it during the Period of Investigation. We  
15 do not switch back and forth, so I didn't want you to have  
16 that impression.

17 MS. HAINES: That was my next question. Thank  
18 you.

19 MR. SPARKMAN: If I could further. Because of  
20 the design of the low melt, it requires two reactors, one  
21 producing that low melt temperature product and one that  
22 produces the high melt temperature product. Because of that  
23 two-reactor design, we can't run low denier on that line.  
24 That would require major modification, basically removing  
25 one of the reactors and expanding the other one back to

1 double its capacity in order to run a fine denier product on  
2 that line.

3 MS. HAINES: Okay, thank you. That was very  
4 helpful.

5 MR. ROSENTHAL: Ms. Haines, I just want to add  
6 one more thing, just so you have a complete record. I think  
7 Mr. Menegaz' opening made some speculation that maybe  
8 there's triple injury here, that we're claiming capacity  
9 that's unused for several different products and the folks  
10 from Nan Ya answered that partially.

11 But I want to explain to you, they were very  
12 conservative in answering the questionnaire about capacity  
13 and capacity utilization because they only talked about that  
14 one dedicated line. In fact, because they've got this other  
15 line that could be devoted to low melt if the demand were  
16 there, their customers were there, they could actually  
17 double their capacity and realistically do that within the  
18 way that the ITC defines capacity and capacity utilization.

19 So they've been very conservative and there's no  
20 claiming of double injury or triple injury for this. We're  
21 being conservative in approaching the capacity here.

22 MS. HAINES: Thank you. That's very helpful.  
23 Thank you. I know, again in their opening statement,  
24 respondents were claiming that the black market's booming,  
25 and you all say that you believe it's leveling out. Can you

1 tell me -- I know it's a niche, but can you tell me how the  
2 market's going for the crystalline? Whether you feel it's  
3 --

4 MR. ROSENTHAL: We'll do our best to get an  
5 answer in the post-hearing here, but they're not  
6 participating in that right now. They know the size of the  
7 market, but I don't think that they know what the trends are  
8 right now. And since that other domestic producer produces  
9 that product, we'll try to get that information from them.

10 MS. HAINES: Okay. And I know one of you, it  
11 might have been you guys in the opening, made sort of a  
12 reference to a myriad of other niche products. Is there, in  
13 fact, a myriad of other niche products?

14 MR. ROSENTHAL: I think they said it was a --

15 MS. CANNON: I said that we produced myriad  
16 types of products. Not niche products.

17 MS. HAINES: Okay.

18 MS. CANNON: Basically reflecting the different  
19 melting points, the different deniers, the range of products  
20 that are comprising the bulk of this market, which I  
21 wouldn't call a niche product.

22 MS. HAINES: Okay. Thank you. That's all my  
23 questions. Thank you.

24 MR. ANDERSON: Thank you, Ms. Haines. Ms.  
25 Stiger, I believe you had a follow-up question?

1 MS. STIGER: Yes. I'd just like some  
2 clarification on the polymer extrusion process that we  
3 talked about earlier. The two different methods, the  
4 side-by-side, or the core/sheath configuration. You all  
5 said that there was no difference in the raw materials and  
6 the physical characteristics in the end-use. I'm just  
7 wondering, is there a difference in -- is there some  
8 efficiency gained in one process versus the other? Can you  
9 speak to that? Or if not now, in the post-conference brief?  
10 Thank you.

11 MR. SPARKMAN: To the best of our knowledge,  
12 there is no real difference between the two. It's just one  
13 way of manufacturing or a different way of manufacturing.

14 MR. ANDERSON: All right. Ms. Freas, you have a  
15 follow-up?

16 MS. FREAS: Just one question. Is the raw  
17 material mix different for the crystalline? Do you know?

18 MR. FREEMAN: Our understanding is that raw  
19 materials are the same, but there's additional additives to  
20 the crystalline product.

21 MS. FREAS: Okay.

22 MR. FREEMAN: But we don't produce the product.

23 MS. FREAS: I understand. Thank you.

24 MR. SPARKMAN: Ms. Freas, just to expand on that  
25 a bit. The basic raw materials remain PTA and MEG. The

1 additive, the PIA that reduces the melt temperature, is the  
2 same in there. And the additives that Mr. Freeman referred  
3 to are a very small portion of this. So the primary  
4 ingredients and the primary function of bonding remains the  
5 same, whether it's the crystalline or the standard low melt  
6 fiber.

7 MS. FREAS: Thank you.

8 MR. ANDERSON: Thank you. Just one last  
9 question. Can you help us understand what the application  
10 is for the crystal silken low melt product?

11 MR. SPARKMAN: Sure. So as the defense  
12 testified, the additives there in the crystalline basically  
13 form a crystalline network in there. And it provides a  
14 little bit more rigidity in the product so that if it is  
15 exposed to heat after it's been manufactured and it's been  
16 formed and it's shaped into the final product, it would  
17 resist that heat a little bit better than the standard  
18 product would.

19 For example, in a trunk where the sun's beating  
20 down on it, or even more, in an engine compartment, where  
21 you've got the heat of the engine.

22 MR. ANDERSON: Very helpful. Thank you. With  
23 that, I want to, on behalf of the staff here, thank you all  
24 for your testimony and for your questions and for being here  
25 today. It's been very helpful and very informative. And

1 I'd like to take about a fifteen minute break. We'll  
2 reconvene at twenty after the hour, give a little break  
3 here. And we'll recess until then. Thank you.

4 (Whereupon a brief recess was taken to reconvene  
5 that same day.)

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

2                   MR. BISHOP: Will the room please come to order  
3 and be seated? Will the room please come to order?

4                   MR. ANDERSON: Well, good morning, Mr. Menegaz.  
5 Welcome to our panelists and thank you for being here today  
6 and taking time away from your businesses to help us better  
7 understand this product and market. And when you're ready,  
8 please proceed.

9                   MR. MENEGAZ: Thank you. For the record,  
10 Gregory Menegaz of deKieffer Horgan. We are going to follow  
11 the order of on the calendar for the witnesses. And so,  
12 we'll just go ahead and each witness will introduce  
13 themselves as they speak. And we'll start with Mervyn  
14 Bernet.

15                   STATEMENT OF MERVYN BERNET

16                   MR. BERNET: Good morning. Good morning, is it?  
17 Good morning. My name is Mervyn Bernet. I am the CEO of  
18 Bernet International Trading, also known as BIT.

19                   BIT is a privately import and distributor of  
20 synthetic staple fibers. I personally have been selling  
21 synthetic staple fibers since 1984. So already for 34  
22 years. I've been involved in the importation and  
23 distribution of bi-component polyester fiber, which is also  
24 known as low melt or thermally bonded fiber, since 1985. At  
25 that time, the bi-component fiber market was in its

1       infancy.

2                   U.S. manufacturers would use spray or resin  
3       bonding as a means of binding fiber.  Back then,  
4       bi-component polyester low melt fibers were only available  
5       in and from Japan.  Early trials with bi-component fiber  
6       showed superior results compared with resin bonded fibers.  
7       Thermal bonding using bi-component low melt results in  
8       products that are superior in performance that are stronger  
9       and more completely bonded.

10                   More importantly perhaps is that thermal bonding  
11       is more environmentally friendly and provides a healthier  
12       work environment for manufacturers' employees.  The biggest  
13       advantage is that there's less air pollution using the  
14       product.

15                   Over the years, the industry has moved almost  
16       completely away from spray bonding to thermal bonding.  
17       Resin bonding manufacturing capabilities no longer really  
18       exist in meaningful ways.

19                   So where am I going?  All this is to say there  
20       is no feasible alternative product for American  
21       manufacturers.  Going back to resin bonding would be neither  
22       feasible or desirable.  Many industries are dependent on  
23       this product.

24                   Demand for bi-component fiber continues to grow  
25       as we find more end uses for it.  It used to be that most

1 low melt went into furniture and some for filtration.  
2 Today, end uses include wheel well liners, heat barriers,  
3 acoustical sound absorption, materials headliners, trunk and  
4 hood liners. And that is just some of the automotive uses.  
5 Goes into wipes for hygiene, medical, and industrial uses.  
6 It's in diapers, mattresses, and food packaging. The list  
7 goes on.

8 Many of these uses for bi-component fibers are  
9 for products that did not exist five to 10 years ago.  
10 Demand continues to trend up.

11 The automotive industry alone since the recovery  
12 that began in 2009 has accounted for a big part of the  
13 overall increased demand. U.S. automobile production in  
14 2009 was somewhere around 10 million vehicles a year.  
15 Whereas today, it's around 17 million vehicles a year.

16 Furthermore, in trying to improve fuel  
17 efficiencies by making vehicles lighter, the use of PET  
18 molded parts, which relies on low melt fibers, has replaced  
19 previously used heavier raw materials like plastic injected  
20 molded parts. More fiber is going into vehicles than ever  
21 before.

22 This increased usage and demand has gradually  
23 increased on all five continents. It is for this reason  
24 that the Korean and Taiwanese manufacturers have upgraded  
25 their equipment to create efficiencies of scale, improve

1 their quality, reliability, and service. The Korean and  
2 Taiwanese manufacturers have traveled the world, met with  
3 distributors, and end users, listened to what the  
4 requirements are, and worked in close cooperation with end  
5 users' R and D departments to develop or tweak products to  
6 achieve desired results for new and improved applications.

7 If the Korean and Taiwanese market share has  
8 grown, I believe it is because of their willingness to  
9 invest in improving in innovating their products and because  
10 of their work with customers and the relationships that have  
11 been developed.

12 While a certain amount of interchangeability  
13 between products exists, particularly at the commodity end  
14 of the market, our customers do have their preferences.  
15 Each producer's fiber has slightly different  
16 characteristics, such as shrinkage and/or bond strength.  
17 Our customers have told us that imported fibers they have  
18 tested in their final products also run better on the  
19 equipment. In short, the expansion of capacity in Asia has  
20 not been reckless. The decisions have been made based on  
21 planning with distributors and manufacturers worldwide and  
22 after careful consideration of the continuous increasing  
23 global demand for the product in current and forecasted end  
24 uses.

25 Much of the growth in low melt products is going

1 on in the higher end and value added products. End users  
2 have no choice but to import these items as Nan Ya does not  
3 presently make them.

4 These items include the black low melt, black  
5 high temp, crystalline low melt, fine denier, fine denier  
6 being less than 2 denier, coarse denier being more than 6  
7 denier, and shortcut low melts of cut length below under 38  
8 millimeter.

9 I would strongly suspect that if this dumping  
10 case were to move into the next phase, Nan Ya, presently Nan  
11 Ya would not be able to supply the needs of the market.  
12 Customers would be placed on allocations. There would be  
13 product shortages in items that Nan Ya chooses to make and  
14 massive shortages of the types that they don't make.

15 Our customers demand just-in-time deliveries  
16 with a broad range of products. Many of our orders contain  
17 multiple items within individual pickups or deliveries. Our  
18 wider array of product offerings is a valuable service for  
19 our customers.

20 More importantly, importers have established  
21 warehousing and distribution that is generally within 100  
22 miles of the customers' plants. Inland freight could  
23 represent as much as 15 percent of the cost of a product,  
24 particularly on the West Coast, where my company is  
25 headquartered.

1                   Ocean freight through the efficiencies created  
2 by containerization is a significantly more efficient and  
3 cost effective way of moving the product to the market  
4 place. We at BIT currently utilize more than 10 warehouses  
5 around the United States to be -- to remain close to our  
6 customers. This is one of our competitive advantages.

7                   I would estimate that over 95 percent of our low  
8 melt sales are outside of South Carolina. The low melt -- I  
9 do sell within South Carolina as primarily items that Nan Ya  
10 does not make, like the black low melt. There are a variety  
11 of functions that importers perform that make us and foreign  
12 bi-component fibers more competitive.

13                   While price is a consideration in where to  
14 purchased bi-component fiber, often more importantly, one,  
15 the availability and location of a product; two, freight  
16 cost; three, the terms we offer to our customers; four, the  
17 quality and characteristics of a product; five, the ability  
18 to offer numerous products if we can bundle together; and  
19 six, the service we deliver.

20                   In conclusion, there are numerous reasons why  
21 end users purchase foreign produced bi-component fiber.  
22 While low melt is being used than ever before, I believe  
23 that Nan Ya continues to enjoy a significant share of the  
24 market. However, if they've lost ground, it is because of  
25 their inability to compete with their offerings, freight

1 cost, availability, and overall service. I believe that Nan  
2 Ya, USA does not have the ability to service all of the  
3 needs of the market that are included within the scope of  
4 this case. Thank you.

5 STATEMENT OF ROBERT KUNIK

6 MR. KUNIK: Good morning, my name is Bob Kunik.  
7 I am the president and owner of Consolidated Fibers. We are  
8 an over 60 year old company based in Charlotte, North  
9 Carolina, specializing in the distribution of synthetic  
10 fibers, including the subject of today's conference low melt  
11 fibers.

12 In this effort, we employ 25 people in our  
13 headquarters and satellite offices in South Korea and China.  
14 To service our customer base, Consolidated Fibers utilizes  
15 strategic warehouses across the United States. When we  
16 first heard of the anti-dumping action being filed, our  
17 immediate reaction was, what will our customers do? The  
18 sole petitioner in this case only services a small  
19 percentage of the market and they surely do not offer the  
20 various specialty products in different configurations that  
21 our Korean sources provide.

22 Meanwhile, the other U.S. producer mentioned in  
23 the petitioner, Fiber Innovation Technology, is hardly a  
24 player at all as far as we can tell.

25 In my remarks today, I want to precisely stress

1 the differentiating factors of the low melt fibers we handle  
2 versus those of the petitioner. Number one, crimp and bale  
3 compression. When my foreign supplier entered into this  
4 business over 10 years ago, together we through trial and  
5 error, maximized these two characteristics to maximize the  
6 efficiency of opening these fibers and to allow for greater  
7 blend percentages of low melt.

8 My foreign supplier's fiber was made truly as a  
9 bonding fiber. It is our understanding that the  
10 petitioner's fiber is a highly crimped and less easy to open  
11 or process type of product.

12 When we entered the market, the customers were  
13 very clear that they wanted a fiber that could be -- that  
14 can be processed easier without as much pre-opening and  
15 initial processing. To achieve this, we focused on primary  
16 crimp, secondary crimp, and bale compression. All of these  
17 qualities promote efficiency and cost savings down the  
18 production stream.

19 These characteristics were different from the  
20 fiber offered by petitioner and our strategy was to compete  
21 on quality and customizing the best bonding fiber for  
22 customers.

23 Number two, bonding properties. Each low melt  
24 has a unique DSC curve, which stands for Differential  
25 Scanning Calorimetry. This is a thermoanalytic technique



1 studying the impact of time and temperature on fiber.

2 So each low melt has a unique DSC curve that  
3 impacts how the fiber will be -- will react in the bonding  
4 oven and ultimately perform as a product. Certainly, these  
5 fibers perform differently in this manner. Any change in  
6 fiber will require a significant pre-qualification process  
7 and testing protocol.

8 On most applications utilizing low melt fibers,  
9 customers have to undergo a qualification process to make  
10 sure that a particular bonding fiber will perform in their  
11 specific oven and manufacturing process. On average, this  
12 can take 30 to 180 days, depending on the oven and process.  
13 For some demanding end users, we've seen this qualification  
14 process extend out to nine months.

15 In addition, a testing period is almost always  
16 mandatory to ensure that proper blending is achieved. Low  
17 melt is used in all kinds of percentages by the downstream  
18 users in combination with a matrix or main fiber. The  
19 percentage is highly confidential to the end users, but can  
20 range from a minority to a majority of the overall fiber  
21 mix.

22 In this effort, our customers also have to  
23 provide samples and test product to their downstream end  
24 users, who can be demanding end users or applications like  
25 auto and auto part manufacturers.

1                   Specifically in automotive applications, in  
2                   addition to the physical testing procedure, there is an  
3                   arduous documentation system called PPAP or Production Part  
4                   Approval Process for all new fibers and material changes.

5                   Number three, whiteness. The imported fibers in  
6                   many case -- in many cases will be a whiter shade or have a  
7                   higher L score, which is a relative score of whiteness than  
8                   the domestically available product. Many customers prefer  
9                   the whiter fiber.

10                  Consolidated Fibers acknowledges that this is a  
11                  competitive business as almost all businesses are today, but  
12                  there are many reasons that consumers buy low melt and the  
13                  pricing is only one factor.

14                  In addition to the points I referenced in many  
15                  cases, a low melt is spec'd in pre-determined by the  
16                  purchaser. This is due not only because of the unique  
17                  properties of each low melt, but also because of the long  
18                  and expensive qualification period. Quite simply, customers  
19                  demand performance and consistency of performance and do not  
20                  easily switch week to week based on price.

21                  It is our belief that the petitioner is not  
22                  serving many important parts of the low melt market. And  
23                  even when the petitioner makes a nominally similar product,  
24                  a lot of factors are considered by our customers, such as  
25                  whiteness, specification, just-in-time availability,

1 reliability of supply, transportation costs and other  
2 factors.

3 For this reason -- for these reasons,  
4 Consolidated Fibers does not believe that the domestic  
5 injury is injured or threatened with injury by the reason of  
6 the subject imports. Thank you for consideration of my  
7 perspective on the industry today.

8 STATEMENT OF ERNEST ELIAS

9 MR. ELIAS: Good morning. I am Ernest Elias, VP  
10 and 50% owner of Fibertex Corporation, and we're a  
11 family-owned company based in Teaneck, New Jersey, and  
12 operating for over twenty-five years, distributing polyester  
13 fiber to manufacturers in the U.S. Our customers include  
14 U.S. manufacturers of pillows, bedding, mattresses, filters,  
15 automotive components, insulation media, many other general  
16 industrial components.

17 While we employ only a small number of people in  
18 our logistics and distribution operation, we provide a  
19 valuable service in making available critical raw materials  
20 to our customers on a just-in-time basis. And this enables  
21 them to operate profitably and competitively with their  
22 large downstream U.S. manufacturing workforces. I oversee  
23 and am responsible for all the operations of our company.

24 Low melt fiber is, and always has been, a  
25 significant part of Fibertex' business. And Fibertex has

1 completed the importer questionnaire issued by the  
2 Commission. For a number of reasons, however, we  
3 respectively ask the Commission to reject the petitioners'  
4 request for the imposition of anti-dumping duties on  
5 imports of low melt from Taiwan and Korea.

6 As the Commission is aware, low melt binder  
7 fiber is an indispensable part of the raw material mix  
8 required for the production of numerous products. These  
9 include critical components used in automotive parts in  
10 order to comply with U.S. government objectives of fuel  
11 efficiency by lowering weight. Other products in which a  
12 substantial number of U.S. industries utilize low melt  
13 fiber include mattresses, furniture components,  
14 soundproofing media and other technical products.

15 The consumption of low melt fiber by U.S. and  
16 worldwide manufacturers in these and other areas has been  
17 increasing significantly and at a rate far higher than that  
18 of any other polyester fiber in general over the last ten or  
19 so years. And is projected to continue growing  
20 significantly.

21 My colleagues, the other importers, have spoken  
22 to the issues of the petitioner not making certain low melt  
23 products required by the market, and possibly not having the  
24 capacity to supply the majority of the U.S. low melt  
25 polyester demands. I'll try to address some other issues.

1                   As the Commission is aware, there is a  
2 relatively small number of low melt PSF producers worldwide.  
3 Each of them has limited capacity to produce low melt, and  
4 decisions to increase that capacity are based on long-term  
5 market projections of worldwide markets, since they require  
6 significant capital investment.

7                   In all my discussions with low melt producers  
8 over the years, it has always been clear that while the U.S.  
9 market is a significant one, it is certainly not their only  
10 focus and that their investment decisions are based on a  
11 much bigger worldwide perspective of which the U.S. is only  
12 a limited part.

13                   The demand curve is generally a smooth type of  
14 curve year-on-year increase. The supply curve, where each  
15 increase in supply requires substantial new investment,  
16 grows in discrete leaps. As a result, there are periods of  
17 time when, for example, a new investment has been made where  
18 the supply exceeds the demand, until the steady demand curve  
19 catches up. Similarly, there are times in the cycle when  
20 the supply is very tight because the demand has overtaken  
21 supply until a new investment is up and running.

22                   The producers in Korea and Taiwan, as well as  
23 the petitioner, are accustomed to dealing with these  
24 fluctuations, and make their investments based on long-term,  
25 not short-term, expectations. The petitioners' injury claim

1 has to be viewed in this context, something with which they  
2 and their Taiwanese parent company are very familiar.

3 As regards Fibertex' business, we maintain  
4 significant low melt inventories in eight different  
5 locations around the U.S. in order to supply our customers  
6 with their just-in-time requirements. Most of our customers  
7 do not have the physical space to inventory much raw  
8 material, often do not have much advance notice of their own  
9 customers' delivery requirements and are set up to run with  
10 maximum efficiency on a just-in-time basis.

11 This means that even though they may give us  
12 long-term supply contracts, their raw material supply line  
13 in terms of actual deliveries needs to be finely tuned. As  
14 a result, we usually receive requests for same-day or  
15 next-day container load deliveries.

16 We must comply with this timing, otherwise, our  
17 customers' production lines would stop with significant  
18 consequential loss. Hence our comprehensive inventory  
19 network to support these needs. As far as we're aware, the  
20 petitioner has no such network, and for example, would take  
21 three to four days to deliver to West Coast manufacturers.

22 Another aspect of the critical nature of low  
23 melt for our customers' business is notwithstanding that our  
24 customers are happy with our supply from all points of view.  
25 Nevertheless, almost without exception, and sometimes

1 notwithstanding they have to pay a slightly higher price,  
2 they do not sole source. They buy part of their low melt  
3 requirements from Fibertex and part from one or more from  
4 our competitors.

5 This gives them the benefit of risk limitation  
6 in the event that something unexpected happens to break part  
7 of the supply chain. Everyone in the industry recalls such  
8 events and while, with regular PSF, there are many  
9 alternatives to choose from, with low melt, there are ready  
10 few alternative sources. And no straightforward alternative  
11 way of making the products.

12 And for these reasons, we'd respectfully request  
13 the Commission to view the petitioners' claim in the context  
14 of the unusual market situation which would prevail if the  
15 petitioners' claim was successful, that of the sole supply  
16 of a critical commodity, while it's not even clear that they  
17 would have the capacity or ability to service the  
18 requirements of the market. Thank you.

19 MR. STEIN: Good morning. My name is Sidney  
20 Stein, nicknamed Chip for some of those who've gotten  
21 e-mails from me. I am co-owner, 50% owner of Stein Fibers.  
22 Been in business forty-one years in this business, maybe a  
23 little bit too long.

24 But I'm going to turn this over to our Sales  
25 Manager, Jaren Edwards, who has been with us a long time

1 also, and is well-qualified to -- we're gonna talk basically  
2 on crystalline and black, which I know, in the petitioners'  
3 question and answer period, had a lot of your questions and  
4 answers, so hopefully we can expand upon that.

5 STATEMENT OF JAREN EDWARDS

6 MR. EDWARDS: Thank you. Again, my name's Jaren  
7 Edwards. I've been with Stein Fibers for twenty-one years.  
8 That is a long time. And for the sake of not being  
9 redundant with some of the other things you've heard, we  
10 would like to speak specifically on crystalline and black  
11 low melt.

12 The first thing we wanted to point out is that,  
13 bi-component fibers were first created in Asia. We believe  
14 that that's important. The Asian producers have continued  
15 to manufacture various types of bi-component fibers that are  
16 seen as non-commodity products. Two of those products that  
17 we want to speak about are crystalline and the black low  
18 melt.

19 As the market continues to grow, Nan Ya U.S.A.  
20 opened their capacity to go after more of that commodity  
21 market, which is the white low melt product. They have  
22 never produced crystalline or black low melt fiber and they  
23 had mentioned that earlier.

24 A couple of basic points that might help, as far  
25 as definitions. What is the difference between the white



1 crystalline low melt and the other low melt. The other low  
2 melt is known as an amorphous low melt. To get very  
3 specific on a scientific level, it starts talking about  
4 thermoset polymers and how the arrangement of polymer  
5 molecules of amorphous solids are arranged in random  
6 organization. And the remaining polymer structure does not  
7 have a repeating arrangement.

8           The chemistry involved on the crystalline, those  
9 polymer molecules are in a structured and repeated  
10 arrangement. So on a very detailed level, those products  
11 are very different. So in layman's terms, how is that  
12 product different? If you're manufacturing a part for the  
13 automobile that's gonna be exposed, like a wheel liner and  
14 the manufacturer wants to sell that product in Anchorage,  
15 Alaska, as well as in Phoenix, they will subject that part  
16 to severe cold temperatures and also severe hot  
17 temperatures.

18           What happens with the amorphous product, the  
19 other low melt, the commodity low melt, is that product  
20 softens as the temperature gets closer to closer to its melt  
21 temp. With the crystalline products, that is not the case.  
22 It goes all the way into that exact point before it softens.  
23 So that wheel liner and product testing for the automotive  
24 industry, it will not deform through those various  
25 temperature zones.

1                   Products that crystalline is used in, in the  
2                   automotive industry is typically the underbody of the  
3                   vehicle, as well as wheel liners and also components close  
4                   to the engine compartment. Our crystalline product's  
5                   interchangeable with the commodity low melt products. They  
6                   are not interchangeable between products, whether it be  
7                   processing or end-uses, and the customer, when it requires a  
8                   crystalline product, it requires that product. There is  
9                   not a substitute for that.

10                   Customer product perception and price.  
11                   Customers are aware that crystalline low melt is uniquely  
12                   different. Due to its melting point, the molecular  
13                   structure and its end uses, customers seek the enhanced  
14                   capabilities of crystalline low melt and do not confuse this  
15                   product with the commodity low melt. Customers are also  
16                   willing to pay much higher price point for that product.

17                   Another fact we wanted to point out is, because  
18                   it's seen as a non-commodity product, it's often made on  
19                   batch production lines, which are smaller. There were  
20                   comments made earlier about economies of scale and the  
21                   ability to manufacture things efficiently. And the overseas  
22                   producers in Asia have batch lines to manufacture these  
23                   smaller, more specialized, products.

24                   Moving on to the black low melt fiber, the  
25                   obvious characteristic, this product is black. You take a

1 carbon black master batch, and it is co-extruded at the  
2 beginning of that process. As stated earlier, in the  
3 automotive industry, products that are seen are typically,  
4 it's desirable for them to be black. If it's a wheel well,  
5 you probably never noticed it because it is black.

6 Same thing if you look under your hood, it's  
7 typically black. Around your gas pedals, anywhere up under  
8 your carpet, floor carpeting. If you would possibly see it,  
9 then they would like that product to be that black color.  
10 Is this product interchangeably with the white low melt?  
11 No, it is not. It has very specific color requirements.

12 So in summary, like crystalline fibers, the  
13 black low melt fibers are also produced on small batch  
14 lines. It's important, the product, the face masks that  
15 were shown earlier, it's very important that black fiber is  
16 not contaminated in the production with white fiber. And  
17 once again, it's often made on dedicated small production  
18 batch lines.

19 I just wanted to reiterate that the petitioner  
20 openly used terms such as capacity utilization, the strap to  
21 run high volume, economies of scale our production requires.  
22 Those types of terms were all used when discussing black low  
23 melt fibers in crystalline. So our goal of this time was  
24 just to point out some of the specifics on those two  
25 products so that those would definitely be excluded from the

1 conversation. Thank you.

2 MR. STEIN: If I may add one thing. The  
3 petitioner has told us and others they have no interest in  
4 running black. Because the contamination factor on its  
5 other lines. If you look in Korea, maybe in Taiwan, I'm not  
6 sure, they run colored low melt, other colored low melts  
7 like beige, tan, gray. Nan Ya does not. The reason?  
8 Contamination with their other production facilities. In  
9 Korea, they run fine denier. The case you heard last few  
10 weeks. They run colored fine denier. Nan Ya does not.  
11 Reason we are told, is contamination. So I think for those  
12 reasons alone, this Commission should look at excluding the  
13 black from this case. Thank you.

14 STATEMENT OF JON FEE

15 MR. FEE: I'm Jon Fee with Alston & Bird,  
16 appearing on behalf of Milliken & Company. Milliken is a  
17 party to this investigation and opposed the imposition of  
18 anti-dumping duties on low melt polyester staple fiber from  
19 Korea and Taiwan. We thank the Commission and other  
20 opposing parties' counsel for allowing time for Milliken's  
21 statement today. Our focus at the conference will be on the  
22 availability, or better said, the unavailability of  
23 U.S.-produced black and colored low melt PSF.

24 Milliken is a prominent U.S.-based producer of  
25 chemicals, floor coverings, textiles and other products,

1       headquartered in Spartanburg, South Carolina. Founded in  
2       1865, Milliken operates more than thirty-five manufacturing  
3       facilities in the United States and overseas. Milliken  
4       employs 5,000 associates in the United States.

5                 Petitioner Nan Ya Plastics Corporation, America,  
6       is a valued Milliken supplier of low melt PSF and other  
7       products. Milliken also purchases low melt PSF produced in  
8       Korea and Taiwan, both as a direct importer and as a  
9       customer of other U.S. importers.

10                The petitioner correctly describes low melt PSF  
11       as a bi-component product, having one component that melts  
12       at a lower temperature than the other. Milliken uses low  
13       melt PSF to produce nonwoven fabrics for the bedding and  
14       automotive industries. These nonwovens are generally made  
15       by disbursing fibers in a uniform web that's then subjected  
16       to heat, causing a component of the low melt PSF that melts  
17       at a lower temperature, to bind to the fibers.

18                For the automotive woven product, known as  
19       needle punch fabric, the web is penetrated with an array of  
20       barbed needles that carry tufts of the web's fibers  
21       vertically through the web, creating a relatively  
22       lightweight moldable fabric used to line the surface of an  
23       automobile's wheel well, trunk or fender. This fabric  
24       absorbs sound and because it's moldable, conforms to the  
25       shape of the surface it covers without unsightly buckling or

1 wrinkling. It's light weight also contributes to fuel  
2 efficiency.

3                   Milliken makes bedding fabric with natural low  
4 melt fiber that is nonpigmented fiber, which is readily  
5 available from Nan Ya and other foreign sources. But it  
6 only uses black and colored fiber to make needle punch  
7 fabric for the automotive industry, because its automotive  
8 customers prefer black or colored for aesthetic reasons.  
9 The predominant preference is black, but Milliken is also  
10 offering other colors to its automotive industry customer.

11                   Despite the diligent efforts of Milliken's  
12 sourcing associates, Milliken has been unable to purchase  
13 black or colored fiber from either of the domestic  
14 producers. Nan Ya is evidently unwilling or unable to  
15 include products of black or other colors in its product  
16 offering. Milliken believes that Fiber Innovation  
17 Technology may offer black and colored fiber, but only in  
18 limited short runs that are insufficient in availability and  
19 volume to meet Milliken's needs.

20                   Thus, at least where black and colored low melt  
21 PSF fiber is concerned, Milliken's purchases of Korean and  
22 Taiwanese fiber have nothing to do with unfair injurious  
23 pricing and instead have to do with the choice by domestic  
24 suppliers not to offer it. Milliken's experience in its  
25 efforts to purchase black or colored low melt PSF from U.S.

1 suppliers has two implications for this investigation.

2 First, any injury or potential injury claimed by  
3 the petitioner cannot have been caused and cannot be  
4 measured by overall levels or increases in imports of low  
5 melt PSF from the targeted countries, because those levels  
6 and increases include non-injurious black and colored  
7 product.

8 Indeed, Milliken thinks that if the Commission  
9 disregarded imports of black and colored low melt PSF, the  
10 result could very easily be a negative preliminary  
11 determination as to all low melt PSF from Korea and Taiwan.

12 Second, significant differences between natural  
13 and black or colored low melt PSF call for a finding that  
14 black and colored fiber, as produced in short runs and small  
15 quantities by FIT is a separate like domestic product that  
16 must be separately investigated if the case proceeds beyond  
17 the Commission's preliminary determination.

18 The obvious difference between black or colored  
19 low melt PSF and natural low melt PSF is that black or  
20 colored fiber is made by adding a pigment to the polymer  
21 used to produce it. But an equally important difference is  
22 that both cannot be produced simultaneously with the same  
23 shared equipment.

24 Downtime for the changeover from natural to  
25 black or colored fiber and back, and the resulting yield

1 loss, would greatly impact the producers' capacity  
2 utilization. Moreover, Milliken believes that the  
3 production of black or colored fiber requires additional  
4 technology and equipment than production of natural.

5           The effect on capacity utilization and the need  
6 for additional technology and equipment probably explains  
7 why Nan Ya does not offer black or colored products. Nor  
8 are black or colored and natural low melt PSF  
9 interchangeable. Nonwoven fabric made with readily  
10 available natural fiber is perfectly acceptable to  
11 Milliken's customers in the bedding industry.

12           But automobile manufacturers and their consumer  
13 customers expect the fabric lining of wheel wells, fenders  
14 and trunks to be black or colored. This black or other  
15 color cannot be accomplished by dyeing the fabric made with  
16 natural fiber. The fiber itself must be made with the  
17 necessary black or colored pigment. Black or colored low  
18 melt PSF is also consistently more expensive. A customer  
19 with no need or preference for black or colored fiber would  
20 be unwilling to incur a tire cost and would purchase natural  
21 fiber instead.

22           The reasons I've summarized, Milliken  
23 respectfully requests that the Commission reach a negative  
24 preliminary determination as to injury in its investigation,  
25 or alternatively, that the Commission identify black and



1 colored low melt PSF as a separate like domestic product.  
2 Milliken, of course, will be pleased to provide additional  
3 information as requested by the staff or to respond to the  
4 staff's questions. Thank you.

5 MR. MENEGAZ: This is Greg Menegaz with deKieffer.  
6 We have no more planned testimony, and we would turn it over  
7 to the staff for questioning.

8 We have Peter Longo. He is--we don't represent  
9 him, but he's an interested party.

10 MR. LONGO: And not a potted plant.

11 MR. MENEGAZ: He was on the next page of the  
12 calendar that I neglected to turn. My apologies.

13 STATEMENT OF PETER LONGO

14 MR. LONGO: Thank you. Good afternoon. My name  
15 is Peter Longo. I'm the owner of Precision Custom Coatings  
16 in New Jersey. I employ approximately 300 employees, and  
17 it's a privately owned company operated for over 30 years.

18 We manufacture product for the apparel industry,  
19 mostly ladies garments, for the automotive, for the bedding,  
20 for filtration, and for needle punching fabrics. I am here  
21 today just because I'm concerned not only for my business  
22 but also for the manufacturing using my product if the  
23 import of low melt fibers in any denier or length is  
24 blocked, or duties applied.

25 First of all, Nan Ya is only one company

1 producing low melt. Regardless, if I buy directly or if I  
2 buy through all these gentlemen distributors, there is still  
3 a one company producing. There is always problems. I have  
4 tried in the past, about eight, maybe nine years ago, to buy  
5 directly. They will not sell directly.

6 I was directed to go through one of the  
7 distributors on this panel today. We did buy a few  
8 containers, and we had nothing but problems. Not all fibers  
9 are made equally. Most of what is being produced, a lot of  
10 it is being used for applications such as, you know, we do  
11 mostly coating. Most other people are using for spinning.  
12 My operation, it's specifically just for coating. And if we  
13 don't have the right finish, the fibers will not process  
14 through our equipment.

15 And again, Nan Ya refused to sell it to us.  
16 Also, we buy large quantities. Truthfully, I don't believe  
17 that Nan Ya would be able to support all of the U.S.  
18 manufacturers for the amount of fibers being used today.

19 On the same time, as you heard from other  
20 speakers, black, we use pretty large quantity of black, and  
21 like what I've heard before, black is growing business,  
22 special in automotive. Automotive is growing not only in  
23 the U.S. but in Mexico.

24 So the black will grow. And again, Nan Ya has  
25 never produced, has always refused to supply any black

1 product.

2 So basically that's the only thing that I like to  
3 express my concern. I would like to answer any question you  
4 might have. Thank you.

5 MR. MENEGAZ: I think with that we turn it over to  
6 the staff. Thank you.

7 MR. ANDERSON: Thank you, Mr. Menegaz and thank  
8 you to our witnesses for your testimony. It's been very  
9 helpful.

10 We will now start with staff questioning and  
11 we'll start with Ms. Stiger.

12 MS. STIGER: Thank you all for being here today  
13 and making your presentations. I would like to start with a  
14 question about interchangeability. Mr. Bernet testified  
15 that there is some amount of interchangeability and that  
16 customers have strong preferences based on the bonding and  
17 shrinkage.

18 Are there instances in which low melt produced in  
19 Korea or Taiwan are not interchangeable with low melt  
20 produced in the U.S.?

21 MR. RYAN BERNET: Ryan Bernet of Bernet  
22 International. Products are interchangeable, but they're  
23 all somewhat different. So our customers, while they may  
24 have analyzed and tested different manufacturers' products  
25 that have the same specifications on paper, they run

1 differently on their equipment.

2 So they're not always interchangeable. Did that  
3 answer your question?

4 MS. STIGER: Yes, somewhat. So there's no  
5 difference in terms of the end use, or it's basically about  
6 how it operates in their production line?

7 MR. RYAN BERNET: That's correct, yes.

8 MS. STIGER: Okay, this question I'd like to  
9 direct toward Mr. Koenig from Far Eastern, in terms of the  
10 foreign industry. I'd like to know if Far Eastern competes  
11 with U.S. producers in the domestic market in Taiwan.

12 MR. KOENIG: I'm the lawyer for Far Eastern, and I  
13 can ask them and enter it in a post-hearing brief.

14 MS. STIGER: Okay, this question is for Mr. Fee.  
15 You spoke about the black low melt, and I wanted to know if  
16 you are asserting that the increase in demand is being  
17 driven by the demand for that black low melt in automotive  
18 fiber usage?

19 MR. FEE: I'm sorry? Do we see that the increase  
20 in demand is largely from the automotive?

21 MS. STIGER: Right. Is the increase in the volume  
22 of the imports, is that largely like for black low melt?  
23 And is it the result of increased demand due to the  
24 automotive industry?

25 MR. FEE: Certainly in Milliken's experience it

1 is. But I hesitate to speak for the industry, but that's  
2 Milliken's experience.

3 MR. EDWARDS: Jaren Edwards with Stein Fibers.  
4 One of the things we've seen in automotive is, as technology  
5 has become important in the vehicle, the automotive industry  
6 has really concentrated on acoustical insulation. And  
7 nonwoven's products has consistently won as a product  
8 solution to provide light-weight, fuel efficiency, but  
9 improved acoustical values.

10 And in order to do that, they're adding panels  
11 throughout the vehicle. So they're adding like an underlay  
12 that would go under the entire surface of the vehicle to  
13 help road noise stay out of the cabin.

14 Also when you look at the more hybrids and  
15 electric vehicles, you don't have as much drowning out of  
16 noise of a traditional combustible engine, so it takes it to  
17 another level. So as you're adding more and more in  
18 automotive, those things that are seen are desired to be  
19 black.

20 MS. STIGER: Okay, this is another question for  
21 Far Eastern, and maybe you can address this in this  
22 post-conference briefs. I was just wondering if Far Eastern  
23 had any plans to expand capacity in the foreseeable future?  
24 And if is it planned on increasing exports of low melt PSF,  
25 and if so to which destinations?

1 MR. KOENIG: We will answer that.

2 MS. STIGER: Okay, that's all I have for now.

3 Thank you.

4 MR. ANDERSON: Okay. Thanks, Ms. Stiger. I  
5 wanted to give this panel--I'll jump in here real quickly to  
6 just follow up on questions about black, to give you the  
7 same opportunity to comment on what you feel is the  
8 percentage of the low melt market that is black, and what  
9 percentage is crystalline product. And then also what you  
10 feel the demand trends have been over the Period of  
11 Investigation. You can comment now or in your  
12 post-conference brief.

13 MR. FEE: We'll comment in our post-conference  
14 brief.

15 MS. HOLDSWORTH: This is Judith Holdsworth,  
16 deKieffer & Horgan. I believe too we've been discussing  
17 that we're going to need to discuss the issue in our  
18 post-conference brief when we have the information that you  
19 need.

20 MR. FEE: My microphone was off, and that was  
21 roughly my answer.

22 MR. ANDERSON: Very well. Thank you very much. I  
23 wanted to just give you an opportunity for that, and I'll  
24 turn the microphone now to Mr. Sultan.

25 MR. SULTAN: Let me start with a question about

1 the crystalline low melt. Is this a relatively new product?  
2 Is this something that's--you know, that's developed  
3 sometime recently?

4 MR. EDWARDS: Jaren Edwards with Stein Fibers.  
5 It's a product that we've known about for some time. But as  
6 the automotive industry has moved toward nonwoven solutions  
7 in the vehicle, they have canvassed the Asian producers'  
8 entire portfolio looking for product solutions.

9 And this product has had a lot of growth in the  
10 past couple of years. But because of the requirements and  
11 moving into new products--and a quick history lesson. My  
12 may recall washing your vehicle and the wheel liner used to  
13 be plastic, black plastic? And now almost all new models of  
14 vehicles, if you touch that area it looks like black  
15 plastic, but it is that nonwoven needle punch fabric that  
16 was discussed earlier.

17 MR. SULTAN: So when would you say that this  
18 product began to be used on a widespread basis in the auto  
19 industry?

20 MR. EDWARDS: I think we can only speak from our  
21 own experience with the customers we work with, and I would  
22 say in the past three years. Would you agree with that?  
23 And it's continued to grow.

24 MR. SULTAN: Thank you. The next thing I have is  
25 just sort of a general guideline for counsel, for your

1 post-conference briefs.

2 When presenting like-product arguments, please  
3 limit your arguments in the data that you present to  
4 domestic production. We're not interested in knowing about  
5 production processes in foreign countries. The question is  
6 the definition of the domestic like-product. So in  
7 presenting your arguments under the six factors that we  
8 analyze, please focus on the domestic aspect of those  
9 factors.

10 My next question has to do with the definition of  
11 the domestic industry. Do you agree with the Petitioner's  
12 proposed definition?

13 MR. MENEGAZ: Can you clarify the question? I  
14 mean I think they've defined the industry basically by the  
15 HTS number, and so we understand their definition. We're  
16 not going to contest that Nan Ya is the only--you know, the  
17 Petitioner, and there's one other perhaps very small  
18 producer.

19 MR. SULTAN: They've advocated defining the  
20 domestic industry as being the two domestic producers, and  
21 they claim that there are no related party issues.

22 MR. MENEGAZ: We're going to reserve treatment of  
23 the related-party issue for the post-conference brief, but  
24 we don't dispute their description of the domestic industry  
25 otherwise.



1           MR. SULTAN: Okay. And what about cumulation? Do  
2 you have any position on whether it's appropriate to  
3 cumulate imports from Korea and Taiwan?

4           MR. MENEGAZ: At this moment we don't have a  
5 position against cumulation.

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

7           MR. ANDERSON: Okay. Thank you, Mr. Sultan. Mr.  
8 Abbyad?

9           MR. ABBYAD: Thank you. So I'll begin with the  
10 same question I had asked the Petitioners. So we see quite  
11 a bit of over-selling by importers relative to domestic  
12 producers. Would you say that a reason for this is some  
13 sort of price premium? Is quality an important factor in  
14 the discrepancy? Or are there other factors?

15           MR. MENEGAZ: This is Gregg Menegaz, deKieffer. I  
16 don't know if anyone on our panel wants to take that on. I  
17 mean the data itself is confidential, but you all have  
18 business experience and you've described how you have  
19 different services that you offer that may account for the  
20 price difference. But I would have to leave that to the  
21 people in the room that are in the business.

22           MR. MERVYN BERNET: The question is why are we  
23 selling at a higher price?

24           MR. ABBYAD: Yes, with regards to the product one  
25 and two, yes.

1                   MR. MERVYN BERNET: Black and crystalline? I mean  
2 I'm not--I haven't seen the data, so I can't address what  
3 we're selling at a higher price. But the black and  
4 crystalline is sold at significantly higher prices than the  
5 commodity product.

6                   MR. ABBYAD: Okay, but with regard to the  
7 commodity product, you would not say that there's  
8 over-selling by the importers relative to the domestic  
9 price?

10                  MR. MERVYN BERNET: I don't think I can speak to  
11 that. I haven't seen the data.

12                  MR. MENEGAZ: Right. All the data is in the  
13 confidential importer questionnaires.

14                  MR. KUNIK: I can expand a little bit. I know  
15 that in our specific experience there are other products,  
16 you know, finer denier products, different cut lengths,  
17 higher temperature. Standard product is a 110 product where  
18 there's other higher temperature products being offered. So  
19 I know the cross-section of products that we particularly  
20 sell could contribute to that.

21                  MR. ABBYAD: Thank you--

22                  MS. HOLDSWORTH: Mr. Abbyad, if I could say  
23 something? Judith Holdsworth from deKieffer & Horgan. We--  
24 the counsel has looked at the data that we're working on  
25 evaluating that. I think that we are gathering the

1 statements from each individual of our clients in order to  
2 have a comprehensive argument that we would like to present  
3 in our postconference brief.

4 MR. ABBYAD: Okay. My next question is: Do any of  
5 your purchasers require supplier certification?

6 MR. KUNIK: Bob Kunik, Consolidated Fibers. Yes,  
7 almost all of our customers require, you know, preapproved  
8 specification sheets, and certificates of analysis at the  
9 time of shipment. So the answer is, yes.

10 MR. LONGO: If I may answer also from the  
11 manufacturer's standpoint, yes, we do require certificate of  
12 approval before we receive any shipments.

13 MR. ABBYAD: Would anyone be able to estimate the  
14 share of total consumption that's accounted for by different  
15 end uses, automotive versus other?

16 MR. MENEGAZ: we can attempt to look at that for  
17 the post-conference brief. That might be very difficult to  
18 quantify.

19 MR. ABBYAD: Sure. Thank you.

20 MR. FEE: John Fee with Alston & Bird for  
21 Milliken. We have some data in our questionnaire response  
22 that speaks only for Milliken, but of course we can't  
23 discuss it here.

24 MR. ABBYAD: My next question is with regards to  
25 interchangeability. Do all imports from all subject

1 countries supply the same major end use markets? Or is  
2 there a discrepancy between Taiwan versus Korea?

3 MR. KUNIK: Bob Kunik, Consolidated Fibers.  
4 They're the same end uses, but each application, as I  
5 mentioned in my testimony, each customer has specific  
6 demands, processes, challenges, and their own unique  
7 customers. But if you talk about the broad end uses which  
8 both sides have mentioned, bedding, automotive, furniture,  
9 they're the same in general. But that's a real broad  
10 painting of the picture as each customer has different  
11 requirements

12 MR. ABBYAD: And lastly, my question with regards  
13 to something you stated earlier, Mr. Stein. You had said  
14 with regards to Taiwan and Korea the production lines can  
15 substitute in colored low melt PSF, be it white or tan I  
16 think were the two examples you used. Could you just  
17 clarify? Would black also meet that criteria?

18 MR. STEIN: Yes. They have, as Jaren stated, they  
19 have batch lines where they can produce these smaller  
20 quantities that are needed for black, tan, any colors.

21 MS. BELLAMY: Please announce yourself.

22 MR. STEIN: I'm sorry. Sidney Stein, Chip Stein.  
23 So, yes, the answer is, yes, they do have batch lines to  
24 produce that, to produce the smaller needs.

25 MR. ABBYAD: Thank you. That's all the questions

1 I have at this time.

2 MR. ANDERSON: Thank you, Mr. Abbyad. Ms. Freas?

3 MS. FREAS: Yes. I have the same question. I  
4 believe in your opening remarks you made the statement that  
5 the PTA raw material costs were higher in the United States  
6 than the Middle East. Could you clarify, or expand on that?

7 MR. MENEGAZ: We stated that the PTA METD  
8 combination, actually, the cost of that in the U.S. market  
9 in published sources is higher than in the Far East. There  
10 are various regional reports of these prices. They're  
11 tracked very closely. They're linked to petroleum prices,  
12 and some of them are public, and some of them are  
13 confidential. So we'll definitely expand upon that in our  
14 post-conference brief.

15 MS. FREAS: Thank you.

16 MR. ANDERSON: Ms. Rodriguez, your turn.

17 MS. RODRIGUEZ: Just a couple of things. This  
18 would be addressed to either Mr. Bernet or Mr. Fee.

19 From what I understand in your remarks, that  
20 originally these fibers were developed in Japan. And then  
21 over the years in innovation by Korea and Taiwan. But do  
22 you source globally, still? Or are these your primary  
23 sources of supply because of the innovative qualities, the  
24 economies of scale, and the other things you mentioned?

25 MR. MERVYN BERNET: Mervyn Bernet, Bernet

1 International. We are sourcing globally still. We started  
2 out in Japan with the first low melt in '85. But they are  
3 made by other countries, as well. But the Korean and  
4 Taiwanese producers have shown vision and a willingness to  
5 expand upon what they're doing. And they've started when  
6 demand was very small, and they've grown with the market.  
7 So we've stayed with them as our customers don't want to  
8 change the products.

9 MS. RODRIGUEZ: And I think you mentioned, so is  
10 the primary reason the quality, their flexibility, rather  
11 than pricing on the product?

12 MR. MERVYN BERNET: Yes, I do believe that's the  
13 case.

14 MR. FEE: John Fee for Milliken. I think your  
15 question was whether we source from foreign countries other  
16 than Taiwan and Korea? If I remember correctly, the  
17 questionnaire, and of course our response, addresses whether  
18 we purchase from other countries, and we would prefer to  
19 leave that confidential.

20 MS. RODRIGUEZ: I don't have any further  
21 questions.

22 MR. ANDERSON: Okay. Ms. Haines?

23 MS. HAINES: Thank you for the testimony. In  
24 case--I can't remember if my colleague asked this, but any  
25 information you could include in your brief regarding the

1 pricing of the raw materials for the past several years,  
2 please. That's very helpful for the team.

3 Also, any information on other producers in  
4 Taiwan who are not participating that you could include in  
5 your briefs would be helpful.

6 I have just a few questions. One thing you  
7 mentioned which I would like just a little more explanation  
8 on, the Petitioner's product is highly crimped, and that you  
9 focus on a first-crimp and a second-crimp. So can you sort  
10 of explain to me a little more?

11 MR. KUNIK: Bob Kunik, Consolidated Fibers. When  
12 we entered into the market about 10 years ago, this is from  
13 our specific experience, the market was utilizing a fiber  
14 that was more like a matrix fiber, or the fiber more used  
15 for fiber fill. And our customers, when we came into the  
16 market, said there's numerous things we're looking for, and  
17 one of them is the crimp. And it's just the bonding fiber.  
18 It doesn't have to have--like there's two things. There's  
19 the primary crimp, which is just like the crimps per inch,  
20 and then the second crimp is just from like the top to the  
21 bottom.

22 And they said, here's what we're using. We don't  
23 need it. We need a fiber for bonding. It's going to go  
24 into an oven. It's going to be utilized in certain blend  
25 percentages, and we want a bonding fiber. And it was one of

1 many characteristics in things that we were trying to  
2 accomplish, but that's what they said. And they said, you  
3 know, the fiber that's out there right now is more of a  
4 fiber fill, or a lofty product. It doesn't have to be that  
5 way.

6 And so it was one of the things that they  
7 mentioned as a distinguishing --

8 MS. HAINES: So you're crimping it less?

9 MR. KUNIK: Yes. You do crimp--there could be a  
10 slight difference in the crimps per inch, but it's also  
11 relating to the heat setting that was mentioned earlier, and  
12 the crimp setting. And again, in the fiber making it's not  
13 all--sometimes it's more of an art than a science. But,  
14 yes, in general.

15 MS. HAINES: Does that make a difference in the  
16 amount of time it takes to produce the product?

17 MR. KUNIK: Not necessarily from fiber producer  
18 level, but it's more optimum for the end user.

19 MS. HAINES: Okay. Okay, and you also made  
20 reference that the bail compression that you--do you do that  
21 differently than the domestic?

22 MR. KUNIK: Bob Kunik, Consolidated Fibers.  
23 Again, one of the features that we looked at was the bail  
24 compression. When we came into the market, there were some  
25 complaints about the bails being really like solid, like if



1       you looked at it it would be like running into a brick wall.  
2       And it was related to the low melting nature of the fibers.

3               So there was again a demand among a lot of other  
4       things to we can't have this bail so hard, and a lower bail  
5       compression again resulted in our customers having a more  
6       optimum bonding fiber.

7               MS. HAINES: Okay. Thank you. You also mentioned  
8       that the domestic product is not as white as the imported  
9       product. Is that--what would lead to that difference?

10              MR. KUNIK: Bob Kunik, Consolidated Fibers. Again  
11       when we came into the market, this actually came from our  
12       supplier when we were working together on what was needed to  
13       enter in the market.

14              And then they said we have a very clean, white  
15       polymer stream. Would a whiter product into the market help  
16       us? Would people desire it? Would it help in the marketing  
17       of the product? Would it be more desirable to the customer?

18              And the answer is, yes, it's a consideration not  
19       in automotive, but more like in bedding and furniture where  
20       the whole nonwoven, the perception of whiter is a better  
21       product, it's cleaner, more pure, and the whiteness was and  
22       is a little bit whiter than other products out there  
23       compared to the Petitioners.

24              MS. HAINES: Okay. But that's something that they  
25       could change their process to make it whiter?

1 MR. KUNIK: You mean the Petitioners?

2 MS. HAINES; Yes. Is it something easily changed?

3 MR. KUNIK: I don't--I don't know, I don't know  
4 how easy it is, because again you're running on fairly large  
5 continuous lines. I think it depends on the polymer  
6 changes. It would be a merge change. It wouldn't be easy.

7 MS. HAINES: Okay.

8 MR. KUNIK: It could be done.

9 MS. HAINES: Okay. Another thing you mentioned is  
10 something that you provide--if my notes are right, that you  
11 bundle your products with, like service in bundling?  
12 Somebody was sort of testifying about sort of something that  
13 you do slightly differently than the domestics. So I was  
14 curious what you're bundling.

15 MR. MERVYN BERNET: Mervyn Bernet, Bernet  
16 International. I believe I said that. What I meant is that  
17 some customers don't want to take a full load of one  
18 particular product. So bundling meant we could have a  
19 different assortment of different fibers in a container to  
20 give efficiency to the customer so they don't carry too much  
21 inventory on the floor.

22 MS. HAINES: Okay, okay. Thank you. And then I  
23 guess my last question, one of you had mentioned that the  
24 imported product shrinks. There's less of an issue with  
25 shrinkage, and the bond strength is different. I'm just

1       curious about that.

2               MR. MERVYN BERNET: Mervyn Bernet, Bernet  
3       International. I believe I mentioned that. Again, it's  
4       just different products, although the same specification,  
5       behave differently in different customers' factories. And  
6       I've been told by some of our customers certain products  
7       shrink compared to others.

8               So they choose their--what I was really getting  
9       at is that they're making their decisions on what runs best  
10      and produces the best end product for them.

11              MS. HAINES: Okay. Okay, thank you. That's all  
12      my questions.

13              MR. ANDERSON: Okay, I'll scan my colleagues to  
14      see if they have any follow-up questions?

15              (No response.)

16              MR. ANDERSON: I just had one quick question about  
17      the black product pricing. I heard earlier that price is  
18      higher for black low melt polyester staple fiber than for  
19      amorphous or white. You can confirm that.

20              And then also, what has been the pricing trend  
21      for black over the POI, given this testimony about the  
22      automotive market's been growing and the demands have been  
23      increasing, and so forth. If you could comment on that now,  
24      or in your post-conference briefs.

25              MR. MENEGAZ: I think, due to the confidential

1 nature of that discussion, we would have to leave that for  
2 the post-conference brief.

3 MR. ANDERSON: Okay. And I would just invite you  
4 to comment on the Petitioners have said that prices have  
5 been going down for over the POI. So if there's a  
6 particular trend for black that's much different than all  
7 the other products, if you could expand on that  
8 relationship, or what the factors are, if there's a  
9 different trend in that. That would be appreciated. Thank  
10 you very much.

11 With that, on behalf of the staff I want to thank  
12 all of you for your testimony today, for being here, and for  
13 answering our questions. It's been very helpful.

14 And now we'd like to transition into closing  
15 remarks. So we'll just take a couple of minutes to let the  
16 parties switch out. Thank you.

17 MR. BISHOP: Rebuttal and closing remarks on  
18 behalf of Petitioner will be given by Paul C. Rosenthal of  
19 Kelley Drye & Warren. Mr. Rosenthal, you have 10 minutes.

20 CLOSING REMARKS OF PAUL C. ROSENTHAL

21 MR. ROSENTHAL: Thank you I would like to start  
22 with the discussion of like-product, and note that many  
23 industries have commodity and non-commodity products that  
24 span a continuum within the like-product domestic industry  
25 definition.

1           This industry isn't any different. Mr. Stein and  
2 other witnesses focused on different chemistries, and the  
3 most severe applications, but the Respondents have failed to  
4 provide any clear dividing line between these products that  
5 they've been talking about that would suggest the existence  
6 of separate like-products.

7           Every single importer you heard from essentially  
8 made claims about multiple products, differentiation from  
9 crimped to non-crimped, to special features. None of those  
10 justify treatment as a separate like-product.

11           I want to comment a little bit about the notion  
12 that the black low melt is a separate like-product. The  
13 notion that simply the addition of color creates a separate  
14 like-product is, in my experience, unheard of. I worked on  
15 a case many years ago involving flat panel displays from  
16 Japan, some of you may have heard of that, and in that case  
17 there were several different technologies being used to  
18 produce flat panels. And each one of those technologies  
19 actually resulted in a different screen color. There is a  
20 yellow screen by electro luminescence displays, a blue  
21 screen by LCDs, a red screen by plasma displays.

22           Now the Commission rejected the notion that each  
23 one of those technologies was a separate like-product, let  
24 alone this notion that a separate screen color would  
25 differentiate the products into separate like-products.

1           The idea that by adding a color at the beginning  
2 of a process creates a separate like-product is I think--I'm  
3 trying to be kind--but unconvincing. If that were the case,  
4 Mr. Stein's discussion of the capability of the foreign  
5 producers to create multiple colors, they can add tan, they  
6 can add black, they can add other colors, is each one of  
7 those products by the simple addition of a different color a  
8 separate like product?

9           I don't think so. I think it's a proposition  
10 that just does not withstand scrutiny.

11           I want to talk a little bit about this notion  
12 that the foreign producers have created these innovative new  
13 products that didn't exist before. Well Nan Ya produces  
14 every one of those products. They talked about the changes  
15 that they've made in these products to meet the customers'  
16 demands. Nan Ya does all of those things.

17           And some of the other importers talked about the  
18 alleged inability of Nan Ya to supply certain shapes or  
19 configurations, the two to six denier topic that was raised  
20 earlier, the 15 denier under 2 denier. Nan Ya makes all of  
21 those products.

22           We will provide more of that information in our  
23 post-conference brief, but it is not accurate to state that  
24 Nan Ya cannot supply the full range of products. That is  
25 what Ms. Cannon was referring to when she said at her

1 opening, and clarified in response to questions, that Nan Ya  
2 produces myriad of products available.

3 We talked about the, the two--ones that were of  
4 most interest to Respondents, the black and the crystalline,  
5 and we explained why those are not produced. But it's not a  
6 lack of capability, or--and particularly in the case of the  
7 black product, it's simply a matter of economics that they  
8 can get a higher price for the black product to match their  
9 additional cost to produce it. They could produce it in  
10 plenty of quantity.

11 And it's not surprising that the Respondents have  
12 claimed that their customers are worried about getting the  
13 product, if there's an import remedy imposed, but I want to  
14 reemphasize that the remedy that we're asking for is not  
15 exclusion from the market. This is not a 337 case. The  
16 remedy that's being asked for is fair pricing.

17 I don't understand why anyone who wants to  
18 maintain a domestic industry wouldn't want fair pricing  
19 here. And so with fair pricing, they may have to pay some  
20 more, but it would also mean that Nan Ya will be able to  
21 stay in business. To the extent that they want to have  
22 black supplied by Nan Ya, that will allow Nan Ya to justify  
23 producing that product.

24 So the idea of avoiding remedies because of some  
25 customer concerns about higher prices, as we know, is not a

1 concern that is really cognizable under the statute, and the  
2 Commission doesn't really pay too much attention to the  
3 customer concerns about maintaining lower prices.

4           And by the way, I also want to explain and  
5 reiterate that Nan Ya, as testified earlier, supplies and is  
6 capable of supplying all the customers for all these other  
7 products that the Respondents are talking about. They're  
8 already qualified with all the major production approval  
9 processes. And, as you've heard, customers do and can  
10 switch from one supplier to another.

11           I heard contradictory statements by the  
12 Respondents today about the need to have multiple suppliers,  
13 and then this notion that, well, our products are so  
14 specific that they can only rely on our particular  
15 configurations.

16           Well the truth is, any one of the companies  
17 represented in this room, or talked about in this room, can  
18 make any of those products. And customers have the ability  
19 to switch from one to the other rather regularly.

20           I want to turn to really what I think is the  
21 heart of the case, which has been pretty much ignored by the  
22 Respondents. And again, if you go back and look at the  
23 testimony from the Polyester Staple Fiber case many years  
24 ago, one of the arguments that I made there was that  
25 respondents were focusing on the hole and not the do-nut.



1 They're focusing on the exceptions and not the rules.  
2 Today they spent almost the entire time talking about the  
3 black product and the crystalline product, which at most  
4 make up 15 percent of the market, they've ignored most of  
5 the rest of the market and they've not contested that import  
6 volumes are significant or substantial.

7 They've not argued that import market share is  
8 not substantial or significant. And they've not argued that  
9 the import volumes and increases of market share over the  
10 Period of Investigation are not significant or substantial.

11 So as far as I can tell, they've essentially  
12 conceded all those statutory requirements with respect to  
13 volume.

14 When it comes to price, they claim that they're  
15 not under-selling necessarily, although I'm not exactly sure  
16 they were too clear on that because I don't think I heard  
17 any clarity with respect to how they were reporting their  
18 product for purposes of your under-selling analysis. And  
19 maybe we'll get more clarity in the post-hearing brief.

20 I will tell you that if you do a proper  
21 comparison and you don't compare their black product to our  
22 white product, or you don't compare their crystalline  
23 product to non-use product, or you don't compare some other  
24 product with bells and whistles to the commodity products,  
25 you will find under-selling

1           And as I said at the outset, you don't have to  
2 listen to me. Listen to what the purchasers said in their  
3 questionnaire response. They said the imports were  
4 under-selling the U.S. producers. And they said that in a  
5 high percentage of the time. They know what you're talking  
6 about there. And if you're getting under-selling  
7 information that is different from that, there's something  
8 wrong with the data you're getting, or the comparisons are  
9 being made. It's not your eyes that are deceiving you, it  
10 is the lack of comparability within those categories you're  
11 getting the information on.

12           So they're basically conceding, as far as I can  
13 tell, on volume. There's no question that the way you  
14 increase volume in this industry--because it's very price  
15 sensitive--is by having the lower price. And the imports  
16 from Taiwan and Korea have had the lower price. And that  
17 explains why they increase their volumes (microphone cuts  
18 out here)--as far as I can tell, they couldn't dispute that  
19 the industry is being injured.

20           They're just saying, oh, they're not responsible  
21 for that. They're saying, yes, import volumes are up but  
22 for some reason we're not responsible for that at all. Even  
23 though the domestic industry is losing market share and  
24 every financial indicator is down, they're claiming no  
25 responsibility.

1           Well I will close by this. I have been reminded  
2 by one of my colleagues that this is "Make It In America"  
3 week, and I would submit that if you want to make products  
4 in America and you want to continue making them, in this  
5 particular case you want to make low melt product in  
6 America, you need to make an affirmative determination with  
7 respect to this case.

8           Thank you.

9           MR. BISHOP: Rebuttal and closing remarks on  
10 behalf of Respondents will be given by Gregory S. Menegaz of  
11 deKieffer & Horgan.

12           CLOSING REMARKS OF GREGORY S. MENEGAZ

13           MR. MENEGAZ: Good afternoon. Thank you for the  
14 opportunity to present our testimony and witnesses this  
15 afternoon.

16           Well maybe I should take some of this in order,  
17 but I think the big revelation from the data is that there's  
18 no under-selling. Staff has recognized that. And there are  
19 a number--that's obviously a key indicator of causation.

20           There are a number of criteria that have been  
21 explained by all the witnesses here that can contribute to  
22 that, including service, distribution, nationwide  
23 distribution, innovation in products, foresight in the  
24 growth of the market and the direction of the growth, and  
25 the mix of the products, and the various product offerings.

1 The ability--you know, Nan Ya might be able to make a lot of  
2 these products, but offering them in small batches in real  
3 time in nationwide distribution is a completely different  
4 issue. And that directly impacts the purchaser's decisions.

5 And so we think there are a lot of explanations  
6 besides the mere fact that there's black and crystalline in  
7 the data. And, you know, the Petitioner's position seems  
8 highly contradictory. They're saying that they're niche  
9 products that don't absorb any volume, yet they're saying  
10 that those products are driving the under-selling, or the  
11 lack of under-selling data.

12 So I think their position is inherently  
13 contradictory. Now we have presented--our panel has  
14 presented a number of reasons why the importer products  
15 could achieve a premium, including also that some of the  
16 times the products are spec'd in, there's long qualification  
17 processes. The same--slight differences in the product  
18 could run very differently on the end-user's machinery, and  
19 this is an industry with a vast array of end uses to the  
20 products.

21 So it is very important that the end users are  
22 very comfortable with the supplier. And so, getting to a  
23 couple of the other specific points, talking about color  
24 televisions, they all have one end use and that's to watch  
25 the television. But we're talking about an industry with a

1 variety of end uses from bedding, to automotive, and  
2 different products are really being tailored to those end  
3 uses.

4           And the importers here today have, you know,  
5 basically catered to the tailorization of this market,  
6 whereas Nan Ya has not. Nan Ya is, you know, a big  
7 international company, just like the Korean and other  
8 Taiwanese companies that participate in this market, and  
9 they say they opened in 2008, well we've never seen any  
10 black from them since 2008. If they're just telling you  
11 because of the under-selling or supposed low pricing from  
12 2014 to 2016 is the reason they don't make black, but the  
13 fact is they have never made black, and they have serious  
14 obstacles to making the black because they've dedicated one  
15 line and chosen only to make white. So if the market is  
16 growing in black and they're not participating in it,  
17 that's going to be a problem for them. But it's not  
18 something you can lay at the feet of the foreign producers  
19 that did innovate and did invest in the technology and in  
20 the future of the market.

21           So let's see. I think that really covers  
22 everything. You know, there's no dispute that the market is  
23 growing. Everybody has testified to that fact here. We  
24 think the growth in the U.S. market is in line with global  
25 growth.

1           Some of the articles cited in the Petition quoted  
2           Huvis as selling to 100 countries, not directing all its  
3           exports to the United States. And so when you have a  
4           growing market over a steady trend over 10 years, and the  
5           Petitioners aren't offering the products in the right way  
6           and in the right mix in the market, they can lose market  
7           share. But it's not a cause of injury that the Commission  
8           can recognize and continue this investigation.

9           So we think this particular product was saved for  
10          the end of all the polyester investigations. It's the last  
11          product that doesn't have an order or an investigation on  
12          it. And we think there's a reason. And the reason has been  
13          explained by the second panel today: the customization of  
14          the product and the different product offerings.

15          And we think this is a case that should not  
16          continue and the Commission should make a negative finding  
17          of material or threat of injury in this case. And with  
18          that, I close my remarks and thank the Commission and the  
19          Commission staff.

20          MR. ANDERSON: Thank you to both counsel for your  
21          remarks. So on behalf of the Commission and the staff here,  
22          I would like to thank everybody for attending this  
23          conference today, and especially for your testimony in  
24          answering our questions and helping us gain a better  
25          understanding of the product here, the low melt polyester

1 staple fiber and the conditions of competition in this  
2 market.

3 Before we close, I just want to mention a couple  
4 of coming key dates in the investigation. The deadline for  
5 submission of corrections to the transcript and for  
6 submission of post-conference briefs is Friday, July 21st.  
7 If briefs contain business proprietary information, a public  
8 version is due on Monday, July 24th. And the Commission has  
9 tentatively scheduled its vote for these investigations for  
10 Thursday, August 10th, and we'll report our determinations  
11 to the Secretary of the Department of Commerce on Friday,  
12 August 11th.

13 Commissioners opinions will be issued on Friday,  
14 August 18th. And with that, again thank you all for your  
15 participation today.

16 This conference is adjourned.

17 (Whereupon, at 12:49 p.m. the hearing was  
18 adjourned.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Low Melt Polyester Staple Fiber (PSF) from Korea and Taiwan

INVESTIGATION NOS.: 731-TA-1378-1379

HEARING DATE: 7-18-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 7-18-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice  
Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine  
Court Reporter