

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
PLASTIC DECORATIVE RIBBON FROM CHINA) 701-TA-592 AND 731-TA-1400 (FINAL)

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
PLASTIC DECORATIVE RIBBON) 701-TA-592 AND 731-TA-1400
FROM CHINA) (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, December 13, 2018

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable David S.
Johanson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman David S. Johanson (presiding)

5 Commissioner Rhonda K. Schmidlein

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

8 Commissioner Jason E. Kearns

9

10

11

12 Staff:

13 William R. Bishop, Supervisory Hearings and Information

14 Officer

15 Tyrell Burch, Program Support Specialist

16 Sharon Bellamy, Records Management Specialist

17

18

19 Calvin Chang, Investigator

20 Jennifer Catalano, International Trade Analyst

21 Jonathan Ruder, International Economist

22 Brian Allen, Attorney/Advisor

23 Elizabeth Haines, Supervisory Investigator

24

25

1 APPEARANCES:

2 Opening Remarks:

3 Petitioner (Daniel B. Pickard, Wiley Rein LLP)

4 In Support of the Imposition of Antidumping and

5 Countervailing Duty Orders:

6 Wiley Rein LLP

7 Washington, DC

8 on behalf of

9 Berwick Offray, LLC

10 Christopher Munyan, President and Chief Executive

11 Officer, Berwick Offray, LLC

12 Lee Boy, Vice President of Manufacturing, Berwick

13 Offray, LLC

14 Keith W. Pfeil, Executive Vice President - Finance and

15 Chief Financial Officer, Berwick Offray, LLC

16 Rudy Singh P.E., Director of Manufacturing, Berwick

17 Offray, LLC

18 Julie Pajic, Director of Pricing, Berwick Offray, LLC

19 Dr. Seth T. Kaplan, President, International Economic

20 Research LLC

21 Travis Pope, Associate, Capital Trade Inc.

22 Daniel B. Pickard - Of Counsel

23

24 Closing Remarks:

25 Petitioner (Daniel B. Pickard, Wiley Rein LLP)

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9:33 a.m.

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

CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation Nos. 701-TA-592 and 731-TA-1400 involving Plastic Decorative Ribbon from China.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports of Plastic Decorative Ribbon from China.

Schedule setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the Public Distribution Table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the Public Distribution Table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed with the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information.

1 Please speak clearly into the microphones and state your
2 name for the record for the benefit of the court reporter.

3 If you will be submitting documents that contain
4 information you wish classified as business confidential
5 your requests should comply with Commission Rule 201.6. Mr.
6 Secretary, are there any preliminary matters?

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

10 CHAIRMAN JOHANSON: Very well. Let us begin with
11 opening remarks.

12 MR. BISHOP: Opening remarks on behalf of
13 Petitioner will be given by Daniel B. Pickard of Wiley Rein.
14 Mr. Pickard, you have five minutes.

15 OPENING STATEMENT OF DAN B. PICKARD

16 MR. PICKARD: Good morning, this is Dan Pickard
17 of Wiley Rein here today on behalf of Petitioners. Mr.
18 Chairman, Commissioners, I'd like to make some just very
19 brief opening remarks and then we can go to our direct
20 presentation.

21 I would respectfully submit that this is a very
22 straightforward case. We don't have any particularly novel
23 legal issues. No parties contesting the domestic like
24 product definition. We don't have any legal arguments in
25 regard to the Domestic Industry definition. There are no

1 negligibility concerns. This is a one country case. There
2 are no cumulation issues and the majority of the conditions
3 of competition that are relevant to this industry are
4 conditions of competition that you see in numerous cases.

5 Two of the most important of which would be the
6 importance of price and purchasing decisions and the high
7 degree of substitutability between the Chinese Product and
8 the U.S. Product. You will also here today that this is a
9 highly seasonal industry and our witnesses are going to
10 provide additional information in regard to the annual
11 nature of the sales process here.

12 But in regard to the three statutory factors,
13 also very straight forward in regard to the volumes of
14 Subject Imports. Absolutely they've increased relative to
15 production they've increased and imports have increased over
16 the three year period and the interim period by market share
17 regardless if you look at it by volume or by value.

18 Similarly, in regard to price effects there is
19 evidence of underselling, price depression, and price
20 suppression and Dr. Kaplan and Travis Cope today will be
21 providing additional information in regard to that pricing
22 analysis including in our prehearing brief.

23 In regard to impact, again the factors that the
24 Commission traditionally looks at for determining material
25 injury are all present here. There are significant declines

1 in the performance of the Domestic Industry regardless if
2 you're looking at the trade data, the financial data or the
3 employment data so I would submit that this is a
4 straightforward case in regard to material injury and
5 equally in regard to threat of material injury.

6 There is just one issue that I would tee up for
7 the Commission's attention today that I think we might be
8 talking about later in this morning's session and that's
9 application of adverse inferences, or adverse facts
10 available. It's well-established that for some very good
11 reasons this agency applies adverse facts available less
12 frequently than its sister agency at the Department of
13 Commerce and there are good reasons for that historical
14 practice.

15 I would suggest that the record of this case
16 makes a particularly compelling argument for application of
17 AFA. There is certainly no need to apply that in order to
18 get to an affirmative determination. For some of the
19 reasons we will talk about this morning, we will request to
20 the extension that the Commission believes it is appropriate
21 to include specific language in your opinion to that effect.

22 So that being said, in addition to Dr. Kaplan and
23 Mr. Pope, we have five industry witnesses here today that
24 will provide testimony in regard to the production process,
25 the sales process and how the industry has been impacted by

1 competition with imports. We will be happy to answer any
2 questions that you have. With that, that concludes my
3 opening statement.

4 MR. BISHOP: Mr. Chairman, I would note that the
5 Panel in Support of the Imposition of the Antidumping and
6 Countervailing Duty Orders have been seated. This Panel has
7 sixty minutes for their direct testimony.

8 MR. PICKARD: Mr. Chairman, I would like to begin
9 with introducing Mr. Chris Munyan who will be our first
10 witness.

11 STATEMENT OF CHRISTOPHER MUNYAN

12 MR. MUNYAN: Good morning, my name is Chris
13 Munyan and I'm the President and CEO of Berwick Offray, LLC.
14 I've worked with Berwick Offray, its affiliates --

15 MR. BISHOP: Can you move your mic a little
16 closer, Chris? Thank you.

17 MR. MUNYAN: I've worked for Berwick Offray, its
18 affiliates and its parent company CSS Industries since 1993.
19 This year marked my 25th anniversary working for the
20 company. It may seem like a long time, it certainly does to
21 me, but in reality I'm just the current caretaker of an
22 American ribbon-making tradition stretching back over 140
23 years, two World Wars, the Great Depression, The Great
24 Recession, the unfortold death of American Manufacturing.

25 Today, we are the last remaining American

1 producer of plastic decorative ribbon, the type of ribbon at
2 issue in this investigation. I'm here today to do my best
3 to make sure that this tradition continues for our industry
4 has been injured by unfairly traded imports from China and
5 we seek relief.

6 Berwick Offray is an American Ribbon Company with
7 roots stretching back to the 19th century, when a
8 17-year-old French fabric designer set up shop in New York
9 City as C.M. Offray and Son. They would become a major U.S.
10 Manufacturer of woven ribbon. Berwick Industries, our other
11 namesake started right after WWII using excess silk
12 parachute material left over from the war that was slit,
13 dyed and rolled into ribbon.

14 In fact, it was only the beginning of a
15 50-year-legacy as the industry leader. Over the years, we
16 grew from a small cutting factory to a large employer with
17 multiple facilities in the rural town of Berwick,
18 Pennsylvania. We were the first to produce an embossed
19 plastic ribbon that is still used today in the floral
20 industry. We expanded our product lines over the years with
21 an addition of many new colors, finishes, substrates, all to
22 make the present more special.

23 Our machinists and engineers designed, built and
24 modified the equipment to make different types of ribbon.
25 Our graphic artists designed the PDR products to make them

1 successful in the marketplace. Our work force produces
2 these ribbons at the highest level of quality beginning
3 production in January for the holiday season 10 months away.

4 Berwick Offray created the plastic ribbon market
5 and has been its leader ever since. Innovation continues
6 today. Over the years our products have decorated hundreds
7 of millions of wrapped packages, mostly Christmas and
8 birthdays. As you will hear later, we are a completely
9 vertically integrated producer, beginning with clear
10 polypropylene pellets and ending with a myriad of ribbon and
11 bows in various sizes and designed features, from metallic
12 surfaces to holographic finishes.

13 Each of these design features is produced in
14 house based on years in investment in equipment,
15 modification to machinery by our production engineers and
16 refinements to our manufacturing process. This is both art
17 and science to make ribbon and we're fully committed to
18 both. We do this for our customers, major retail chains and
19 their customers -- the American consumer as the best
20 possible selection at the best possible price.

21 In our tradition of innovation and as a
22 commitment to our company, our U.S. Workers and our
23 community we purchased Hollywood Ribbon in 2015. Hollywood
24 Ribbon was an American Company with a vast majority of its
25 work force located in Mexico. Our plan, years in the

1 making, was to move Hollywood's production to the Berwick,
2 Pennsylvania facilities. It worked. Due to the
3 successful unshoring of Hollywood Ribbon Products
4 production, Berwick Offray's PDR operations experienced
5 positive change towards trade, financial and employment
6 indicators between 2014 and 2015. We traded jobs and
7 profits in the United States, a testament to the American
8 Manufacturing Worker.

9 But what followed was a surge of unfairly traded,
10 low-priced imports and that's why we are here today, both
11 the company and its employees have suffered. The increase
12 in our production from the Hollywood acquisition was
13 short-lived as sales, shipments and market share suffered
14 within one year of acquisition. We have been undersold, our
15 customer base and volume substantially eroded.

16 Our financial performance in the plastic and
17 decorative ribbon business has suffered. Many of the
18 employees hired after the Hollywood acquisition have lost
19 their jobs because of sales lost to unfair Chinese
20 competition. We have been injured by unfairly traded ribbon
21 imports from China and we are threatened with even greater
22 injury in the future.

23 Plastic ribbon products are used for the holiday
24 and life events with most production used Christmas and
25 birthdays. Our sales are mainly the large retail customers

1 that order programs that bundle a wide variety of ribbon
2 products. Because of the concentration of retail customers
3 the loss of a single program or a meaningful share of a
4 single program can have a large negative effect on the
5 plastic ribbon business and as with many consumer products,
6 both the wholesale and retail customers have become more
7 price-focused with large retailers exerting particular price
8 pressure.

9 In such an environment, any increased material
10 costs are difficult to pass through price. The acquisition
11 of Hollywood has made the company's return investment more
12 vulnerable.

13 Finally, the U.S. Ribbon market appears to be the
14 most attractive export market for the Chinese Producers.
15 All these factors have made us more susceptible and
16 vulnerable to unfair imports from China. Unfortunately we
17 see no end in the surge in dumped and subsidized Chinese
18 Imports and the injury that caused without continued relief.

19 Chinese Producers are active in the market import
20 volumes are already high and will increase without relief.
21 Internet offers are increasing at a rapid rate as retail
22 buyers and consumers look to Chinese prices on the internet
23 as a benchmark. There are over 80 different sellers on
24 Amazon.com sourcing ribbon from China. If you search
25 plastic ribbon on Alibaba you will find 70,000 listings from

1 Chinese producers.

2 The future threat to our business will only
3 increase driven by low dumped prices and growing capacity
4 from motivated Chinese Producers. We have seen positive
5 benefits to our business since the filing of the petition.
6 In 2018 we were able to secure new business. Our output
7 increased, we expanded employment and reshored production
8 from imports.

9 This new business would vanish in absence of this
10 order. In fact, if not for the order, 2018 would have been
11 a disastrous year. We would have lost substantial share and
12 price. We believe the Commission, when presented with these
13 facts will understand that Chinese Imports have injured and
14 threatened to injury domestic ribbon producers. We have
15 assembled a team that can answer your questions about the
16 production, marketing, sales and financial structure of our
17 company and industry.

18 On behalf of the Berwick Offray family, its
19 productions workers, machinists, engineers, designers,
20 marketing team management and their families, we ask that
21 you consider the record assembled by the staff and reach an
22 affirmative determination. We ask you to help us continue
23 this 140-year American Tradition. Thank you.

24 STATEMENT OF LEE BOY

25 MR. BOY: Good morning. My name is Lee Boy, and

1 I'm the Vice President of Manufacturing at Berwick Offray.
2 In this capacity, I oversee the production of plastic
3 decorative ribbons in our facilities in Berwick,
4 Pennsylvania. I have served as Vice President of
5 Manufacturing for 12 years, and have 21 years of prior
6 experience in the plastic extrusion and conversion industry.

7 I would like to take this opportunity to
8 introduce you to the production process for plastic
9 decorative ribbons. I've prepared a short slide show that
10 I'll present, along with the production flow chart and
11 product samples to illustrate the steps in our manufacturing
12 process. In the slide show, for each process step shown,
13 you will see the input, a representative sample of the
14 machinery used and the output that goes to the next step.

15 I'll also refer to some samples, which are
16 duplicated in the front of the table in front of you. We
17 hope these pictures help illustrate the amount of labor,
18 physical capital, human capital and value added involved in
19 the domestic manufacture of plastic decorative ribbons. We
20 never stop trying to improve the efficiency and quality of
21 Berwick Ribbons, and all of the employees contribute to this
22 common goal.

23 The process starts with extruding the film using
24 a proprietary process and blend developed over many years,
25 that is designed to minimize our raw material cost while

1 still producing ribbon with the strength and softness
2 necessary for lighter automatic processing. The resin and
3 ingredients are first blended in a batch process. The resin
4 blend is then mixed with colorant in the proper proportion
5 in the extruder.

6 All process scrap is reground and repelletized
7 in-house, and these pellets are also added back online at
8 this time. The output is a master roll of extruded film.
9 The film, either the final product contains either plain or
10 printed or metallized metallic ribbon.

11 For the metallized products, the next step is
12 metallization. Berwick Offray invested a metallizing
13 capability in 2015. Prior to that, all metallic was
14 produced by purchasing master rolls of metallized PET and
15 laminating to the polypropylene master roll.

16 With metallization, a portion is shift to the
17 metallizing directly on the polypropylene master roll, which
18 eliminates the laminating step and gives a deep luster. For
19 the remaining metallic, the PET can be metallized in-house,
20 eliminating the outside process.

21 The metallized ribbon is laminated. Lamination
22 is accomplished in high speed coater-laminators. These
23 machines are also used for producing label stock in-house
24 from paper and release liner for bow tabs and product
25 labels. The ribbon can also include printed designs.

1 Printing as a custom -- printing as custom printing designs
2 are the poly, laminated or metallized film. To reduce cost
3 and increase speed to market, we invested in digital
4 platemaking in 2008, in-house ink mixing in 2011, added
5 presses in 2011 and 2013, and invested in rapid prototyping
6 equipment in 2016.

7 Textures can be added, and the ribbon will be
8 cut to width before final processing. The ribbon finishing
9 processes include crimping, embossing, hot-stamping,
10 converting and slitting. Slitting can be in line with these
11 processes or a secondary operation, depending on the lot
12 size and the equipment available.

13 In this process, crimping, we emboss, cut and
14 traverse wind narrow ribbons into a master roll for later
15 processing. For wider ribbons, we either emboss the ribbon
16 with several patterns and cut into pies in line, or plain
17 ribbon is cut directly into pies.

18 Ribbon could also be hot-stamped in one or
19 multiple colors in dedicated, high speed operations.
20 Flocked ribbon is cut to width in hot cutting machines to
21 give the best edge finish. At this point, the ribbon can
22 either be spooled or tie into bows. The spooling process
23 used depended on the number of ends and the type of spool.

24 Ribbon can be wound on itself in kegs, can be
25 wound on tubes, on paper board spools or on injected molded

1 spools. The equipment to make these tube spools and other
2 packaging components isn't included in these slides, but
3 those processes are made in-house as well. In 2007, Berwick
4 Offray developed and built equipment to make spools and
5 tubes.

6 In 2006 and 2014, additional presses were bought
7 to make flanges, cards, tags and stickers in-house, and in
8 2011 the investments in people and processes were made to
9 become a certified packaging printer. In 2014, two
10 injection molding machines were added to make the plastic
11 spools in-house.

12 Auto traverse winding equipment winds one or
13 more ends of ribbon on a tube or a spool. Bulk spooling
14 equipment winds one end of ribbon a paper or plastic spool.
15 Keg machines wind ribbon onto itself. One-up spooling
16 machines wind ribbons onto cores for put ups that are too
17 heavy for a pasted spool, with flanges applied in blocking
18 machines.

19 Multiple ends could also be straight-wound on
20 tubes or spools. Standard bows are formed and packed on
21 cards, in boxes or in bags. The process to make bulk bow
22 bags is not shown, but is a proprietary process that outputs
23 the finished bag complete from pies of the multiple
24 renditions. Berwick bought the company that developed the
25 original machines in 1996, and has continued developing the

1 machines in the process in-house since.

2 The bow machines, converting equipment and
3 packaging machines are configured into link cells, depending
4 on the needs for the season. Bow bags are printed in-house
5 on a wide web, high speed plexo-press, and folding boxes are
6 die cut in-house and folded glued in-house on high speed
7 folded gluers. Megabows are formed on large bow machines.
8 Tiny bows are also formed on dedicated machines.

9 A pull bow is not formed into a final bow form
10 in the manufacturing process, but is formed by the end user
11 by pulling on one end. We have two types of pull bows, each
12 with its own production process. One is sonically welded.
13 In the other, perfect bows are formed with rings between
14 each loop.

15 Finally, curl swirls are formed on machines that
16 curl the ribbon and staple to the tab. As Julie discussed
17 earlier, the production process is designed around getting
18 our customers Berwick plastic ribbons into their stores for
19 the holiday season. This means production ramps up between
20 February and July, and continues through November for
21 shipments in September through November.

22 To meet seasonal demand, we use a workforce of
23 approximately 600 production workers who, on average, work
24 on a full-time basis for about eight months per year. Our
25 workforce typically ranges from about 250 active at the

1 seasonal low point, to about 600 active at the seasonal
2 peak. This year, the seasonal peak required 725 workers.

3 We provide benefits for these workers while
4 active and for up to four months while inactive. The
5 average production worker has been employed with us for
6 about 15 years, and 30 percent have been with us over 20
7 years. It's just another way Berwick strives to meet the
8 needs of our customers and the needs of our workers. I'll
9 be happy to answer any questions you have. Thank you.

10 STATEMENT OF JULIE PAJIC

11 MS. PAJIC: Good morning. My name is Julie
12 Pajic, and I am the Director of Pricing for Berwick Offray.
13 Thank you for giving me the opportunity to appear before you
14 today. I have been working at Berwick Offray for 23 years.
15 My current role is Director of Pricing, but I have
16 previously served as Director of Sales, Executive Vice
17 President of Marketing and Senior Vice President of Sales
18 and Marketing.

19 I would like to spend my time this morning
20 showing you the types of product we market, describe the
21 channels we sell in and finally discussing competition we
22 encounter in the domestic PDR market, and in particular the
23 head to head competition we face from unfairly traded
24 low-priced imports from China.

25 Berwick Offray is a U.S. manufacturer that has

1 been making plastic decorative ribbons and bows, PDR, in the
2 United States for over 70 years. Our products are tied to
3 celebrations and commemorations of people's lives. They
4 make people feel special, as they receive a holiday gift or
5 a bouquet of flowers adorned with ribbon.

6 That said, our products are often the last step
7 our consumers think about when finishing a gift. This means
8 that we must be very visual on our retail displays and
9 competitive in our pricing in order to convince the consumer
10 that a ribbon is needed as a memorable final touch. We've
11 made it our passion to be innovative in manufacturing and
12 design. We essentially created this industry and we have
13 done so entirely within the United States.

14 As Lee demonstrated, our ribbon production is
15 done also entirely in Berwick, Pennsylvania. To be able to
16 do this from start to finish here in the United States
17 requires production processes that are constantly being
18 developed and reengineered to be more competitive and
19 efficient. We pride ourselves in our ability to reflect and
20 respond to changing market conditions when designing our
21 products and our production processes.

22 As the largest PDR producer in the United
23 States, we are experts at figuring out which products will
24 succeed in the market, and then how to make those products.
25 I'd like to just take a moment to draw your attention to the

1 boards that are up here. It just shows a small variety of
2 sizes, color and styles of bows that we make individually,
3 as well as some of the retail packaging products we have in
4 retail today, whether it be a bag of bows or an acetate full
5 or ribbons and bows, etcetera.

6 These are all products that are in the market.
7 I also have swatches on the table that show the breadth of
8 substrate we can develop and design for our customers and
9 ultimately for the end consumer.

10 Our products are ultimately sold in two channels
11 of distribution. The largest and most important channel is
12 sales to retailers, primarily big box stores who sell to
13 consumers. The second, smaller channels of bulk sales to
14 businesses that incorporate our ribbons into their final
15 products, such a balloon bouquets and floral arrangements.

16 We supply this channel by selling directly to
17 these businesses, or by selling to distributors who supply
18 those businesses. Regardless of the channel, our buyers are
19 strikingly savvy. From my years of experience in sales, I
20 can tell you that our buyers are incredibly sophisticated,
21 with many of them having MBAs from Harvard or Wharton.

22 Our customers include some of the largest
23 retailers and the largest specialty retailers in the United
24 States. As a result, negotiations with our buyers are
25 intense and price-focused. Upon entering the negotiations,

1 retailers commonly ask for product cost breakdown and bill
2 of materials.

3 When they want a lower price, they ask us to
4 alter our products. Sometimes they even give our product
5 cost breakdowns to Chinese competitors to support a
6 competing quote. It is not unusual for the success or
7 failure of a particular sale to come down to just a couple
8 of pennies. The price pressure is relentless.

9 As a result of this competition with low-priced
10 imports from China, we have lost sales and parts of programs
11 purely based on price. We have also had to reduce prices in
12 order to keep a sale due to competition within the imports
13 from China. U.S. prices have decreased since 2015 as a
14 result of this competition, leading to compressed margins
15 for our company.

16 Because of the seasonal nature of our industry,
17 sales to consumers are concentrated in the holiday season,
18 as you can see from this room. Many of our negotiations are
19 for year-long supply agreements, with negotiations beginning
20 12 to 14 months in advance. We are currently negotiating
21 for Christmas of 2019.

22 As you can imagine, this increases the
23 importance of any single negotiation. It is no exaggeration
24 to say that everyone in the industry is paying close
25 attention to these proceedings with an eye on 2019 holiday

1 season. Chinese and U.S. ribbon PDR are essentially
2 interchangeable. As experts in the field, we believe that
3 our ribbon products are of higher quality, but we recognize
4 that to our consumers, PDR products from China and the
5 United States are essentially the same.

6 To illustrate this interchangeability of Chinese
7 and U.S. ribbon products, I would like to now show you some
8 physical examples of the products that I had handed to Mr.
9 Bishop. I will just take a moment to let you have those in
10 your hands while I speak about them.

11 (Pause.)

12 MS. PAJIC: There are essentially four different
13 products in that box. The first is a tiny bow, a very small
14 bow. One is silver and one is gold. The silver is the
15 United States product, the gold is from China. When I say
16 the United States, it's from Berwick-Offray's plants. The
17 keg or egg of curl, the red is the U.S.A. or Berwick Offray;
18 gold is China.

19 The red bow, there's two of those, one has
20 verbiage on the tab if you turn it around. That is from
21 China, and one without verbiage on the tab was made in our
22 Berwick Offray plant. The last is a ribbon spool that's
23 black plastic, and in the center has a full circle, it is
24 from our plant in Berwick, Pennsylvania, and if it has a
25 hole with a notch, it is from China.

1 As you can see, they are virtually
2 interchangeably. The similarity in these products means
3 that competition for the sales comes down to price,
4 increasingly so. When I started working at Berwick
5 Industries in the 1990's, price was a critical factor in
6 our sales, but it was not the only factor.

7 There used to be a time when high quality,
8 logistical expertise, manufacturing expertise and product
9 innovation were equally important factors to attracting
10 customers. Remember that this is the U.S. industry that
11 Berwick essentially created.

12 Over the time, however, our products and
13 marketing methodologies have been copied by Chinese firms.
14 I have seen Chinese PDR products that are exactly like ours,
15 but at prices below our cost of production. I want to
16 reiterate that we know PDR products. We know how to make
17 them, we know how much it costs to make them, and what we do
18 not know is how Chinese PDR is entering the United States at
19 prices far below the cost of production.

20 We have the most efficient and innovative
21 production processes in the world, yet we cannot match the
22 pricing of Chinese imports. This suggests that there are
23 other forces at play that are allowing Chinese ribbon
24 products to flood the U.S. market at low prices.

25 In my over 20 years of experience, we've never

1 had a shortage of supply. We've never not been able to fill
2 a customer's order because of lack of capacity or innovation
3 on our part. In fact, when a Chinese PDR order arrives
4 later damaged, we sometimes get a last minute call from our
5 customer or another customer to fill those orders, just to
6 keep the shelves stocked.

7 Demand in the U.S. PDR market is steady. This
8 is a mature industry because PDR has been an important part
9 of gift-giving culture for generations. In other words, the
10 year to year demand for ribbon products in the United States
11 does not differ significantly. This means the surge of
12 Chinese imports has not been caused by some dramatic uptick
13 in demand, but rather dumping.

14 When we appeared before the Commission in
15 January, we had just concluded one of our toughest sales
16 negotiation seasons that I've seen in my 23 years at the
17 company. However, the preliminary anti-dumping and
18 countervailing duties on PDR products from China made a
19 significant impact on our sales and operations this year, as
20 Chris just discussed.

21 If we do not receive relief from the dumped
22 imports from China, I fear that our company and the
23 community of Berwick, Pennsylvania would really suffer.
24 Without a remedy, our manufacturing plant may have to go
25 silent.

1 The effects of the surge of the Chinese imports
2 in the U.S. market extends past the loss of profit for
3 Berwick, or the closing of the manufacturing operation. It
4 is a direct hit for our community. This will be disastrous
5 for Berwick employees, the Town of Berwick, Pennsylvania and
6 the surrounding counties.

7 As one of the largest employers in Berwick, we
8 provide reliable, high quality jobs to this small community,
9 where not many other employment opportunities exist. Many
10 of Berwick employees have worked for decades here. Any loss
11 of jobs would be devastating. Thank you for your time this
12 morning.

13 STATEMENT OF DR. SETH T. KAPLAN

14 DR. KAPLAN: Good morning, Commissioners.
15 I'm Seth Kaplan of International Economic Research, and I'm
16 here to discuss the economic condition of the industry, the
17 conditions of competition. I'm here with Travis Pope as
18 well. I will cover the conditions of competition, the
19 volume effects and the impact effects and Mr. Pope will
20 cover the price effects.

21 Before beginning, I wanna thank the staff. I
22 think, as you'll see from my presentation, and as mentioned
23 by Mr. Pickard, the facts of this investigation are pretty
24 straightforward, but collecting the facts presented some
25 difficulty, and I really want to point to your staff for

1 doing a really outstanding job in --- without some of the
2 cooperation and participation of the Chinese producers.

3 And because of certain issues with measurements
4 that have been resolved, this was a difficult case for the
5 staff to do, and they did a tremendous job putting the
6 record together.

7 I've done many of these cases and this product at
8 first seems simple, until you see the production process.
9 And for people that have Commerce Department experience,
10 when our firm did that, they were comparing this to
11 bearings, which is an incredibly -- and everyone was looking
12 at each other, and that's because there's so many different
13 coatings and so many different processes and getting
14 head-to-head comparisons at the Commerce Department required
15 that level of work.

16 And the Commission staff saw that as well, as
17 they investigated the product more, and they really stepped
18 up to the task. So with that said, let me turn to the case.
19 I will do the conditions of competition injury and then,
20 briefly threat. As I said, Mr. Pope will cover prices.

21 The conditions of competition. One unique
22 condition of competition in this industry is that there was
23 onshoring of production. You hear a lot of offshoring of
24 production. This is an industry that did the right thing,
25 did what the last two administrations have asked for, did

1 what is the national policy of the United States, they
2 brought jobs from abroad, from Mexico to Berwick,
3 Pennsylvania.

4 Second, there's price-based competition. There
5 is consumer concentration from very large retailers. This
6 is a seasonal business which should be of interest for you
7 in figuring out how to interpret the interim data, but also
8 understanding how the financials work and how the flow of
9 both workers, inputs and final products work, as well as the
10 bidding process.

11 Other conditions of competition. The U.S.
12 industry has excess capacity to supply the market. Demand
13 has been relatively stable. And for those who were at the
14 recent pipe hearing and others where there was so much
15 discussion of Section 301 relief, Section 201 relief,
16 Section 232 relief, this is not an issue in this case. Only
17 a very small quantity of the subject imports are subject to
18 Section 301 tariffs. So that's less of an issue.

19 Let me go through the conditions quickly.
20 Berwick onshored production from Mexico to the United
21 States. It's a commitment to domestic production. It's a
22 commitment to the domestic worker, and it's a commitment to
23 the domestic community. The jobs were moved to the United
24 States. It was moved to the United States under the
25 expectation of fair trade. And it has been harmed because

1 it has faced unfair trade.

2 Competition is based primarily on price and I'm
3 summarizing the Staff Report. It is all over the Staff
4 Report, both from the producers, the importers and the
5 purchasers. With the purchaser record available now, this
6 substitutability being high is now definitive. The
7 Commission found this in the original preliminary
8 investigation, but the Staff found a high degree of
9 substitutability with substitutional elasticities sometimes
10 greater than those in the steel industry.

11 The majority of purchasers report the products
12 are comparable along a large range of factors, maybe with
13 price being the exclusion where the Chinese are less.
14 Majority of importers and purchasers report the products are
15 always or frequently interchangeable. And the product
16 samples you've seen demonstrate comparability. You need to
17 be quite the expert to figure out the origin of those
18 ribbons that you've just examined.

19 Price is the most important factor in purchasing
20 decisions. The Commission had found that in the preliminary
21 investigation. Every new piece of information collected
22 supports this. The purchasers find price is very important.
23 And their purchasing decisions, they rated as one of the
24 highest factors.

25 The majority of importers and purchasers report

1 that differences other than price are only sometimes or
2 never significant. The other two options are always
3 infrequently, and those options were never checked.
4 Customers have excellent price visibility at the retail
5 product level. So everyone could go on the internet or go
6 to a couple of stores and find out. It's not a mystery.

7 Customer concentration. The Commission's
8 familiar with this with consumer products. Large retailers
9 are the most important channel of distribution for both
10 domestic producers and importers. They are focused highly
11 on price, as you've heard in many previous investigations.
12 And they have significant bargaining power, given the share
13 of purchases they account for, and the importance to be in
14 their locations and on their website.

15 Negotiations are typically for yearly programs.
16 So this places a lot of stress on the original price
17 negotiation, and means that while it's a very
18 price-sensitive product, and it's a commodity like product
19 in substitutability, the prices don't change continuously
20 like if there's a commodity market. In fact, they change
21 very infrequently for certain types of programs.

22 And finally, the loss of a single
23 customer--because some of these customers are so
24 significant--can be devastating, even a significant portion
25 of loss, business can be devastating. Now, the seasonal

1 business, and this is quite interesting as Julie had
2 spoken, negotiations for 2019 have already been underway.
3 As you could see, they start in October and they could
4 extend all the way through April, depending on the type of
5 program or product that's being purchased.

6 Early in the year, materials are purchased and
7 stockpiled for what is gonna be a rush to the holiday
8 season. Production is starting, will start early in the
9 year and peak production is reached from April all the way
10 through October. In September, everything is shipped to get
11 it on the store shelf, make sure everything's there before
12 Thanksgiving or earlier. The holiday season comes and then
13 you get paid.

14 Now all the workers and the materials were paid
15 for in the beginning of the year. You get paid for the
16 product at the end of the year. This requires significant
17 profitability to be able to carry yourself between the
18 purchase and the payment.

19 Injury. This is as straightforward as
20 straightforward could be. The level of imports is so high,
21 whether they were falling, stable or rising, they are
22 significant in and of themselves, as they weigh on the
23 market. But, in fact, in this investigation, imports have
24 increased significant and continuously through the POI.

25 They have increased throughout the production.

1 They have increased relative to consumption. The Commission
2 could look at this in either a value-basis or a
3 volume-basis, which we'll be happy to discuss in questions,
4 given the way this product has a lot of SKUs, but there's
5 also measurements that could allow you to use volume as
6 well.

7 The quantity, as you could see, increased by 48%
8 and in terms of value, increased by 21%. I'm now going to
9 turn over the clicker to Travis Pope who's gonna discuss
10 price.

11 STATEMENT OF TRAVIS POPE

12 MR. POPE: Good morning. My name is Travis Pope
13 and I'm a senior associate at Capital Trade, Incorporated.
14 I'm going to speak today about the injurious price effects
15 caused by the subject imports. In this final investigation,
16 the Commission has a stronger record on price effects than
17 it had in the preliminary investigation. The Commission
18 preliminarily found that the subject imports undersold
19 domestic ribbons, but did not find price depression or price
20 suppression.

21 The more comprehensive record in this final
22 investigation demonstrates that subject imports undersold
23 the domestic product, depressed U.S. prices and suppressed
24 U.S. prices. There is significant underselling in all of
25 the data collected by the Commission. And purchasers

1 confirm that subject imports were lower priced than the
2 domestic product. These data are also consistent with the
3 testimony from the domestic industry that you heard this
4 morning.

5 Regarding price depression, virtually all AUVs
6 declined over the POI. U.S. producers' shipments, net sales
7 and pricing product AUVs declined. Importers' imports,
8 shipments and pricing product AUVs declined. And purchasers
9 confirmed the price depressing effect of imports in their
10 questionnaire responses. The domestic industry is also
11 experiencing a cost-price squeeze in compressed gross
12 profits over the POI, demonstrating price suppression.

13 I begin with underselling. The Staff Report
14 provides data that allows for three separate underselling
15 comparisons between domestic and subject products. U.S.
16 producers' commercial shipments of the three pricing
17 products can be compared to imports sold by distributors,
18 direct imports by retailers, and to the aggregate of
19 distributors and retailers' imports.

20 The first comparison, which we call the China
21 Price Data, compares U.S. producers' commercial shipments to
22 importers' commercial shipments. Because these data are
23 restricted to imports sold commercially, they primarily
24 reflect the sale of imports by distributors. These data,
25 which are found in Section 5 of the prehearing report,

1 demonstrate significant underselling, particularly in terms
2 of the volume of the undersold subject imports.

3 However, the coverage of the U.S. market is quite
4 low with the China Price Data, because these data exclude
5 the direct imports of retailers. For this reason, we
6 encourage the Commission to also consider the next subset of
7 data, which is the import purchase cost data, compiled by
8 the staff, included in the same tables in the Staff Report,
9 which we call the China Cost Data. These data reflect the
10 direct imports by retailers that are not sold as arms-length
11 commercial transactions until the consumer purchases them in
12 the store.

13 As Ms. Pajic said earlier, this is a critical
14 channel in this market. Large retailers are the ultimate
15 point of sale for most of the ribbons sold in the United
16 States. And many of these retailers source directly from
17 suppliers in China. Berwick Offray representatives compete
18 head-to-head against these imports when negotiating with
19 major customers.

20 As an analytical matter, this subset of the
21 import data requires interpretation because the values do
22 not reflect arms-length commercial shipments within the
23 United States, but the landed duty paid value of the imports
24 at the U.S. port. As discussed in the prehearing brief, we
25 applied a conservative adjustment to these data to reflect

1 the limited value-added that occurs within the United States
2 for the direct imports. When looking at these data, the
3 frequency and volume of undersold subject imports and the
4 magnitude of the underselling margin are consistent with
5 significant and pervasive underselling.

6 And finally, we compared the U.S. commercial
7 shipments to the combined price and cost data that I just
8 discussed. Again, the frequency and volume of undersold
9 subject imports and the magnitude of the underselling margin
10 all support a finding of significant and pervasive
11 underselling.

12 Something we didn't have in the preliminary
13 investigation is the response of purchasers. And these
14 purchasers also confirm underselling by the subject imports.
15 The Commission asked U.S. purchasers, including major
16 retailers, to compare prices of the domestic product and
17 subject imports.

18 Of the six purchasers who reported purchasing any
19 subject imports, five reported that subject imports are
20 lower priced. These firms accounted for a large share of
21 the U.S. ribbon market. Purchasers also confirmed that they
22 purchase subject imports instead of the domestic product
23 because of the low subject prices. And they confirmed that
24 U.S. producers were forced to lower prices to compete for
25 sales against the low-priced subject imports.

1 Not only are subject imports lower-priced, but
2 their prices were declining over the POI. From 2015 to
3 2017, they declined by 18%. This is the import AUV, which
4 is the only data we can illustrate in a public forum. These
5 declining subject import prices led to declining prices in
6 the market, generally causing price depression and
7 suppression for the domestic industry.

8 The record of this investigation provides
9 extensive evidence of price depression. Virtually all AUVs
10 compiled in the Staff Report declined from 2015 to 2017.
11 U.S. producers' shipments AUVs declined. Their net sales
12 UAVs declined. And importantly, the pricing product AUVs
13 declined. That is the annual AUVs of the pricing products.

14 Similarly, for the subject imports, the import
15 AUV, the shipments AUV, and two of the pricing product AUVs
16 declined from 2015 to 2017. Purchasers also confirmed price
17 depression for the domestic industry, reporting that
18 domestic producers had to lower prices in the face of
19 competition from the subject imports.

20 The ubiquity of declining AUVs is an important
21 finding. While there are differences in the level of prices
22 between different products, channels and sources, there is
23 no reason to believe that those differences would affect the
24 trend in the AUVs, all of which are declining.

25 The subject imports also caused price suppression

1 for the domestic industry. The price declines I just
2 discussed occurred at a time of increasing costs,
3 demonstrating the cost-price squeeze.

4 From 2015 to 2017, the cost of goods sold
5 increased as a percentage of net sales and on a per-unit
6 basis. The cost-price squeeze is also reflected in the
7 compression of the domestic industry's gross profits, which
8 declined absolutely as a percentage of net sales and on a
9 per-unit basis.

10 To summarize the record of this final
11 investigation demonstrates significant underselling by the
12 subject imports, price depression caused by the subject
13 imports and price suppression caused by the subject imports.
14 These trends support a finding that the subject imports
15 caused injurious price effects. Thank you, and I'd be happy
16 to answer any questions you might have.

17 STATEMENT OF SETH KAPLAN

18 DR. KAPLAN: Hi, this is Seth Kaplan again, and I
19 am going to now talk about the impact and then briefly the
20 threat. When we look at impact, we organize the statutory
21 factors into three groups. The trade factors, the financial
22 factors, and the employment factors.

23 And what we see is that they all show signs of
24 serious injury, much less material injury, they've all
25 decreased and the trade performance from 2015 to 2017 and

1 2015 is the year of the onshoring, the year of the big
2 investment, the year of moving jobs from Mexico to the
3 United States, the year of increasing production and new
4 customers.

5 And since then, production has declined, capacity
6 utilization has declined, shipment quantity has declined,
7 shipment value has declined, market share has declined by
8 both quantity and value and unit values declined. That is
9 the picture of the trade data.

10 Now let's turn to the financial data. The
11 domestic industry's operating performance has declined since
12 2015, the year of the acquisition. What indicia? Net sales
13 value, quantity and unit values declined. Gross profits,
14 operating income and net income declined. Gross margins,
15 operating margins and net margins declined. COGS increased
16 as a share of net sales, and the return on assets declined,
17 something particularly important given the new acquisition.

18 With respect to employment, the workers that were
19 hired have been started to be laid off in '16 and '17. The
20 declining number of production workers you saw declining
21 number of hours worked in the full year data, and you saw
22 declining annual wages in the full year data. So a pretty
23 negative picture in both the trade, financial and employment
24 data.

25 Let me turn quickly to threat. The domestic

1 industry is threatened. It is vulnerable. It is vulnerable
2 because the conditions of competition conspire to make the
3 industry susceptible to low-price dumped imports, due to the
4 concentration of retail customers and the loss of a single
5 customer making the industry vulnerable.

6 There's intense price competition with high
7 retail price visibility and direct internet sales. And
8 because of the seasonal disconnect between production
9 expenses and payment, that's an additional stress that most
10 industries do not face. The trade, financial, and
11 employment indicia all demonstrate vulnerability. And the
12 domestic industry has been unable to fully pass through
13 increases in material costs.

14 With respect to China, most of the industry did
15 not participate. Mr. Pickard will discuss this in more
16 detail in questions. And he highlighted it in his opening
17 statement. What we know of that industry is that it is
18 export-oriented, has significant excess capacity, and is
19 projected to increase that capacity. Capacity in China
20 increased over 39%. This is one of the few public pieces of
21 data we can show you, which is why there's less graphs and
22 numbers than usual, given the confidentiality of the record.

23 When you look at the threat factors, the volume
24 price and impact factors, there is every reason to believe
25 the current trends would continue without relief. We

1 believe the record supports both a finding of injury and a
2 finding of threat of material injury. That concludes our
3 presentation. Thank you very much.

4 CHAIRMAN JOHANSON: Thank all of you for
5 appearing here today. We will begin Commissioner questions
6 with Commissioner Williamson.

7 COMMISSIONER WILLIAMSON: Thank you, Mr.
8 Chairman, and I, too, want to express my appreciation for
9 the witnesses being here today and also for the thoroughness
10 of your presentation, the graphs and the pictures are
11 particularly helpful.

12 I remember going to the Berwick factory and I
13 think it's Hagerstown, near there, when we were doing the
14 Narrow Ribbons case and I was trying to figure out, how is
15 this different? And I have a question on that later, but I
16 do -- the pictures really did help me see that this factory,
17 it stays busy and it's doing at so many different SKU codes
18 as that one and it's quite interesting.

19 Let me go to the question about, why did you
20 acquire Hollywood? And then onshores production. I mean,
21 is this kind of -- this doesn't happen very often nowadays.

22 MR. MUNYAN: We had been talking to Hollywood for
23 many years and Hollywood wanted to sell, and so for us, it
24 was a logical fit. We had excess capacity in our factory.
25 We had excess space in our factory, and we knew from doing

1 some due diligence, that we could move all their production
2 into our facility, then hire workers in the Berwick area.
3 So it certainly made economic sense as well. I can't
4 comment on that. We could comment in the post-hearing brief
5 if you want specific economic issues.

6 COMMISSIONER WILLIAMSON: Okay. But did
7 Hollywood have any domestic U.S. production?

8 MR. MUNYAN: They had nominal U.S. Production.
9 They extruded and then slit pies, all their converting of
10 finished goods was substantially produced in Mexico, in two
11 factories.

12 COMMISSIONER WILLIAMSON: Okay. And what were
13 your expectations at the time of acquiring Hollywood?

14 MR. MUNYAN: Was to grow sales and grow profits
15 and grow work for the workers and that was always the goal.

16 COMMISSIONER WILLIAMSON: And of the onshoring,
17 did that meet your expectations, too?

18 MR. MUNYAN: It met our expectations for one
19 year. And then the dumped products came in the year after
20 that, and we had to lay off. So in hindsight, it was
21 probably not a good investment knowing what we know today.

22 COMMISSIONER WILLIAMSON: Why is that? Because
23 my next question was, if the Chinese were here, would they
24 be saying, "Look, what changed is the fact that they
25 onshored and therefore no longer is competitive."

1 MR. MUNYAN: What I'm just saying is that we
2 acquired this business. We acquired it to hopefully hold it
3 for the long-term. I mean they were good shippers, shipped
4 on time. We have highly reliable service. But the dumped
5 Chinese products, the prices were too low, and so some of
6 that business we kept for a year. So our expectations were
7 long-term holding the business.

8 COMMISSIONER WILLIAMSON: But were the Chinese a
9 threat to Hollywood, even though it was producing in Mexico?

10 MR. MUNYAN: At that time, there was not as much
11 visibility of Chinese products in the market, especially
12 some of the Christmas bows and bow bags. Now, at that time,
13 Hollywood Ribbon and Berwick Offray had a good part of the
14 market.

15 COMMISSIONER WILLIAMSON: Okay.

16 MR. PICKARD: Commissioner Williamson, just to
17 follow up on that, in regard to your question, if the
18 Chinese were here -- even if they made that argument, they
19 would still have the unfortunate fact that they increased
20 their presence throughout the period of investigation
21 absolutely and by market share. So the domestic industry
22 makes investments and then there turns into a large increase
23 in unfairly priced imports.

24 DR. KAPLAN: Also, first the benefit of the
25 investment was -- and the soundness of the investment was

1 demonstrated in the year they brought the materials over.
2 There was an increase in domestic production, and increase
3 in labor, all the indicia improved, you know, which fit with
4 the due diligence. As the imports increased, they not only
5 injured any product that was onshored from Mexico, but also
6 the existing production at Berwick Offray.

7 So the whole business was harmed over the three
8 years, after making a sound investment to bring production
9 into the United States. So it was particularly egregious
10 given that the onshoring occurred, was successful, and then
11 now a larger U.S. industry was undercut by increasing
12 volumes of dumped and subsidized imports.

13 COMMISSIONER WILLIAMSON: And I was just trying
14 to figure out, was anything else going on that might have
15 stimulated their increased presence in the U.S. market? Or
16 increased targeting of this market?

17 DR. KAPLAN: No. As people have testified,
18 demand has been relatively stable, there is excess capacity
19 at the domestic producer. The products are comparable,
20 according to everybody who has responded to an ITC
21 questionnaire. So there was no special products that were
22 brought in. The qualities are equivalent between the
23 imports and domestic. It came down to severe price
24 competition at the times programs and products were being
25 ordered. So these imports were not invited into the market.

1 They pushed their way in through dumping and subsidization
2 and low prices.

3 COMMISSIONER WILLIAMSON: Okay. Are dollar
4 stores a major retail outlet for this product? And has the
5 rise of dollar stores affected the demand or pricing of this
6 product? Has there been a change in how this product is
7 being sold?

8 MR. MUNYAN: The product hasn't really changed
9 how it's been sold for years. It's either put on a base of
10 a planogram or fixture at a retail store, or it's pegged.

11 COMMISSIONER WILLIAMSON: The thing about the
12 retailers of it, has that changed? I mean big box stores
13 have been around for a long time --

14 MR. MUNYAN: It really hasn't changed, so for us,
15 we've been selling dollar chains -- we have more stores,
16 right? So there's been more drug stores, more dollar
17 stores, but those channels have existed, certainly during
18 the period of investigation, but also prior to that.

19 DR. KAPLAN: Commissioner, the growth of those
20 stores has not stimulated large increases in demand for the
21 product. They all carry the product, but as you could see
22 from your value and volume data, there are some changes, but
23 not an enormous changes from the entry of these new stores
24 or their increase.

25 COMMISSIONER WILLIAMSON: Okay. What about the

1 role of program sales for this product? I remember very
2 vividly the discussion of program sales and the competition
3 between the different -- the competition with your suppliers
4 and their demands regarding what the programs contain and
5 things like that. Is that true here too?

6 MS. PAJIC: Julie Pajic. Yes, there is an
7 element of program sales here as well. We present to a
8 customer, we provide a variety of products and price them
9 out accordingly. And there's also freight terms and
10 allowances that are considered as well, and we price those
11 products accordingly. So pricing could be different by
12 customer for many reasons, one being the product mix, one
13 being the specific product, one being other types of
14 products. But yes, it can be a program sale, it can be an
15 item sale as well. We do both.

16 MR. MUNYAN: I think, to add onto that, I think
17 with the dumped Chinese products that we've seen in the last
18 three years, what used to be more program selling is
19 becoming more item competition. So every item -- because
20 the decision is made at an item level, so products that I
21 see lately, is we're more fighting at the item level than
22 five years ago, where we were selling beautiful programs
23 with normal competition, not dumped China products.

24 COMMISSIONER WILLIAMSON: Why is it more at the
25 item level, whereas before it was more the program level?

1 That's kind of surprising.

2 MR. MUNYAN: I could explain. In the narrow
3 woven case, most of those were--and they still are--large
4 planograms with -- for example, there's a chain out there
5 that has a thousand different types of narrow woven. In
6 that chain, and then when we ship to that chain, we pick
7 every one of those items for that store, so they can have
8 that complete planogram, so it's all homogenous and it kind
9 of fits and looks proper. But in terms of seasonal
10 products, we're producing private label packaged products
11 that the retailers provide to us, and they could have ten
12 vendors in that planogram.

13 COMMISSIONER WILLIAMSON: Okay.

14 DR. KAPLAN: Commissioner, part of the way that
15 the Chinese entered the market originally was to identify a
16 large volume item that was in a program. So you'd have
17 these program sales of lots of different products in it but
18 one might be a particularly large volume product that's
19 standardized and the Chinese would come and attack that
20 particular product with a very low price, and would be
21 successful, to try to break up some of the program.

22 So you see both. They're offering programs since
23 their number of SKUs and variety is wide, but also they've
24 targeted particular high-volume products as well. At this
25 point, they have now moved up the quality chain, whereas

1 you've seen the exhibits, where they're competing
2 head-to-head.

3 But sometimes you saw item competition when
4 they'd say, "Oh, that one, there's a lot of that, we'll
5 steal that one," and dump and targeted a particular product.
6 So you see it in both contexts, but that's one of the ways
7 you see item-by-item competition rather than program
8 competition when you have a large variety of products.

9 COMMISSIONER WILLIAMSON: Okay. Thank you for
10 those answers.

11 CHAIRMAN JOHANSON: Commissioner Broadbent.

12 COMMISSIONER BROADBENT: Thank you, Chairman
13 Johanson. Glad to have the witnesses here today. Thanks
14 for coming. Mr. Pickard, did you, in a premeditated manner,
15 engineer the timing of this case so that we'd be analyzing
16 ribbon during the holiday season?

17 MR. PICKARD: No, Commissioner. We actually
18 intended to bring the case earlier, but through coordination
19 with the agency, the timing got pushed back a little bit.

20 COMMISSIONER BROADBENT: Mr. Munyan, I noticed in
21 your statement, and I'm sorry, must have reviewed it a bit
22 here, you talk about the long history of your company and so
23 forth, how has the internet changed your business in the
24 last twenty or thirty years?

25 MR. MUNYAN: Thank you for the question. Chris

1 Munyan. The Internet really, most of our product, the
2 subject product we're talking about today, it has low retail
3 price. So at retail it might be 2.99, 3.99 and maybe at
4 most 4.99. Those products, we believe, are not really
5 having a lot of volume sold on the Internet.

6 But what we do know factually is that retail
7 buyers who we sell for brick and mortar chains look at Ali
8 Baba, look at Amazon.com and look at these products, where
9 again there's 70,000 Chinese listings of product on Ali
10 Baba, and it's extremely low prices. When we -- we look at
11 those prices as we were looking at this case, and we saw
12 retail prices for product that were lower than our cost, I
13 mean that made no sense. So to me, those prices are
14 pressuring us down through the Chinese producers.

15 COMMISSIONER BROADBENT: So really that's
16 another, no different conditions of competition since the
17 Internet has arrived in this industry?

18 MR. MUNYAN: Not for this product. I mean we
19 really -- I mean I think some people are buying it, but it's
20 nominal.

21 COMMISSIONER BROADBENT: No. In terms of the
22 millenials, I always read how they're giving experiential
23 gifts instead of regular gifts with a bow on them. Is
24 gift-giving going up or down, gift-giving that's wrapped
25 with bows?

1 MR. MUNYAN: I think gift-giving relative to
2 this product goes on gift wrap. I would imagine most of
3 this goes on children's toys, and I think that it's pretty
4 static. There's no reason we think that there's growth
5 there, and part of it is there's no growth of space at
6 retail. One indication of kind of the growth in a category
7 is the expansion or contraction at retail of the space
8 dedicated to the product. This space has been the same for
9 years.

10 COMMISSIONER BROADBENT: And so they're
11 responding to the demand that the customers have for it?

12 MR. MUNYAN: Right. If a product is moving up
13 in demand, space expands.

14 COMMISSIONER BROADBENT: Okay. Yeah, Mr.
15 Kaplan.

16 DR. KAPLAN: Yes Commissioner, that was a good
17 question and I think what happened, because you know my
18 memory like, and I look in the mirror and I'm not a spring
19 chicken. But I have memories of going to the stores and
20 bringing the gifts, and you'd have a layout of, you know,
21 all the different wrapping paper and all the different
22 ribbons.

23 You just don't see that as much. You see a bag.
24 So that happened a while ago. So that transition that
25 you're referring to is kind of a curve already, and now it's

1 been stable for a while. But there was at one point where
2 there was a big shift. You don't walk in and see those at
3 stores anymore, where there's a special wrapping section
4 where you have your choice of, you know, 12 different
5 wrapping papers and eight different bows for the holiday
6 season.

7 So yeah, it's a -- I remember it as if it was
8 recently, but it wasn't.

9 COMMISSIONER BROADBENT: So it was really the
10 bag phenomenon that really was the disrupter here or --

11 MR. MUNYAN: I would say ten years ago roughly,
12 I mean certainly prior to the Period of Investigation, gift
13 bags started to increase in space at retail, because it's
14 convenient and it's just easy to wrap. But our product
15 isn't used as often with a gift bag. But we believe in the
16 last several years, probably the least five years but
17 certainly during the Period of Investigation, kind of the
18 consumption of gift wrap has been pretty static. Therefore,
19 the consumption of bows has been pretty static.

20 COMMISSIONER BROADBENT: Right, and then are you
21 selling -- I remember my kids sold this as fund-raising for
22 their schools. Do you sell into that channel at all?

23 MR. MUNYAN: We have over the years, I believe
24 that company that was selling that has gone bankrupt. So
25 I'm not aware of --

1 COMMISSIONER BROADBENT: That's because probably
2 my kids were trying to sell it for them --

3 MR. MUNYAN: I'm not aware of any -- I'm not
4 aware of anyone doing the fund-raising gift wrap any longer.

5 COMMISSIONER BROADBENT: Okay, thanks. Can you
6 explain to me more about, a little bit more about this
7 business model, where you're not paid for your product until
8 well after the order is placed and after all the deliveries
9 have been made?

10 MR. MUNYAN: Chris Munyan. It's just -- I mean
11 I've been with the company for 25 years. It certainly has
12 been that way for more than 25 years. So anyone who's
13 selling in the seasonal industry, whether it's gift wrap or
14 years ago would have been glass ornaments or ribbons and
15 bows, have to have a working capital structure and a profit
16 structure that can support that.

17 So we always start producing in March-April. We
18 get paid in December and sometimes later. It's just -- it's
19 a norm.

20 COMMISSIONER BROADBENT: So it's driven by the
21 seasonality of the holidays?

22 MR. MUNYAN: It's driven by the retail chains.
23 The retail chains since for more than 25 years, and
24 certainly during the Period of Investigation, expect these
25 type of terms.

1 COMMISSIONER BROADBENT: Okay. Ms. Pajic, can
2 you explain why Berwick facilitated imports through
3 affiliated entities based in China during the Period of
4 Investigations, as is indicated on page III-13 of the
5 prehearing report?

6 MS. PAJIC: Well certainly probably a little bit
7 outside my field, so I may ask Mr. Munyan to also opine.
8 But we do make make versus buys when it comes to our
9 product, to make sure that we --

10 COMMISSIONER BROADBENT: Say that again?

11 MS. PAJIC: We would do a make versus buy in
12 some cases, to make sure that our cost is competitive, and
13 making sure that we are supplying the best cost possible
14 when we're making our product. So that would be one of the
15 reasons we would have done facilitated buys.

16 MR. MUNYAN: I think the other reason is
17 certainly during the Period of Investigation, as we've
18 looked at make versus buy, again many products that we would
19 look and quote overseas to Chinese producers, the quotes
20 that came back were below our cost of production. So to us,
21 I mean how could we not turn that down.

22 At the same time, as soon we could take it back,
23 we pulled them back. So we re-shored a lot of production
24 this year.

25 DR. KAPLAN: Yeah Commissioner, this should be

1 looked at as a last alternative. The alternative, the make
2 or buy alternative, the cost is so low it can't -- boy, this
3 thing is -- the cost is so low, it just can't be -- it can't
4 be made. So the question is do the retailers go directly to
5 the producer in China, completely cutting out the domestic
6 industry, or does the domestic industry facilitate some of
7 those, which allows it to participate and have some profit.

8 So the alternative of facilitating imports is
9 literally nothing. It's not making it at home, and in fact
10 as soon as -- what has happened since the filing of the
11 petition is that certain products that were made abroad are
12 now being made domestically. So this, the filing here has
13 had really profound effects on the industry, which we'll be
14 happy to discuss.

15 But before that, make or buy and if we don't
16 facilitate it, it gets bought directly.

17 COMMISSIONER BROADBENT: So who are the
18 affiliated entities that you guys facilitated imports
19 through, and how are they affiliated?

20 MR. MUNYAN: I'm not sure affiliated. We don't
21 own -- so we do own a Hong Kong corporation. So we have a
22 Hong Kong corporation, which is pretty normal when you're
23 importing, and so that entity doesn't have factories. It
24 only has workers that track shipments and quality from
25 production in China, very similar to major retail chains.

1 So they're -- that entity is transacting with the factories.

2 COMMISSIONER BROADBENT: Okay. So you're -- I
3 mean -- I don't know. I just was reading the staff report,
4 and it said you facilitated imports through affiliated
5 entities, and I'm just trying to figure out --

6 MR. MUNYAN: It's the Hong Kong entity.

7 COMMISSIONER BROADBENT: It's just this one,
8 Hong Kong? And you don't know who's on the other side of
9 making those?

10 MR. PFEIL: This is Keith Pfeil, Berwick Offray.
11 Yes, it is the Hong Kong entity as Chris indicated. We do
12 not, to more clearly state, we do not own factories or
13 anything of that nature related to plastic ribbon production
14 in China or any other country.

15 COMMISSIONER BROADBENT: Right. I'm just trying
16 to figure out how you find these people that will sell?

17 MR. MUNYAN: I mean I could comment on that. We
18 have -- we have buying -- we have buyers. We have people in
19 our Hong Kong office like other retail chains do, that go
20 and seek factories and then get quotes and make sure they're
21 socially compliant. It's a pretty standard process.

22 COMMISSIONER BROADBENT: Are there worker rights
23 or what's the thing you worry about most with the imports
24 that you're bringing in?

25 MR. MUNYAN: I mean we're going to worry about

1 quality and two, social compliance. I mean we won't buy
2 from a factory -- we audit our factories for social
3 compliance. They over time can't employ children, I mean
4 can't take their passports. I mean there's a whole list of
5 things that can occur in those situations. And as a public
6 company, we don't do that at all, and we'll find factories
7 that are socially compliant.

8 COMMISSIONER BROADBENT: But how do you know
9 these folks in Hong Kong are doing that, because you're not
10 really doing that?

11 MR. MUNYAN: Because they're our employees. So
12 we have about 65 employees in Hong Kong, many long-standing
13 employees there. They're employed by a Hong Kong entity,
14 but they're still a CSS Industries employee. So CSS
15 Industries is the parent company that owns Berwick Offray.

16 COMMISSIONER BROADBENT: And then what would be
17 the safety issues that you'd worry about? Is it
18 flammability or --

19 MR. MUNYAN: I mean I think that for the
20 factories, we look at flammability in terms of having fire
21 protection systems. But the product certainly is not
22 flammable.

23 COMMISSIONER BROADBENT: Is there a safety issue
24 associated with the product at all?

25 MR. MUNYAN: There's not, no.

1 COMMISSIONER BROADBENT: All right. Thank you
2 very much.

3 XX Commissioner Kearns.

4 COMMISSIONER KEARNS: I thank you all for being
5 here today. I appreciate your coming to D.C. for this. I
6 wanted to start by asking about seasonality, and I guess
7 this is going to be a question for Dr. Kaplan and maybe Mr.
8 Pickard because it's proprietary. But the data in table --
9 when actually though I think maybe the other witnesses can
10 speak to this as well, because I'm sure they're well aware
11 of this.

12 But the data in Table IV-6 and Figure IV-3 of
13 our staff report show that the domestic industry ships a
14 higher share of its annual shipments in the fourth quarter
15 of the year, as compared to the subject imports. Do you
16 know the reason for this?

17 MR. MUNYAN: The reason is all driven by lead
18 time. So the Chinese producers have to put the product on
19 the water, and they have to be received to west coast ports
20 and then shipped to mass market retailer import distribution
21 centers. So we're able to produce closer to the need, so
22 we're able to produce and ship heavy shipments in September,
23 October and pretty much into late November.

24 COMMISSIONER KEARNS: Okay, okay, and does this
25 have any impact on our investigation on the numbers? Is

1 there anything that we need to keep in mind? I mean I know
2 that you all mentioned before and in your briefs, you know,
3 when you're looking at the interim period of course, that's
4 the slow season for the industry.

5 But is there anything specifically on the fact
6 that shipments from China and U.S. shipments are a little
7 bit lag there? Is there anything we need to be mindful of
8 with that?

9 DR. KAPLAN: Commissioner, no. They're
10 supplying for the same end users for the same market. So
11 they're competing head to head and there's some timing
12 issues. If you're shipping domestically, your assuredness of
13 shipment is greater. If you're shipping from overseas, you
14 know, if you want to get it, you've got to unload it, you've
15 got to inventory it, you want to make sure it gets here.

16 So they're filling up the same stores for the
17 same products to the same customers for the same purpose for
18 the same seasonal thing. With respect to the interim data,
19 we could talk about that in relation to a different
20 question, but we did point out that in the preliminary
21 phase, there was three quarter data, which comprised a
22 significant more share of shipments, yearly shipments.

23 With half year data less to get a rough idea,
24 you could look at first half of '17 compared to full year
25 '17 and do a little calculation about what percent the first

1 half is relative to the full year, and that should, you
2 know, caution you on the use of interim data. As I say, we
3 could talk to you about what we think you could get out of
4 that in response to a question.

5 COMMISSIONER KEARNS: Okay, thank you. I wanted
6 to talk -- I'm guessing this is probably a question for Mr.
7 Pope about the pricing data. Our price data appear to
8 account for a very small share of sales of both the domestic
9 industry and subject imports. Should the Commission find
10 these data to be probative of market prices?

11 MR. POPE: Travis Pope. Yes. We believe the
12 data is probative. First, for looking at coverage, that's
13 one reason we wanted to focus on the direct import data,
14 because it has such a significantly more coverage of the
15 U.S. market, and as you heard from testimony, it's just such
16 an important channel in this market.

17 And also with coverage in this -- in this market
18 is inherently going to be lower than some other
19 investigations the Commission will look at. You can see
20 that before you with the wide range of SKUs that are sold.

21 DR. KAPLAN: Commissioner, I believe it is
22 probative as well. But I think there's new information in
23 this final investigation, particularly all the information
24 from the purchaser questionnaire that is consistent with the
25 information in the pricing product data. So I make a joke

1 of a 20-legged stool, and you know, you could pull out a
2 leg. There's still 19 left.

3 So you have that type of information here. All
4 the qualitative information supplied by the purchasers and
5 the importers tell you that prices of the imported product
6 are less than the prices of the domestic product, and you
7 could see that with narrowly defined products like you have
8 in the pricing product, and you could see that with more
9 broader products.

10 In the preliminary investigation, there was a
11 question with pricing products and in terms of measurement,
12 and that was a big issue in both the opinion and at the
13 conference, and the staff worked very diligently to solve
14 this problem. We worked as closely as we could with them to
15 get this -- to get this problem solved.

16 So we think we have the problem solved.
17 Certainly our data is measured accurately and successfully.
18 On the quantity side, there's something like 10,000 SKUs,
19 and on a SKU by SKU basis the weight was measured, to figure
20 out what our total weight was for the trade data, and for
21 the individual weights for the pricing products.

22 So we took this very seriously. We think this
23 data is useful and probative and consistent with the
24 complete record.

25 COMMISSIONER KEARNS: Thank you. On the

1 quantity data though, I think the staff has indicated that
2 there is still some uncertainty about whether or not I guess
3 it would be -- I'm not sure if it's purchasers, but whether
4 or not people making the conversion properly. So I mean do
5 you believe that the quantity data are reliable for purposes
6 of determining market share and so forth?

7 DR. KAPLAN: We believe that the quantity and
8 value data are consistent, and they both -- God, this is --
9 we believe the quantity and value data are consistent with
10 each other, and that all the other information on the record
11 are -- is consistent with those numbers viewed as reliable.
12 We know from the domestic side certainly that all the
13 numbers are accurate. They're consistent with what we
14 believe we've seen in our customers, and there's large
15 customers so we get pretty good visibility.

16 We could go into the stores and look and see
17 what SKUs we won and lost, and Julie does that and her team
18 does that on a regular basis and see what prices are charged
19 for those products. So while there are difficulties, I
20 think people order these things in eaches.

21 I'll take, you know, 100 of those and a 1,000 of
22 those and 50 of those, and they don't keep track of it in
23 weight, that the conversion is reliable and doable. Has
24 everyone done it perfectly? Have really small guys done it
25 perfectly? Maybe not, but there's always some potential for

1 that. The HS codes do not have quantities in them over the
2 whole POI. But we believe together this information is
3 reliable.

4 For market penetration, the Commission used
5 value in the preliminary phase. We could talk about the
6 merits of value versus volume. Volume inherently
7 undervalues the imports. The more they dump, the lower
8 their market share could be. But here it's increasing
9 anyway, and the volume numbers are consistent with that as
10 well. So Chris would like to add something to that.

11 MR. MUNYAN: Relative to the accuracy, I would
12 imagine most retail chains, because they're shipping the
13 product ultimately to their stores, you know, in their
14 systems or however they manage their item master
15 information, have cubic dimensions of the box certainly, and
16 likely, very likely the weight, because they don't want to
17 overweight a truck, and if you're shipping product by air,
18 which sometimes product has to get aird to stores, it's
19 called dim weight, which is a combination of cubic
20 dimensions and weight. So the weight data's there.

21 COMMISSIONER KEARNS: Okay. Okay, thank you. I
22 want to talk about lost sales data. Your brief focuses on
23 lost sales pertaining to one particular purchaser. In your
24 post-hearing brief, could you discuss the significance of
25 these lost sales in the context of that company's pattern of

1 purchases of domestic product and subject imports over the
2 POI?

3 PK This is Dan Pickard. We'll be happy to do
4 so, Commissioner.

5 COMMISSIONER KEARNS: Okay, great. Thank you.
6 I think my last question for now, the Hollywood acquisition.
7 I just want to make sure I understand this. You had said in
8 response to a question from Commissioner Williamson that
9 that acquisition worked for one year. I know, I think the
10 acquisition was in February 2015.

11 So does this indicate that the first year of our
12 POI sort of reflects the benefit of that acquisition, and
13 then things got bad after that?

14 MR. MUNYAN: Chris Munyan. Yes, that is
15 absolutely correct. So when we acquired the business I
16 think in February, February, was right -- most of the orders
17 known. So we shipped to that production and equipment in
18 the spring of 2015, with a very distinct plan. We hired the
19 workers that year in 2015, and picked up the benefit of
20 those sales.

21 And then the next year, we saw the surge of
22 Chinese imports and we lost quite a bit of business at the
23 company.

24 COMMISSIONER KEARNS: Okay, thank you. I have
25 no further questions.

1 CHAIRMAN JOHANSON: Thanks again for all of you
2 for appearing here today. Ms. Berwick, I'm sorry Ms. Pajic,
3 you mentioned that Berwick is located in a rural area, your
4 manufacturing in rural Pennsylvania, correct? I was
5 curious. Berwick employs a large number of seasonal
6 workers, yet is located in a largely rural area. Where do
7 you all get your seasonal employees?

8 MS. PAJIC: This is Julie Pajic. There are
9 local folks. Then we have a recruiting team from our HR
10 department that does this year after year. But a lot of
11 them are returning employees. So they've lived in the area
12 and they don't move frequently, and they come back every
13 year because we provide a great working environment for
14 them. So typically they're repeat employees.

15 MR. MUNYAN: I mean so we hire from around -- I
16 used to live in that area for 13 years. So we used to hire
17 for about a ten mile radius. So there's people whose
18 families worked there over the years, and so it's a safe
19 workforce. It's air conditioned, which is I think
20 important. When we do lay people off, as long as they've
21 earned enough hours, we pay for four months of medical
22 benefits.

23 So medical benefits in rural poor areas are hard
24 to come by. So we're considered a very stable, safe
25 workplace.

1 DR. KAPLAN: Commissioner, oftentimes when
2 people think of seasonal workers, they're thinking of
3 someone -- arghh. I'll make sure it's touching my nose.
4 That will work. Okay. People often think of a job I had.
5 I'm like Dan might have had it too, we discussed this, of
6 loading or Travis, you know, unloading or loading UPS trucks
7 during the Christmas season, or selling during the Christmas
8 season, or working in a rural area in agriculture.

9 These are eight month jobs. So it's -- you need
10 someone from the area to do this stuff. It's not someone
11 working for a month or six weeks. It's someone working for
12 eight months, and then having benefits year-round, and then
13 returning again year after year in a stable workforce. So
14 you know, it's the local community. People aren't traveling
15 through for a couple of weeks.

16 CHAIRMAN JOHANSON: What do people do in the off
17 months?

18 MR. MUNYAN: The off months? I mean I think
19 they -- I think many of our employees, especially production
20 workers, probably typical to a lot of rural poor areas, have
21 two jobs. So I mean I think that is very typical. I think
22 they probably have a job that doesn't have medical
23 insurance. So they collect -- or some collect unemployment.

24 So they're able to earn enough hours, take off.
25 So I think some are taking off, collecting unemployment,

1 getting covered for medical. Some are continuing their
2 part-time job.

3 CHAIRMAN JOHANSON: But you don't have problems
4 finding employees, because you hire a lot of people?

5 MR. MUNYAN: Historically, we've been able to
6 hire the employees we need, and again we have a huge
7 percentage of employees that return every year.

8 CHAIRMAN JOHANSON: Okay. Thanks for your
9 responses. This question is similar to one asked by
10 Commissioner Kearns, so I'm not trying to be redundant. I'm
11 trying to dig down a bit more. What are the main drivers of
12 variation in quarterly ribbon prices that we see in our
13 pricing data? I'm looking specifically at Tables V-3 and
14 V-4 of the staff report. The prices seem to jump around a
15 lot, and I recognize this is proprietary. But if you could
16 try to fill in to the extent that you can.

17 MR. MUNYAN: So Chris Munyan. I could talk
18 about that generally. During certain quarters of our -- so
19 the calendar year of first quarter and second quarter, we
20 are shipping, selling mostly all occasion products that you
21 would use for birthday or for floral events.

22 So it's a different mix of products, and as we
23 get to our third quarter into primarily fourth quarter,
24 we're shipping a lot of the bow products and the Christmas
25 products, and the Christmas products have a higher general

1 retail, because you have more bows in a bag or more bows in
2 a box, which I think inflates the price. That's my belief.

3 CHAIRMAN JOHANSON: Okay, thanks. Are there any
4 imported plastic decorative ribbon products that the
5 domestic industry does not make or is unable to make?

6 MR. MUNYAN: I mean we believe we can make
7 anything relative to what we use to decorate a package as a
8 bow. So we don't do things made by hand, but look like a
9 tree ornament. Some people sell those. That's not part of
10 the scope. But things that are within the scope we can
11 absolutely produce.

12 CHAIRMAN JOHANSON: Okay. Are there any new
13 ribbon products or technological developments in ribbon
14 production that you would want to discuss? I assume you
15 have to be very innovative.

16 MR. MUNYAN: I think there's been some, but I
17 probably wouldn't want to discuss it here. But we've had
18 different machines that can form different kinds of bows.
19 But I think that would be kind of more of the recent
20 innovation.

21 DR. KAPLAN: I think when Mr. Boy discussed the
22 production process, they kept talking about all the new
23 types of machines they purchased to give them new
24 capabilities, or bring capabilities that were once outside
25 inside the company. Rudy is also here today, and if you

1 ever get a chance to take a site tour, it is really amazing.

2 It is just machine after machine specifically
3 designed or modified or re-modified or purchased and
4 modified to do a specific cast to increase the capability at
5 the factory. So there's a lot of innovation in the process
6 side of what's going on there, to lower costs and to give,
7 increase the quality.

8 They talk about the machine or the metallization
9 of increasing the depth of it. Those are the kind of things
10 that this company obsesses about, and every time I speak to
11 them issues like this arise. What's new, how they're
12 remodifying a machine, how they're looking for this seasonal
13 colors, how they're trying to package different types of
14 products together to sell.

15 MR. MUNYAN: If I could add, I could give an
16 example. There's a product called a fireworks bow or
17 fountain bow. So years ago, we have the inventor of that
18 product. We were partnered with him. We developed
19 automation. This is outside of the Period of Review, and
20 over time that product all went to China.

21 So when we brought this case and we were able to
22 get the preliminary ruling, we actually built equipment this
23 year to make those products again, to re-shore that
24 production.

25 CHAIRMAN JOHANSON: And I'm sorry, what products

1 were those again?

2 MR. MUNYAN: It's a bow made of foil. It's a
3 foil-made bow. So it still looks like a bow, but it's not a
4 conventional bow like this. So it's something like a
5 fountain bow or a fireworks bow. But we built equipment to
6 be able to re-shore that product domestically.

7 CHAIRMAN JOHANSON: Okay. Is that one of the
8 ones on the left?

9 MS. PAJIC: This is Julie Pajic. I think that's
10 actually missing from our sample board.

11 CHAIRMAN JOHANSON: Okay, that's fine.

12 MS. PAJIC: My apologies.

13 CHAIRMAN JOHANSON: Oh, that's fine.

14 MS. PAJIC: And I will look a little later.

15 CHAIRMAN JOHANSON: I was just a little curious.
16 To what extent does branding play a role in this market?

17 MS. PAJIC: This is Julie Pajic. Branding
18 really becomes private label branding for our -- it's a
19 buyer brand. We are known to our buyers, but outside of
20 that, branding is not something that is important to the
21 marketplace as far as Berwick Offray's brand name to the
22 consumer. But we are a buyer brand. Does that answer your
23 question?

24 DR. KAPLAN: There's another domestic producer,
25 I believe it's Public. I want to make sure.

1 MR. MUNYAN: Oh no, it's not Public.

2 DR. KAPLAN: It's the other domestic.

3 (Off mic comments.)

4 DR. KAPLAN: Yes. There's another domestic
5 producer, and I'm not sure about the public nature of
6 everything. But we could discuss this, that the brand issue
7 involves. So I'll discuss that in the post-hearing. But
8 for the vast majority of the market, there's -- people are
9 not buying on brand.

10 MR. MUNYAN: To me, I look at a bow. A bow's a
11 bow. So I think the brand's not going to matter. It's the
12 price that's going to matter. So when someone buys a curly
13 ribbon keg or a curly ribbon for balloons, it's just ribbon
14 is ribbon.

15 CHAIRMAN JOHANSON: Okay. Thanks for your
16 responses. What impact have the Section 301 tariffs had on
17 the market for plastic decorative ribbons?

18 MR. MUNYAN: They've had minor. So there's a
19 small percentage of our product that is covered by that.
20 The majority of our product is not covered.

21 DR. KAPLAN: I believe the number public,
22 Travis.

23 MR. POPE: Yeah, Travis Pope. Based on the HS
24 codes, it's something -- the only code that's included in
25 the Section 301 tariff is I believe seven percent. We can

1 confirm that post-hearing, seven percent of subject imports.

2 MR. MUNYAN: Chris Munyan. If I could add too,
3 I believe it's very likely, because we re-shored a huge
4 amount of production that we were buying overseas, that that
5 product's already been re-shored.

6 CHAIRMAN JOHANSON: Okay. Thanks for your
7 responses. The yellow light is on, so we'll now turn to
8 Commissioner Williamson.

9 COMMISSIONER WILLIAMSON: Okay, thank you. Do
10 you know, are the production facilities in China very
11 different from what you have in Berwick, Pennsylvania?

12 MR. MUNYAN: I've seen numerous production
13 facilities. Chris Munyan. I've seen numerous production
14 facilities in China. I think they are becoming more
15 automated. I would say maybe three-four years ago you would
16 have seen more manual production using labor, which is very
17 inexpensive to assemble products.

18 But I believe as they built capacity, which they
19 are absolutely building capacity, they're building
20 automation. So they're building automation to make bows,
21 they're building automation to package ribbon on spools.

22 COMMISSIONER WILLIAMSON: Where's the machinery
23 to make, to do all this stuff coming from?

24 MR. MUNYAN: Well, our machinery has been
25 proprietary made to some extent, or bought from German

1 companies on a custom basis. I'm quite confident from what
2 I've seen at Chinese factories, is they will see something
3 from Germany and they will copy it in the factories. And
4 so usually the machines that I've seen look like they're
5 home-grown, but still fairly automated.

6 COMMISSIONER WILLIAMSON: Okay. Why are there
7 no non-subjects in this market, in the market? Or a so tiny
8 number.

9 MR. MUNYAN: Chris Munyan. I think because the
10 China market really focuses on the U.S. market. So the
11 China producers are just laser-focused on the U.S. market.
12 Producers in Latin America, where bows are really not used
13 as traditionally as they are in the U.S. market, the same as
14 in Europe. They're not really traditionally used. Those
15 markets for plastic ribbons and bows in Europe for domestic
16 use are really low.

17 And so I think that those producers also have
18 historically not been able to compete, as we can't compete
19 with the dumped Chinese products.

20 COMMISSIONER WILLIAMSON: And if orders go into
21 effect, are we gonna see production coming from elsewhere in
22 Asia?

23 MR. MUNYAN: I think we may see production coming
24 from elsewhere, but we're happy to compete with non-dumped
25 products. I think we can compete -- competing fairly is all

1 we want.

2 COMMISSIONER WILLIAMSON: Okay. Thank you.
3 Commissioner Kearns, I think in response to a question, you
4 talked about changes in price -- changes in prices, there
5 might be some product use issues. So I was wondering, how
6 do you know that the decline in AUV prices is not a product
7 mix issue? Since we very often have that.

8 MR. POPE: Travis Pope. First, there's no
9 evidence at all on the record to suggest that product mix is
10 driving the AUV declines, but I think that's the first thing
11 to acknowledge. And the second thing to note is, if you
12 look at the AUVs, the annual AUVs of the pricing products,
13 which are specifically defined to avoid product mix issues,
14 you see that those are declining.

15 MR. PICKARD: So maybe--just to follow up on
16 that, Commissioner Williamson--and this goes to Commissioner
17 Kearns' question as well, as far as looking at the probative
18 value of the pricing products, I think these issues go to
19 corroboration and what you're seeing is, if you're looking
20 at AUVs at large, if you're looking at the specific pricing
21 products, if you're looking at what the purchasers are
22 saying, if you're listening to kind of the sworn testimony
23 from the witnesses today, they are all demonstrating the
24 same thing, and I think that demonstrates both, one, the
25 probative value, and two, I think it addresses the question

1 of product mix.

2 COMMISSIONER WILLIAMSON: Okay. Are there any
3 subsets of the plastic decorative ribbon industry that are
4 noticeably more profitable than others? For example, are
5 bows versus ribbons or types of finishes or single-rolls
6 versus packs, etcetera.

7 MR. MUNYAN: We could address that in the
8 post-hearing. That would be confidential in nature.

9 COMMISSIONER WILLIAMSON: Understood. Okay.
10 Thank you. This is kind of a "big picture" question. Since
11 we -- so many things -- since I guess this, this is -- I'm
12 trying to figure out whether this product is high-tech or
13 low-tech.

14 Because, you know, as I'm looking at the pictures
15 and realizing how many different SKUs you have, and the
16 changes in machinery, I sense it's kind of high-tech, but
17 you would think something like making bows should not be.
18 So I was just kind of curious how, the fact that we still
19 have domestic production in the U.S., when you think about
20 so many other products that we don't.

21 MR. MUNYAN: I believe that our facility now --
22 we've invested tens of millions of dollars in automation
23 over the years, so a lot of this product can be made
24 low-tech or could be made high-tech, and for us to
25 effectively compete in the market, we believe we need more

1 fast equipment, automated equipment. So we've invested in
2 that since the mid-1990s.

3 COMMISSIONER WILLIAMSON: Okay.

4 DR. KAPLAN: That's where the onshoring is so
5 interesting, is that it is more profitable and more
6 efficient to make the product here than it was to make it in
7 Mexico. The decision wasn't to buy it and leave it in
8 Mexico. Decision wasn't to open up a Chinese facility. The
9 decision was based on a hard-nosed decision, putting the pen
10 to the paper, and thinking really hard, it's like, "Hey, we
11 have the best technology, we have a highly trained
12 workforce, we have great engineers and machinists that could
13 hack the problems," if you will, in a manufacturing sense.

14 It really is -- if you get a chance, have Rudy
15 take you around the plant. Every machine has a story. It's
16 not, like, "Yeah, we bought this and it runs over here."
17 It's like, "We did this to it, we did that to it, we
18 modified it," we brought that in to make the plastic end of
19 the spool. That wasn't done before. We use a different
20 type of plastic, you know, I don't wanna get proprietary.
21 But the human capital and intellectual capital involved in
22 this production process, because there's so many steps,
23 made this the place to relocate the facilities.

24 COMMISSIONER WILLIAMSON: Okay. Can you do all
25 of that someplace else though, other than Northeast

1 Pennsylvania?

2 DR. KAPLAN: Excuse me?

3 COMMISSIONER WILLIAMSON: Could you do that in
4 some other country other than, say, in Northeast
5 Pennsylvania?

6 COMMISSIONER WILLIAMSON: Well, if they're doing
7 it for many, many years, and that's the point is that, it's
8 that this is handed down and all this human intellectual
9 capital is there and to get that, you have to be working in
10 the specific area for a long time. This is not the solar
11 industry where you buy some machines from Germany and you
12 move them to a new country and you flick "on".

13 Now, it's not quite that, but it's, you know, the
14 technology comes -- you can't be in China and call up
15 Germany and get that machine. Rudy made that machine, Rudy
16 redesigned that machine. Somebody in the floor there who
17 works at the company had an idea and they reworked and
18 bought machines and made sure the process fit together. So
19 I highly recommend a site visit. It's quite an education,
20 given all the steps.

21 COMMISSIONER WILLIAMSON: Okay. That is helpful.
22 You don't see many examples of it nowadays, so it's quite
23 fascinating.

24 Why aren't the Chinese here?

25 MR. PICKARD: So I've got a couple of different

1 thoughts about that, Commissioner. In my introductory
2 remarks or in my opening statement, we talked about the idea
3 that the Department of Commerce frequently uses adverse
4 facts available more frequently than the Commission, and
5 that there are good reasons for that in large part because
6 --

7 COMMISSIONER WILLIAMSON: My second question was
8 to be, and do you really need adverse inferences?

9 MR. PICKARD: We don't need it for this case.
10 But I think it's important for the bar and for the integrity
11 of these investigations, and I'll tell you why. At the
12 Department of Commerce, obviously when you're applying AFA,
13 it's generally directed at one company.

14 And I think there's been concern on the part of
15 the Commission that, if you add 50% of the foreign producers
16 show up, but 50% didn't fill out questionnaire responses,
17 and you applied AFA, you would be unfairly penalizing those
18 that participated. But here, you essentially have no
19 Chinese participation.

20 And just to put a very fine point on it, and
21 directly into your question, why do I think that they're not
22 here? I think people act pursuant to their self-interest.
23 So they thoroughly participated at the Department of
24 Commerce and here, they've submitted essentially no
25 questionnaire responses, no briefs, and no witnesses.

1 And if I could put a specific data point on this,
2 the Commission identified forty-five foreign producers. And
3 this is all public information. One submitted a foreign
4 producer questionnaire. The ITC's foreign producer
5 questionnaire, including instructions, is fourteen pages.
6 It actually collects twelve pages of data, two pages of
7 instructions. So the foreign producers provided you with
8 twelve pages of data.

9 At the Department of Commerce, a rough estimate,
10 they put in 12,600 pages of evidence. So why do we think
11 they did that? Because they think it's in their best
12 interest to fully participate in the Department of Commerce
13 proceedings in an attempt to lower margins, and hope that
14 lack of participation at the ITC where they don't have to
15 put in capacity information, other information that could
16 cut against them, that lack of participation, they believe
17 is in their best interest.

18 So to wrap up very quickly, based on these facts,
19 when you have significant increases in import volumes and
20 the underselling and the decrease in profits, you don't need
21 AFA, but we would respectfully request to the extent that
22 you believe it's appropriate to include language in that
23 opinion, to send the message that this type of gamesmanship
24 is not appropriate. That Chinese respondents should not be
25 fully participating in the Department of Commerce

1 proceedings, but then stiffing the ITC because they think
2 it's gonna help them.

3 COMMISSIONER WILLIAMSON: Okay, thank you for
4 that answer.

5 CHAIRMAN JOHANSON: Commissioner Broadbent.

6 COMMISSIONER BROADBENT: Yeah, I'm just kind of
7 wrapping up. I had just one more question for Mr. Munyan
8 and Mr. Pickard. Did you seek to have your products covered
9 by the Section 301 tariffs, given all the competition you
10 have with China?

11 MR. PICKARD: I don't recall if we put in a
12 specific request asking for coverage in the 301. But I can
13 certainly look into that for you, Commissioner.

14 COMMISSIONER BROADBENT: Yeah, I'm just wondering
15 why they didn't cover it.

16 MR. PICKARD: I think there are a lot of
17 questions as far as what was covered and what wasn't
18 covered.

19 COMMISSIONER BROADBENT: Yeah. And you don't
20 have any rule of thumb on what they were doing or why they
21 would or would not?

22 MR. PICKARD: And my general understanding was
23 that the 301 relief most frequently tied to industries that
24 were called out in the China 2025 report, which certainly
25 wasn't covered. But we can get you more information about

1 that in the post-hearing brief, if that's something you'd be
2 interested in.

3 COMMISSIONER BROADBENT: Yeah, I'm just curious.
4 It'd be helpful.

5 MR. PICKARD: Yeah, I'd be happy to do so.

6 COMMISSIONER BROADBENT: Other than that, I
7 appreciate all the witnesses coming. It's very helpful.
8 And that's all my questions.

9 CHAIRMAN JOHANSON: Commissioner Kearns.

10 COMMISSIONER KEARNS: Thank you. Just a couple
11 more quick ones. One, I wanted to go back to the question
12 Commissioner Williamson asked about AUVs and product mix.
13 Is there anything that you're aware of, over the years,
14 where the mix in your products has changed in a way that
15 would change the overall Average Unit Values of your
16 product?

17 MR. MUNYAN: I think during the period of
18 investigation and even certainly a little before that, the
19 mix hasn't really substantially changed. There's been
20 large-count bow items that either are bagged or in acetate.
21 Or there's ribbons on spools, or there's eggs, so if
22 anything, there's big bows, a lot of the products have
23 really been very static. The colors have changed and the
24 substrates have changed. So I don't really think that
25 there's -- there's nothing new that would change that.

1 COMMISSIONER KEARNS: Okay, thank you. And then
2 the only other question I had, I wanted to turn back to
3 Hollywood for a second. How did the size and the market
4 share of Hollywood compare to Berwick when you acquired it?

5 MR. MUNYAN: We can address that in the
6 post-hearing brief.

7 COMMISSIONER KEARNS: Okay

8 DR. KAPLAN: Commissioner, also, the preliminary
9 record has the industry data before the acquisition in 2014.
10 And I do wanna point out that the volumes were significant
11 even then. That while there was an improvement because of
12 the onshoring, there was injury occurring in 2015 and in '14
13 to the industry. And it's just accelerated over time. And
14 it's apparent in all the downward trends.

15 COMMISSIONER KEARNS: Okay. So that's
16 interesting that you said that about 2015 and 2014, I guess
17 you said? Because before you had said that the Hollywood
18 acquisition was helpful in that first year of 2015 --

19 DR. KAPLAN: That's correct. Now, if you go to
20 the seasonality issue we had discussed, a lot of the
21 agreements are made in the year before, at the beginning of
22 the year, so by the time you get the acquisition, there's
23 stuff locked in or you're negotiating at that point, so
24 there were certain things that kind of came with the
25 acquisition that then you started to renegotiate again for

1 the following years and after. So the seasonality does
2 play into the yearly data via the timing of that
3 acquisition, but in general, you know, the yearly data kind
4 of speaks for itself.

5 COMMISSIONER KEARNS: But putting aside
6 seasonality to the extent we can, what I'm hearing you say
7 is, the Hollywood acquisition was helpful and for your
8 performance in 2015; however, you were still feeling a bit
9 of a pinch from subject imports even in 2015?

10 DR. KAPLAN: I think that's correct. There's
11 competition there. I think Julie could speak to the
12 competition in 2015, and it's accelerated, of course, since
13 then along with the market share. Imports have increasing
14 continuously. Julie, you wanna talk about competition back
15 then and explain how the Chinese were influencing --

16 MS. PAJIC: Yeah, so as early, even before the
17 POI, we had some Chinese competition on like items, and we
18 would be brought to the table by certain customers to
19 compete with those particular items. And then after the
20 acquisition of Hollywood, we were still competing with the
21 Chinese on like items.

22 It just became more impactful, more frequent at
23 that level as we began to see the Chinese come in with more
24 penetration, as they got a little more comfortable with an
25 item or two that they were selling, and they were able to

1 then infiltrate certain customers more deeply. They were
2 able to actually pick off items little by little. Does that
3 answer your question?

4 COMMISSIONER KEARNS: It does, yeah. Thank you
5 very much. I have no further questions.

6 CHAIRMAN JOHANSON: Are there any subsets of the
7 plastic decorative ribbon products that are noticeable more
8 profitable than others, such as bows versus ribbons?

9 MR. MUNYAN: I think there was a similar question
10 earlier, and we would address profitability between mix or
11 product categories. There's some variation, but we'll
12 address that in the post-hearing brief.

13 CHAIRMAN JOHANSON: Okay, thank you. And I had
14 just one more question. How does the U.S. market for
15 plastic decorative ribbon compare to other global markets in
16 terms of size and product prices.

17 MR. MUNYAN: Quite a bit of our product is used
18 for birthdays, but the majority is used for Christmas
19 celebrations. And the U.S. and England predominantly, these
20 type of bows and curling ribbon and plastic ribbons are
21 used. I don't really believe in Europe, Germany, France,
22 this type of product is used as much as narrow woven ribbon,
23 which is kind of more high-end, so I think that Christmas
24 celebrations are gonna be using this product more in like
25 England, U.S. and Canada. Very little markets outside of

1 here. Therefore, that's why China's targeting the U.S.

2 CHAIRMAN JOHANSON: Is there a market in China?

3 MR. MUNYAN: I don't believe there's a market for
4 sticky bows in China. I think that's --

5 CHAIRMAN JOHANSON: That's not a tradition there
6 then?

7 MR. MUNYAN: I don't believe so, no.

8 CHAIRMAN JOHANSON: Okay. All right, that
9 concludes my questions. Commissioner Williamson? Do any
10 other Commissioners have questions? It appears that none
11 do. Do staff have any questions for this panel?

12 MS. HAINES: Elizabeth Haines. Staff has no
13 questions.

14 CHAIRMAN JOHANSON: All right. Then we can now
15 have the petitioners' closing.

16 CLOSING STATEMENT OF DANIEL B. PICKARD

17 MR. PICKARD: Still good morning, Mr. Chairman.
18 This is Dan Pickard. I've got some incredibly brief
19 remarks. I don't intend to kind of summarize the case
20 again. As I indicated, we think the facts are very
21 straightforward.

22 I'd just like to make two points, probably in
23 reverse order, and then I think Dr. Kaplan has a couple of
24 concluding remarks. So as I said, in reverse order, I'd
25 like to emphasize again our requests, to the extent that the

1 Commission believes it's appropriate, to include language in
2 its final opinion in regard to adverse facts available.

3 The facts here are so egregious in regard to the
4 Chinese full participation at the Department of Commerce and
5 their refusal to cooperate with the Commission's
6 investigation, that we think it would be helpful and again,
7 directly in regard to Commissioner Williamson's question, we
8 don't think it's necessary to reach an affirmative by any
9 stretch, but we think it would send an appropriate signal to
10 the bar.

11 Most importantly, and to follow up on comments by
12 Dr. Kaplan, we'd like to express our appreciation to the
13 staff. While the facts seem to be somewhat straightforward,
14 there were certainly challenges in regard to the data
15 collection, and they did a phenomenal job across the board
16 in regard to putting the staff report together. And we
17 would just like to acknowledge that. And with that, Seth?

18 CLOSING STATEMENT OF DR. SETH T. KAPLAN

19 DR. KAPLAN: Thank you. Seth Kaplan. I just
20 wanna do just a brief comparison between the preliminary
21 record and the final record. The Commission found imports
22 were significant. They found underselling. Although they
23 were concerned about the data, and did not find price
24 suppression or depression, and then found, because of the
25 underselling, with this increase in imports, it caused a

1 negative impact.

2 The record in this final investigation, both the
3 factual record and the new POI make the case significantly
4 stronger than it was then. And it was already a strong
5 case. Imports have continued to increase. They have a
6 higher market share by volume or value. The pricing data,
7 and particularly the confirmation of that data, and the
8 purchaser questionnaires confirms the underselling. The use
9 of the direct import data confirms that.

10 The staff did a great job. By tradition, prices,
11 or Average Unit Values are not calculated in the direct
12 import tables, but you could do the calculation and we did
13 it for you, and it would just add another column for all the
14 pricing products. And you could see that there's much more
15 coverage and that the underselling result is the same.

16 Also, we have information now, I believe the
17 record's complete, that you can reach an affirmative finding
18 on price suppression and depression, where you felt you
19 couldn't because of the record in the preliminary
20 investigation.

21 And finally, the impact data, if anything, is
22 more definitive than it was before all the factors are
23 falling. So we respectfully submit that the economic record
24 in this investigation shows that there's material injury by
25 reason of imports and that the sparse, but existing record

1 on threat, allows you to reach a threat finding as well.

2 Thank you.

3 CHAIRMAN JOHANSON: All right. I will now make
4 the closing statement. Post-hearing briefs, statements
5 responsive to questions and requests of the Commission, and
6 corrections to the transcript must be filed by December 26,
7 2018. Closing of the record and final release of data to
8 parties occurs on January 15, 2019. And final comments are
9 due January 17, 2019. With that this hearing is adjourned.

10 (Whereupon the hearing was adjourned at 11:25 a.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Plastic Decorative Ribbon from China

INVESTIGATION NOS.: 701-TA-592 AND 731-TA-1400

HEARING DATE: 12-13-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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.

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