THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of: ) Investigation Nos.:
LOW MELT POLYESTER ) 731-TA-1378-1379
STAPLE FIBER (PSF) FROM ) (PRELIMINARY)
KOREA AND TAIWAN )

Tuesday, July 18, 2015
Main Hearing Room
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

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

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(presiding)
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Laura Rodriguez, International Trade Analyst
Nabil Abbyad, Economist
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In Support of the Imposition of Antidumping and Countervailing Duty Orders:
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Washington, DC,
On behalf of:
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    Michael Sparkman, Senior Business Manager, Nan Ya Plastics Cooperation, America
    John Freeman, Assistant Director of Sales, Nan Ya Plastics Cooperation, America
    Gina Beck, Economic Consultant, Georgetown Economic Services LLC

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    Kathleen W. Cannon      )- OF COUNSEL
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In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:
deKieffer & Horgan PLLC
Washington, DC
On behalf of:
Bernet International Trading, LLC
Consolidated Fibers, Inc.
Fibertex Corporation
Stein Fibers, Ltd.

Mervyn Bernet, Chief Executive Officer, Bernet International Trading, LLC
Ryan Bernet, Vice President of Operations, Bernet International Trading, LLC
Robert Kunik, President and Owner, Consolidated Fibers, Inc.
Ernest Elias, Vice President and 50% Owner, Fibertex Corporation
Sidney J. Stein, III, Vice President, Stein Fibers, Ltd.
Jaren Edwards, Vice President of Sales, Stein Fibers, Ltd.

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On behalf of:
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                Jon Fee                ) -- OF COUNSEL

Squire Patton Boggs (US), LLP
Washington, DC
On behalf of:
Far Eastern New Century Corporation
                Peter Koenig                ) -- OF COUNSEL

Interested Party Appearance:
Precision Custom Coatings, LLC
                Peter Longo, Chairman and Owner

REBUTTAL/CLOSING REMARKS
Petitioners (Paul C. Rosenthal, Kelley Drye & Warren LLP)
Respondents (Gregory S. Menegaz,
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MR. BISHOP: Will the room please come to order?

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

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

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

All witnesses must be sworn in before presenting
testimony. Any questions regarding the time allocations should be addressed with the Secretary. Are there any questions?

Mr. Secretary, are there any preliminary matters?

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

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

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

Ms. Cannon, you have five minutes.

OPENING REMARKS OF KATHLEEN CANNON

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

Although this is the first trade case targeting low melt fiber, it is not the first time the Commission has
examined the low melt product. Back in 1999, the domestic industry producing coarse denier polyester staple fiber brought a case against dumped imports from Korea and Taiwan. In that case, the Commission found that low melt polyester staple fiber was not part of the same domestic like product or a U.S. industry as the core standard fiber. That finding was based on the unique by component structure and differential melting points of low melt fiber as compared to other polyester staple fiber. The discrete characteristics of low melt are designed for use of the product as batting due to its bonding characteristics.

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

The 1999 trade case is also relevant for another reason. After the domestic industry succeeded in having duties imposed on imports of coarse denier polyester staple fiber from Korea and Taiwan, we saw a significant increase in imports of low melt fiber from Korea and Taiwan. Many of the same foreign producers and importers are involved in the production and sales of both of these products. As the trade orders limited the Korea and Taiwanese producers'
ability to sell the coarse denier product into the United States, they shifted to selling more of the low melt product here.

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

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

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

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

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

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

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

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

Nonsubject imports are small and declining. So they are not the problem. Nor are sales of niche products offered by subject importers, an explanation for the injury to the U.S. industry as we often hear.
The domestic industry is capable of supplying low melt in myriad types and in increased quantities throughout the United States, but it cannot do that unless the unfair trading practices of the Korean and Taiwanese producers are remedied. Thank you.

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

Mr. Menegaz, you have five minutes.

OPENING REMARKS OF GREGORY S. MENEGAZ

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

On behalf of these respondents, I would like to direct the staff's attention to some key facts and issues that we think will be significant to the Commissioners for their determination as to whether there's a reasonable indication that the domestic industry represented by a sole
petitioner is injured or threatening with injury by reason
of Korean and Taiwanese imports of low melt polyester staple
fiber or PSF.

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

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

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

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

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

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

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

Another product you will hear about today is
called crystalline low melt. And that's a product whose
molecular structure remains crystalline rather than
amorphous throughout the entire production process. And it
has a faster production process and higher moldability, and it was developed, you know, basically in conjunction with automotive end users. And it's not made by the U.S. industry. And they've apparently not tried or haven't expressed any interest in making it. So it's not -- simply not available here.

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

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

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

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

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

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

Finally, we appreciate the staff's time and look
forward to the afternoon panel. We think the public and confidential record information will demonstrate that the subject imports are not a cause of material injury or threat of injury in this case. Thank you very much.

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

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

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

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

STATEMENT OF MICHAEL SPARKMAN

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

Unfortunately, we are being badly injured by unfairly traded imports in the low melt business as well. Nan Ya's low melt manufacturing facility's located in Lake
City South Carolina. The 700 acre Lake City plant began production of low melt polyester staple fiber in 2008. I would like to describe for you today the unique product that is the subject of this case and give you an understanding of how it is produced and used by our customers. I'll also discuss how our company has been injured by unfairly priced imports from Korea and Taiwan.

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

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

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

All low melt is produced with these same raw materials. Usually from virgin feedstock, although it can be produced from polyester post-consumer materials.

Polyester that will form the outer sheath is formulated in a second reactor, where PTA and MEG are mixed. Some of the PTA, though, is replaced with purified Isophthalic Acid or PIA.

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

The polymer is drawn and cooled before it is crimped, cut, and baled. Because the lower melting
temperature, we must heat set the crimp in this product at a reduced temperature than we would with other kinds of fiber.

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

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

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

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

Those end uses rely on other polyester staple fiber products. Polyester staple fiber of 3 denier and above or coarse denier polyester staple fiber provide loft and stuffing in comforters, ski jackets, and furniture. Fine denier polyester staple fiber measuring less than 3
denier is primarily used in textile applications. Because
the end uses and customers vary, low melt is not an
interchangeable -- is not interchangeable with either coarse
or fine denier polyester staple fiber.

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

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

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

Despite the ability of Nan Ya to manufacture
high quality low melt polyester staple fiber, we have been
injured by unfairly priced imports from Korea and Taiwan.
Low melt, like other polyester staple fibers, is a very
priced sensitive business. Profit margins are extremely
tight and customers will demand a price concession or will
switch to imports if we don't reduce our price to the low
import priced levels.
Foreign producers, subject in this case, are making the same low melt product in the -- as Nan Ya. It is chemically identical, can be used in the same applications as Nan Ya's products, and competes directly against our products for sale.

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

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

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

STATEMENT OF JOHN FREEMAN

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

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

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

Price is by far the number one force in our
customers purchasing decisions. Imported Korean and
Taiwanese low melt is interchangeable with domestic low melt
in the eyes of our customers. The factor that ultimately
drives their purchasing decisions, therefore, is price.

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

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

The underselling by subject countries has been
extreme and increasing over the past two years, causing us
valuable sales. For example, in 2014, we were selling four
truckloads of low melt fiber per week to a particular
customer with multiple locations throughout the United
States. That dropped to one truckload per week on average
in 2015, a reduced volume, due to the low prices offered by
the subject imports. By 2016, we reduced our prices to
below our variable cost to regain volume. Even at that
unprofitable price, we were only able to keep sales of this
customer at half of what they were in 2014.

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

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

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

As I mentioned, low melt is a highly price
sensitive product. Margins are extremely tight, so pricing
pressures from the imports have a significant impact on our
bottom line. The lower prices offered by foreign producers in Korea and Taiwan have had and continue to have a very damaging effect on our ability to obtain and retain business.

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

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

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

Since 2014, Nan Ya has been forced to curtail production due to the loss of business to subject imports. We've also experienced declining production, shipments, and capacity utilization, as well as reductions in our workforce. Our company goal is to build up our workforce
and add jobs, but instead, we are being forced to cut jobs. It is difficult to stand by as increased volumes of unfair imports cost our workers their livelihood.

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

The subject imports not only captured all the demand growth, they took some of our existing sales, too. I would also like to comment on Nan Ya's knowledge of the low melt industries in Korea and Taiwan. Our parent company's located in Taiwan, so we have information on the Asian producers. We understand that low melt producers in Korea and Taiwan have been investing significantly to expand their existing capacity. They're now operating at low capacity utilization rates and are desperate to export their oversupply at any price to unload this excess capacity. Our industry is bearing the brunt of their oversupply situation. Given that subject producers have huge capacity and room to grow, we face ongoing and substantial business losses without relief from the unfair imports. Korean and Taiwanese import volumes will continue to grow and the prices of those imports will continue to drop to even lower levels unless we obtain trade relief.
We cannot survive as a company and remain in business when we suffer continuous financial erosion and have to reduce our U.S. shipments, even when demand is growing, all due to the behavior of the unfair imports.

Thank you for your attention.

STATEMENT OF BROOKE M. RINGEL

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

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

There the Commission found that low-melt fiber is a separate domestic like product based on the six factors the Commission looks at in its like-product analysis. The Commission's analysis in those prior cases continues to hold true today and contrary to what we expect respondents to
argue later, the Commission's like product factors support a
single domestic like product consisting of all low-melt PSF.

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

These factors distinguish low-melt from course
denier polyester staple fiber measuring three denier and
above and from find denier polyester staple fiber measuring
less than three denier. Course denier polyester staple fiber unlike low-melt is used for loft and fill applications such as stuffing for sleeping bags, pillows and furniture. Fine denier polyester staple fiber unlike low melt, is used in knitting or weaving into textiles or in the manufacture of baby wipes and hospital gowns and drapes.

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

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

Accordingly, low-melt constitutes a single domestic-like product and based on that like-product
definition the domestic industry consists of all U.S. Producers of low-melt. There are only two domestic producers of low-melt, Nan Ya Plastics, the petitioner in this case and Fiber Innovation Technology, a very small U.S. Producer. There are no related party issues that would support the exclusion of either producer from the Domestic Industry.

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

Finally, a word about direct imports. Petitioner requested direct import data be collected because many U.S.
purchasers in the low-melt industry do purchase directly
from foreign producers, eliminating the selling agent
importer. The Commission has not collected direct import
data as part of the database in this preliminary
investigation.

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

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

Thank you.

STATEMENT OF PAUL C. ROSENTHAL

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

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

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

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

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

Confidential slide seven derived from U.S.
Producer questionnaires submitted to the Commission demonstrate that the prices of the highest volume products fell dramatically over the POI. We are talking about double digit declines for each of those products. We are limited in what we can say about underselling at this conference for a couple of reasons.

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

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

The next slide, also confidential however provides what is the best evidence in the record so far of the underselling by Subject Imports and that evidence comes
from the purchasers lost sales and lost revenue survey. 
According to that survey, an extremely high percentage of 
purchasers who acknowledged buying Subject Imports reported 
that the imports were in fact lower priced than the U.S. 
Product. In other words, the purchasers are telling you 
that import prices are lower than the domestic prices. That 
is pretty good evidence.

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

Confidential slide 10 indicates how the financial 
indicators declined mirror the slide in the trade 
indicators. That sales volume dropped dramatically while 
gross profits and operating incomes both went from positive 
to negative. Likewise for net income. Not surprising the 
operating and net income declines in percentage terms were 
very significant. It is important to note, with relatively 
small companies and at relatively small market these 
absolute and percentage numbers reflect a dramatic and very 
harmful shift.
Lest there be any doubt as to the source of the Domestic Industry's problems, confidential chart eleven should erase it. As this chart clearly demonstrates the Subject Imports have gained market share at the direct expense of the Domestic Industry. Every pound loss by the Domestic Industry has been captured by the Subject Imports.

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

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

The claims by Respondents that they could not get the right products from U.S. producers where they needed to hedge their supplier base all cannot explain away the significant volumes and low prices of the Subject Imports. Regarding threat of injury, the Commission has not received
enough information from foreign producers questionnaires to
calculate the amount of capacity utilization and excess
capacity to determine the true extent of the threat posed by
the imports from Korea and Taiwan. Several of the
Respondents however have revealed enough about themselves
publicly to make clear the imminent and lethal threat those
companies represent to the survival of the Domestic Industry
producing a low-melt fibers. Some of the quotes in slide
fourteen are both revealing and chilling at least if you are
someone who hopes to maintain a domestic low-melt industry.

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

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

Even Taekwang a relatively new Korean Producers
has rapidly expanded and has become a growing source of
aggressively low-priced low-melt in the United States.
Taiwanese producer Far Eastern boasts a world top five
These producers are among the largest in the world and have set their eyes and their goals on their export markets. Indeed, they already control a significant amount of the U.S. Market share. Given their size and growing capacity they can easily supply the entire U.S. Market and wipe out what remains of the domestic low-melt industry.

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

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

MS. STIGER: Good morning. Thank you all for being here and making your presentations.
I would like to start with a question about recent changes in the industry and technology so can you talk about if there has been any developments in industry technology, I believe Mr. Menegaz mentioned in his opening remarks that this crystalline low-melt that is produced faster and then that the black low-melt. There are different qualities. It was replacing less toxic, heavier low-melt so can you speak to that?

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

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

MS. STIGER: Okay, thank you.

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

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

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

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

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

    MS. STIGER:  Okay, great.  Thank you.

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

    MS. STIGER:  Okay, so Ms. Cannon mentioned in her
opening remarks that the demand has been increasing and I think the Respondents also mentioned that in theirs. Can you talk about sort of the barometers of demand for low melt? Like what do you look at to determine that it is increasing? And in terms of the foreseeable future do you anticipate that it's going to continue to increase?

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

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

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

MS. RINGEL: Brooke Ringel, Kelley, Drye and Warren. We have filed some minor scope amendments with Commerce to clarify that the scope covers bicomponent fiber
as described with two polyester components. We specifically removed the exclusions of non-bicomponent fiber because that was obvious from the affirmative language of the scope but these again were just minor clarifications.

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

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

So any bi-component, the appropriate interpretation of the HTS language is that only polyester/polyester bi-component should be classified as that 0015 number. For that reason we believe that the official import statistic sticks and should be relied upon in this investigation.
MS. STIGER: Okay, so this relates to the production. And in the Petition on page 9 it states that the manufacturer of low melt PSF, which is primarily made from virgin materials, can also be made—but can be made from recycled raw materials. So I was wondering if you could comment on if there are any end-use applications in which non-virgin low melt PSF cannot be used interchangeably with virgin low melt PSF due to any chemical imperfections or other technical limitations.

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

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

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

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

MR. SULTAN: Thank you. Good morning.

I would like to start with a question about the
like product. You've argued that in the 2000 determinations
we defined low melt polyester staple fiber as a separate
like product, and that we should follow that practice in
these investigations.

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

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

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

In--based on our client's knowledge of the
industry, we now understand that core sheath--that, excuse
me, that low melt polyester-polyester low melt can also be
made in the side-by-side configuration. Nan Ya Plastics
does not make the side-by-side configuration. And as far as
we know, there have not been significant imports of the
side-by-side configuration to date. But we do know that
there is—we are aware that there is at least some foreign
production of this configuration.

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

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

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

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

MS. RINGEL: That is correct.

MR. SULTAN: Okay, thank you. Do you happen to
know whether the other domestic producer makes product in
the side-by-side configuration?

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

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

    MR. SPARKMAN: Nan Ya is fully capable of making
black, again as Mr. Rosenthal testified and we agreed.
Black is only the addition of a color. It's like saying you
can make a blue car but you can't make a red car. It's just
the addition of color to the product.
    But that addition to color does come with some
additional production costs. And because of the low price
in the market, we cannot afford to produce that product at
this time.

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

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

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

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

MR. SULTAN: Thank you.

MR. SPARKMAN: Mr. Sultan, I would add to that.

The crystalline low melt is a very, very small portion of the market today. And our production requires economy of scale to be profitable. Because of that low demand for that product, at this time we don't make it.

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

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

MR. SULTAN: And you started to produce when?


MR. SULTAN: Thank you.

MR. ROSENTHAL: Mr. Sultan, I just want to amplify on that answer. Paul Rosenthal. What's interesting is that the product made in the U.S. by Nan Ya was essentially identical to the product imported from Taiwan made by Nan Ya U.S.'s parent. And so one of the issues that you may hear about is comparability of the domestic product to the imported product.
Well, it was a perfect example of how the U.S. product is perfectly substitutable for the imported product.

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

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

MR. SULTAN: Thank you.

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

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

So it was the requirement for bonding, and the characteristics that came from that, that differentiated it
as opposed to the configuration.

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

MR. ANDERSON: Okay, thank you, Mr. Sultan.

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

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

The black is used primarily in the automotive industry and is used in applications where the fiber might actually be visible. So for example in the trunk, where the white would be used in--for soundproofing within the panels, or under the carpet in the automobile.
Obviously though in other applications such as
the mask that you have there, black would not be applicable
because one wants something that would appear to be clean,
to start with, if they're going to use it to filter the air.

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

(Laughter.)

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

MR. FREEMAN: John Freeman, Nan Ya Plastics. We
did not produce either product during the Period of
Investigation. As we've testified, for black we do have the
ability to produce black. It just has to make economic
sense for us, and it has not made economic sense due to
subject import pricing.
The crystalline is a little more advanced
product. I think--and currently we do not have the ability
to produce the crystalline product.

MR. ANDERSON: That's very helpful. Can you say
anything more about what would take? Obviously I think in
response to Mr. Sultan's question you mentioned that the
other produced does make it. So is this a--what kind of
investment, or what kind of equipment would be involved in
manufacturing crystalline?

MR. SPARKMAN; Mr. Anderson, Michael Sparkman.

Could you repeat the question, please? I'm sorry.

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

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

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

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

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

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

Number one, it is not necessary for a domestic industry seeking relief to produce every product within the
like-product category, as you know. And the fact that they
don't, there really isn't any consequence of that. In fact,
there are many industries that can't supply every product
along the continuum of products within a like-product.

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

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

MR. ANDERSON; Okay, thank you all very much for
answering and providing that helpful information. Now I
will turn it over to our economist, Mr. Abbyad.
MR. ABBYAD: Good morning. So my first question is with regards to the issue of over-selling versus under-selling. So we see quite a bit of under-selling of pricing products 1 and 2 by the domestic producers relative to the imported subject product, and we were wondering if there are any explanations for that.

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

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

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

But I think if you would like to get anything further from the industry witnesses in terms of their experience in the market, it is certainly not consistent with evidence that the U.S. producers are selling at lower prices, nor is that reflected in the market share shifts you've seen.
MR. ABBYAD: Thank you. My second question: Do any of your purchasers require supplier certification?

MR. SPARKMAN: Michael Sparkman, Nan Ya Plastics.

Mr. Abbyad, certain customers do require a certain degree of qualification on that. But again, this is a very--a similar product--that might not be the right word. It's a replaceable product in there. And we've been able to come into the market and replace products that were running import, and imports have been able to come in and replace us as well.

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

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

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

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

MR. ABBYAD: The next question is with regards to
raw materials. How do you purchase your raw materials?

Have raw material prices affected the price of low melt PSF?
And please discuss any expected trends with regards to this.

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

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

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

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

Further, in 2017 we've seen an increase in raw material costs as those have bottomed out and started to come back up. However, low melt prices are actually lower
today than they've ever been before.

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

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

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

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

We heard in one of the other cases involving
fibers that problems that BP had with supplying the industry
was a cause of problems. That's not happened with this company, or with this industry. There's been no supply disruptions. There's been no inability to supply customers because of any issues that raw material producers, that they may rely on, may have had. So I just wanted to clear that up for the record.

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

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

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

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

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

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

MS. RODRIGUEZ: Good morning. I just have a couple of things, clarifications. Given that you've said that, you know, there's been this ascendance of the Korean and Taiwanese imports into the United States, what in your
view--and that pricing is the key factor in this
competition, is there anything different in--because I'm
assuming from what I know so far that it's capital-intensive
production--are there any distinctive differences between
how the products are manufactured? Or to what do you
attribute their ability to keep the prices so low?

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

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

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

MR. ROSENTHAL: Ms. Rodriguez, I'll expand on that
point by Mr. Freeman with respect to production of product
in other countries. You have a pretty good idea of how
aggressive the Korean and Taiwanese prices are when the
Chinese are not in the market competing here. And
conversely, the Japanese produce, as far as I know, this
crystalline product. And I believe they sell some of that product here. But it's at a higher price. That's that small niche product.

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

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

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

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

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

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

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

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

There's no longer any ability to make a profit on
those conversion costs. And, by the way, I think there is
evidence submitted by the Respondents that will confirm
that, that the conversion costs or fabrication prices that
have been offered by, or demanded by customers has gone down
because of the competition by Korea and Taiwan.

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

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

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

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

MR. FREEMAN: They're referring to an event that
happened at BP, a PTA supplier, in Quarter 4 of 2014, where
they had a fire at their plant and lost production capacity. PTA, at that point, is a product that we purchase merchantly in the U.S. market. We also have the ability to import when we need to.

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

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

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

MS. HAINES: Okay.

MR. SPARKMAN: Ms. Haines, Michael Sparkman, Nan Ya Plastic. I'm guessing that what they may be trying to
refer to is the fact that, if we haven't made a product, then we haven't taken it to the customer and they haven't run a qualification of it to say, "Yes, your product works."

MS. HAINES: Okay. Thank you.

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

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

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

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

MS. HAINES: And that would take --

MR. SPARKMAN: -- and that --

MS. HAINES: -- just a couple of days? Is that
a matter of days to do that switch? Or how long would that take?

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

MS. HAINES: Okay.

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

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

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

MR. SPARKMAN: If I could further. Because of the design of the low melt, it requires two reactors, one producing that low melt temperature product and one that produces the high melt temperature product. Because of that two-reactor design, we can't run low denier on that line. That would require major modification, basically removing one of the reactors and expanding the other one back to
double its capacity in order to run a fine denier product on that line.

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

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

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

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

MS. HAINES: Thank you. That's very helpful.

Thank you. I know, again in their opening statement, respondents were claiming that the black market's booming, and you all say that you believe it's leveling out. Can you
tell me -- I know it's a niche, but can you tell me how the
market's going for the crystalline? Whether you feel it's
--

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

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

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

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

MS. HAINES: Okay.

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

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

MR. ANDERSON: Thank you, Ms. Haines. Ms.
Stiger, I believe you had a follow-up question?
MS. STIGER: Yes. I'd just like some clarification on the polymer extrusion process that we talked about earlier. The two different methods, the side-by-side, or the core/sheath configuration. You all said that there was no difference in the raw materials and the physical characteristics in the end-use. I'm just wondering, is there a difference in -- is there some efficiency gained in one process versus the other? Can you speak to that? Or if not now, in the post-conference brief? Thank you.

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

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

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

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

MS. FREAS: Okay.

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

MS. FREAS: I understand. Thank you.

MR. SPARKMAN: Ms. Freas, just to expand on that a bit. The basic raw materials remain PTA and MEG. The
additive, the PIA that reduces the melt temperature, is the same in there. And the additives that Mr. Freeman referred to are a very small portion of this. So the primary ingredients and the primary function of bonding remains the same, whether it's the crystalline or the standard low melt fiber.

MS. FREAS: Thank you.

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

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

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

MR. ANDERSON: Very helpful. Thank you. With that, I want to, on behalf of the staff here, thank you all for your testimony and for your questions and for being here today. It's been very helpful and very informative. And
I'd like to take about a fifteen minute break. We'll reconvene at twenty after the hour, give a little break here. And we'll recess until then. Thank you.

(Whereupon a brief recess was taken to reconvene that same day.)
MR. BISHOP: Will the room please come to order and be seated? Will the room please come to order?

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

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

STATEMENT OF MERVYN BERNET

MR. BERNET: Good morning. Good morning, is it? Good morning. My name is Mervyn Bernet. I am the CEO of Bernet International Trading, also known as BIT. BIT is a privately import and distributor of synthetic staple fibers. I personally have been selling synthetic staple fibers since 1984. So already for 34 years. I've been involved in the importation and distribution of bi-component polyester fiber, which is also known as low melt or thermally bonded fiber, since 1985. At that time, the bi-component fiber market was in its
infancy.

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

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

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

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

Demand for bi-component fiber continues to grow as we find more end uses for it. It used to be that most
low melt went into furniture and some for filtration. Today, end uses include wheel well liners, heat barriers, acoustical sound absorption, materials headliners, trunk and hood liners. And that is just some of the automotive uses. Goes into wipes for hygiene, medical, and industrial uses. It's in diapers, mattresses, and food packaging. The list goes on.

Many of these uses for bi-component fibers are for products that did not exist five to 10 years ago.

Demand continues to trend up.

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

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

This increased usage and demand has gradually increased on all five continents. It is for this reason that the Korean and Taiwanese manufacturers have upgraded their equipment to create efficiencies of scale, improve
their quality, reliability, and service. The Korean and
Taiwanese manufacturers have traveled the world, met with
distributors, and end users, listened to what the
requirements are, and worked in close cooperation with end
users' R and D departments to develop or tweak products to
achieve desired results for new and improved applications.

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

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

Much of the growth in low melt products is going
on in the higher end and value added products. End users
have no choice but to import these items as Nan Ya does not
presently make them.

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

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

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

More importantly, importers have established
warehousing and distribution that is generally within 100
miles of the customers' plants. Inland freight could
represent as much as 15 percent of the cost of a product,
particularly on the West Coast, where my company is
headquartered.
Ocean freight through the efficiencies created by containerization is a significantly more efficient and cost effective way of moving the product to the market place. We at BIT currently utilize more than 10 warehouses around the United States to be -- to remain close to our customers. This is one of our competitive advantages.

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

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

In conclusion, there are numerous reasons why end users purchase foreign produced bi-component fiber. While low melt is being used than ever before, I believe that Nan Ya continues to enjoy a significant share of the market. However, if they've lost ground, it is because of their inability to compete with their offerings, freight
cost, availability, and overall service. I believe that Nan Ya, USA does not have the ability to service all of the needs of the market that are included within the scope of this case. Thank you.

STATEMENT OF ROBERT KUNIK

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

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

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

In my remarks today, I want to precisely stress
the differentiating factors of the low melt fibers we handle versus those of the petitioner. Number one, crimp and bale compression. When my foreign supplier entered into this business over 10 years ago, together we through trial and error, maximized these two characteristics to maximize the efficiency of opening these fibers and to allow for greater blend percentages of low melt.

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

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

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

Number two, bonding properties. Each low melt has a unique DSC curve, which stands for Differential Scanning Calorimetry. This is a thermoanalytic technique
studying the impact of time and temperature on fiber.

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

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

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

In this effort, our customers also have to provide samples and test product to their downstream end users, who can be demanding end users or applications like auto and auto part manufacturers.
Specifically in automotive applications, in addition to the physical testing procedure, there is an arduous documentation system called PPAP or Production Part Approval Process for all new fibers and material changes.

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

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

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

It is our belief that the petitioner is not serving many important parts of the low melt market. And even when the petitioner makes a nominally similar product, a lot of factors are considered by our customers, such as whiteness, specification, just-in-time availability,
reliability of supply, transportation costs and other factors.

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

STATEMENT OF ERNEST ELIAS

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

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

Low melt fiber is, and always has been, a significant part of Fibertex' business. And Fibertex has
completed the importer questionnaire issued by the
Commission. For a number of reasons, however, we
respectively ask the Commission to reject the petitioners'
request for the imposition of anti-dumping duties on
imports of low melt from Taiwan and Korea.

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

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

My colleagues, the other importers, have spoken
to the issues of the petitioner not making certain low melt
products required by the market, and possibly not having the
capacity to supply the majority of the U.S. low melt
polyester demands. I'll try to address some other issues.
As the Commission is aware, there is a relatively small number of low melt PSF producers worldwide. Each of them has limited capacity to produce low melt, and decisions to increase that capacity are based on long-term market projections of worldwide markets, since they require significant capital investment.

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

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

The producers in Korea and Taiwan, as well as the petitioner, are accustomed to dealing with these fluctuations, and make their investments based on long-term, not short-term, expectations. The petitioners' injury claim
has to be viewed in this context, something with which they and their Taiwanese parent company are very familiar.

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

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

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

Another aspect of the critical nature of low melt for our customers' business is notwithstanding that our customers are happy with our supply from all points of view. Nevertheless, almost without exception, and sometimes
notwithstanding they have to pay a slightly higher price,
they do not sole source. They buy part of their low melt
requirements from Fibertex and part from one or more from
our competitors.

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

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

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

But I'm going to turn this over to our Sales
Manager, Jaren Edwards, who has been with us a long time
also, and is well-qualified to -- we're gonna talk basically
on crystalline and black, which I know, in the petitioners'
question and answer period, had a lot of your questions and
answers, so hopefully we can expand upon that.

STATEMENT OF JAREN EDWARDS

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

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

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

A couple of basic points that might help, as far
as definitions. What is the difference between the white
crystalline low melt and the other low melt. The other low melt is known as an amorphous low melt. To get very specific on a scientific level, it starts talking about thermoset polymers and how the arrangement of polymer molecules of amorphous solids are arranged in random organization. And the remaining polymer structure does not have a repeating arrangement.

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

What happens with the amorphous product, the other low melt, the commodity low melt, is that product softens as the temperature gets closer to closer to its melt temp. With the crystalline products, that is not the case. It goes all the way into that exact point before it softens. So that wheel liner and product testing for the automotive industry, it will not deform through those various temperature zones.
Products that crystalline is used in, in the automotive industry is typically the underbody of the vehicle, as well as wheel liners and also components close to the engine compartment. Our crystalline product's interchangeable with the commodity low melt products. They are not interchangeable between products, whether it be processing or end-uses, and the customer, when it requires a crystalline product, it requires that product. There is not a substitute for that.

Customer product perception and price.

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

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

Moving on to the black low melt fiber, the obvious characteristic, this product is black. You take a
carbon black master batch, and it is co-extruded at the
beginning of that process. As stated earlier, in the
automotive industry, products that are seen are typically,
it's desirable for them to be black. If it's a wheel well,
you probably never noticed it because it is black.

Same thing if you look under your hood, it's
typically black. Around your gas pedals, anywhere up under
your carpet, floor carpeting. If you would possibly see it,
then they would like that product to be that black color.

Is this product interchangeably with the white low melt?
No, it is not. It has very specific color requirements.

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

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

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

STATEMENT OF JON FEE

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

Milliken is a prominent U.S.-based producer of chemicals, floor coverings, textiles and other products,
headquartered in Spartanburg, South Carolina. Founded in 1865, Milliken operates more than thirty-five manufacturing facilities in the United States and overseas. Milliken employs 5,000 associates in the United States.

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

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

For the automotive woven product, known as needle punch fabric, the web is penetrated with an array of barbed needles that carry tufts of the web's fibers vertically through the web, creating a relatively lightweight moldable fabric used to line the surface of an automobile's wheel well, trunk or fender. This fabric absorbs sound and because it's moldable, conforms to the shape of the surface it covers without unsightly buckling or
wringling. It's light weight also contributes to fuel

Milliken makes bedding fabric with natural low

melt fiber that is nonpigmented fiber, which is readily

available from Nan Ya and other foreign sources. But it

only uses black and colored fiber to make needle punch

fabric for the automotive industry, because its automotive

customers prefer black or colored for aesthetic reasons.

The predominant preference is black, but Milliken is also

offering other colors to its automotive industry customer.


Despite the diligent efforts of Milliken's

sourcing associates, Milliken has been unable to purchase

black or colored fiber from either of the domestic

producers. Nan Ya is evidently unwilling or unable to

include products of black or other colors in its product

offering. Milliken believes that Fiber Innovation

Technology may offer black and colored fiber, but only in

limited short runs that are insufficient in availability and

volume to meet Milliken's needs.

Thus, at least where black and colored low melt

PSF fiber is concerned, Milliken's purchases of Korean and

Taiwanese fiber have nothing to do with unfair injurious

pricing and instead have to do with the choice by domestic

suppliers not to offer it. Milliken's experience in its

efforts to purchase black or colored low melt PSF from U.S.
suppliers has two implications for this investigation.

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

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

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

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

Downtime for the changeover from natural to
black or colored fiber and back, and the resulting yield
loss, would greatly impact the producers' capacity utilization. Moreover, Milliken believes that the production of black or colored fiber requires additional technology and equipment than production of natural.

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

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

The reasons I've summarized, Milliken respectfully requests that the Commission reach a negative preliminary determination as to injury in its investigation, or alternatively, that the Commission identify black and
colored low melt PSF as a separate like domestic product.

Milliken, of course, will be pleased to provide additional
information as requested by the staff or to respond to the
staff's questions. Thank you.

MR. MENEGAZ: This is Greg Menegaz with deKieffer.

We have no more planned testimony, and we would turn it over
to the staff for questioning.

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

MR. LONGO: And not a potted plant.

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

STATEMENT OF PETER LONGO

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

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

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

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

And again, Nan Ya refused to sell it to us. Also, we buy large quantities. Truthfully, I don't believe that Nan Ya would be able to support all of the U.S. manufacturers for the amount of fibers being used today. On the same time, as you heard from other speakers, black, we use pretty large quantity of black, and like what I've heard before, black is growing business, special in automotive. Automotive is growing not only in the U.S. but in Mexico.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MS. STIGER: Right. Is the increase in the volume of the imports, is that largely like for black low melt?

And is it the result of increased demand due to the automotive industry?

MR. FEE: Certainly in Milliken's experience it
is. But I hesitate to speak for the industry, but that's Milliken's experience.

MR. EDWARDS: Jaren Edwards with Stein Fibers.

One of the things we've seen in automotive is, as technology has become important in the vehicle, the automotive industry has really concentrated on acoustical insulation. And nonwoven's products has consistently won as a product solution to provide light-weight, fuel efficiency, but improved acoustical values.

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

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

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

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

Thank you.

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

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

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

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

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

MR. SULTAN: Let me start with a question about
the crystalline low melt. Is this a relatively new product?
Is this something that's—you know, that's developed
sometime recently?

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

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

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

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

MR. SULTAN: Thank you. The next thing I have is
just sort of a general guideline for counsel, for your
When presenting like-product arguments, please limit your arguments in the data that you present to domestic production. We're not interested in knowing about production processes in foreign countries. The question is the definition of the domestic like-product. So in presenting your arguments under the six factors that we analyze, please focus on the domestic aspect of those factors.

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

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

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

MR. MENEGAZ: We're going to reserve treatment of the related-party issue for the post-conference brief, but we don't dispute their description of the domestic industry otherwise.
MR. SULTAN: Okay. And what about cumulation? Do you have any position on whether it's appropriate to cumulate imports from Korea and Taiwan?

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

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

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

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

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

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

MR. ABBYAD: Yes, with regards to the product one and two, yes.
MR. MERVYN BERNET: Black and crystalline? I mean I'm not—I haven't seen the data, so I can't address what we're selling at a higher price. But the black and crystalline is sold at significantly higher prices than the commodity product.

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

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

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

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

MR. ABBYAD: Thank you--

MS. HOLDSWORTH: Mr. Abbyad, if I could say something? Judith Holdsworth from deKieffer & Horgan. We--the counsel has looked at the data that we're working on evaluating that. I think that we are gathering the
statements from each individual of our clients in order to
have a comprehensive argument that we would like to present
in our postconference brief.

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

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

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

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

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

MR. ABBYAD: Sure. Thank you.

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

MR. ABBYAD: My next question is with regards to
interchangeability. Do all imports from all subject
MR. KUNIK: Bob Kunik, Consolidated Fibers.

They're the same end uses, but each application, as I mentioned in my testimony, each customer has specific demands, processes, challenges, and their own unique customers. But if you talk about the broad end uses which both sides have mentioned, bedding, automotive, furniture, they're the same in general. But that's a real broad painting of the picture as each customer has different requirements.

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

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

MS. BELLAMY: Please announce yourself.

MR. STEIN: I'm sorry. Sidney Stein, Chip Stein.

So, yes, the answer is, yes, they do have batch lines to produce that, to produce the smaller needs.

MR. ABBYAD: Thank you. That's all the questions
I have at this time.

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

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

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

MS. FREAS: Thank you.

MR. ANDERSON: Ms. Rodriguez, your turn.

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

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

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

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

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

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

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

MR. ANDERSON: Okay. Ms. Haines?

MS. HAINES: Thank you for the testimony. In case--I can't remember if my colleague asked this, but any information you could include in your brief regarding the
pricing of the raw materials for the past several years, please. That's very helpful for the team.

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

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

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

And they said, here's what we're using. We don't need it. We need a fiber for bonding. It's going to go into an oven. It's going to be utilized in certain blend percentages, and we want a bonding fiber. And it was one of
many characteristics in things that we were trying to accomplish, but that's what they said. And they said, you know, the fiber that's out there right now is more of a fiber fill, or a lofty product. It doesn't have to be that way.

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

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

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

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

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

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

MR. KUNIK: Bob Kunik, Consolidated Fibers. Again, one of the features that we looked at was the bail compression. When we came into the market, there were some complaints about the bails being really like solid, like if
you looked at it it would be like running into a brick wall.
And it was related to the low melting nature of the fibers.

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

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

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

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

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

MS. HAINES: Okay. But that's something that they
could change their process to make it whiter?
MR. KUNIK: You mean the Petitioners?

MS. HAINES: Yes. Is it something easily changed?

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

MS. HAINES: Okay.

MR. KUNIK: It could be done.

MS. HAINES: Okay. Another thing you mentioned is something that you provide--if my notes are right, that you bundle your products with, like service in bundling?

Somebody was sort of testifying about sort of something that you do slightly differently than the domestics. So I was curious what you're bundling.

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

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

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

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

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

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

(No response.)

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

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

MR. MENEGAZ: I think, due to the confidential
nature of that discussion, we would have to leave that for the post-conference brief.

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

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

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

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

CLOSING REMARKS OF PAUL C. ROSENTHAL

MR. ROSENTHAL: Thank you I would like to start with the discussion of like-product, and note that many industries have commodity and non-commodity products that span a continuum within the like-product domestic industry definition.
This industry isn't any different. Mr. Stein and other witnesses focused on different chemistries, and the most severe applications, but the Respondents have failed to provide any clear dividing line between these products that they've been talking about that would suggest the existence of separate like-products.

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

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

Now the Commission rejected the notion that each one of those technologies was a separate like-product, let alone this notion that a separate screen color would differentiate the products into separate like-products.
The idea that by adding a color at the beginning of a process creates a separate like-product is I think--I'm trying to be kind--but unconvincing. If that were the case, Mr. Stein's discussion of the capability of the foreign producers to create multiple colors, they can add tan, they can add black, they can add other colors, is each one of those products by the simple addition of a different color a separate like product?

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

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

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

We will provide more of that information in our post-conference brief, but it is not accurate to state that Nan Ya cannot supply the full range of products. That is what Ms. Cannon was referring to when she said at her
opening, and clarified in response to questions, that Nan Ya produces myriad of products available.

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

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

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

So the idea of avoiding remedies because of some customer concerns about higher prices, as we know, is not a
concern that is really cognizable under the statute, and the
Commission doesn't really pay too much attention to the
customer concerns about maintaining lower prices.

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

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

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

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

Today they spent almost the entire time talking about the black product and the crystalline product, which at most make up 15 percent of the market, they've ignored most of the rest of the market and they've not contested that import volumes are significant or substantial.

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

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

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

I will tell you that if you do a proper comparison and you don't compare their black product to our white product, or you don't compare their crystalline product to non-use product, or you don't compare some other product with bells and whistles to the commodity products, you will find under-selling
And as I said at the outset, you don't have to listen to me. Listen to what the purchasers said in their questionnaire response. They said the imports were under-selling the U.S. producers. And they said that in a high percentage of the time. They know what you're talking about there. And if you're getting under-selling information that is different from that, there's something wrong with the data you're getting, or the comparisons are being made. It's not your eyes that are deceiving you, it is the lack of comparability within those categories you're getting the information on.

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

They're just saying, oh, they're not responsible for that. They're saying, yes, import volumes are up but for some reason we're not responsible for that at all. Even though the domestic industry is losing market share and every financial indicator is down, they're claiming no responsibility.
Well I will close by this. I have been reminded by one of my colleagues that this is "Make It In America" week, and I would submit that if you want to make products in America and you want to continue making them, in this particular case you want to make low melt product in America, you need to make an affirmative determination with respect to this case.

Thank you.

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

CLOSING REMARKS OF GREGORY S. MENEGAZ

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

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

There are a number of criteria that have been explained by all the witnesses here that can contribute to that, including service, distribution, nationwide distribution, innovation in products, foresight in the growth of the market and the direction of the growth, and the mix of the products, and the various product offerings.
The ability--you know, Nan Ya might be able to make a lot of these products, but offering them in small batches in real time in nationwide distribution is a completely different issue. And that directly impacts the purchaser's decisions.

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

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

So it is very important that the end users are very comfortable with the supplier. And so, getting to a couple of the other specific points, talking about color televisions, they all have one end use and that's to watch the television. But we're talking about an industry with a
variety of end uses from bedding, to automotive, and
different products are really being tailored to those end
uses.

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

So let's see. I think that really covers
everything. You know, there's no dispute that the market is
growing. Everybody has testified to that fact here. We
think the growth in the U.S. market is in line with global
growth.
Some of the articles cited in the Petition quoted Huvis as selling to 100 countries, not directing all its exports to the United States. And so when you have a growing market over a steady trend over 10 years, and the Petitioners aren't offering the products in the right way and in the right mix in the market, they can lose market share. But it's not a cause of injury that the Commission can recognize and continue this investigation.

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

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

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

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

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

This conference is adjourned.

(Whereupon, at 12:49 p.m. the hearing was
adjourned.)
CERTIFICATE OF REPORTER

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

INVESTIGATION NOS.:  731-TA-1378-1379

HEARING DATE:  7-18-17

LOCATION:  Washington, D.C.

NATURE OF HEARING:  Preliminary

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

DATE:             7-18-17

SIGNED:        Mark A. Jagan

Signature of the Contractor or the Authorized Contractor’s Representative

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

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

SIGNED:                Gaynell Catherine
                                 Court Reporter