

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
WOVEN ELECTRICAL BLANKETS ) Investigation No.:  
FROM CHINA ) 731-TA-1163 (Final)  
)

Pages: 1 through 130  
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 ) Investigation No.:  
 WOVEN ELECTRICAL BLANKETS ) 731-TA-1163 (Final)  
 FROM CHINA )

Tuesday,  
 June 29, 2010

Room No. 101  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The hearing commenced, pursuant to notice, at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable DEANNA TANNER OKUN, Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

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Congressional Witness:

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Senator, Mississippi

In Support of the Imposition of Antidumping Duties:

On behalf of Jarden Consumer Solutions:

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MIKE FRETWELL, Vice President, Marketing, Jarden  
MARK SULLIVAN, Plant Manager, Jarden  
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P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN OKUN: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation No. 731-TA-1163 (Final) involving Woven Electric Blankets From China.

The purpose of this investigation is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of less than fair value imports of woven electric blankets from China.

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

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

Speakers are reminded not to refer in their

1 remarks or answers to questions to business  
2 proprietary information. Please speak clearly into  
3 the microphone and state your name for the record for  
4 the benefit of the court reporter.

5 If you'll be submitting documents that  
6 contain information you wish classified as business  
7 confidential, your requests should comply with  
8 Commission Rule 201.6.

9 Madam Secretary, are there any preliminary  
10 matters?

11 MS. ABBOTT: Madam Chairman, all witnesses  
12 for today's hearing have been sworn and the panel is  
13 seated.

14 (Witnesses sworn.)

15 CHAIRMAN OKUN: Very well. Let us begin  
16 with opening remarks.

17 MS. ABBOTT: Opening remarks on behalf of  
18 Petitioner will be by Philippe M. Bruno, Greenberg  
19 Traurig.

20 CHAIRMAN OKUN: Good morning, Mr. Bruno.

21 MR. BRUNO: Good morning, Commissioners and  
22 members of the staff. I am Philippe Bruno with the  
23 law firm of Greenberg Traurig representing the sole  
24 U.S. producer of woven electric blankets, Jarden  
25 Consumer Solutions, also commonly known as Sunbeam.

1           Sunbeam is a household brand, well known to  
2 U.S. consumers. Maybe you have or you know someone  
3 who has a Sunbeam blanket at home. This is one of  
4 those traditional American brands which has come to be  
5 known over the years for quality and reliability. In  
6 fact, as a bit of trivia, we found out that electric  
7 blankets have been made and sold in the United States  
8 for maybe as many as 98 years.

9           Sunbeam has made woven electric blankets in  
10 its plant in Waynesboro, Mississippi, for the last 50  
11 years. Today we are before you because Sunbeam is  
12 under attack, and its very existence is threatened by  
13 the unfairly priced imports from China.

14           This is a well-known scenario for the  
15 Commission, which is used to seeing U.S. companies on  
16 their last throes asking for help to fight the dumped  
17 Chinese imports. What is special about this case, as  
18 you will hear from our witnesses today, is that it is  
19 not only a plant that is under attack. It is a whole  
20 community in southern Mississippi in an area where  
21 jobs are scarce and where the closing of the Sunbeam  
22 plant will mean relocation of many families and the  
23 end of a way of life.

24           Sunbeam, however, decided to fight back.  
25 Rather than moving its operations to China or

1 elsewhere like so many other global companies, it has  
2 taken action to maintain and regain its customer base  
3 on the commercial front. We have tried to bring back  
4 production of other types of blankets from China to  
5 Waynesboro, at great cost and not without difficulty,  
6 to keep employment and to avoid layoffs.

7           It has also filed this case to seek the  
8 relief that the facts in this investigation warrant.  
9 What are the facts? They couldn't be more clear.  
10 Increasing volumes of dumped imports from China have  
11 taken an increasing share of the U.S. market one  
12 customer at a time, leaving Sunbeam today with just a  
13 handful of customers and half the volume it used to  
14 sell before the Chinese imports came into the market.

15           They have done so on the basis of price and  
16 price only. Not on quality, not on customer  
17 flexibility, not on any other factors, but on the  
18 basis of low prices, pure and simple. The evidence of  
19 underselling in this case is overwhelming and proves  
20 it.

21           U.S. customers are not paying a premium for  
22 the Chinese products for better quality, better  
23 customer flexibility or brand differentiation. They  
24 are buying the Chinese product because it is cheaper  
25 than Sunbeam's due to the dumping practiced by the



1 Chinese exporters.

2 As one would expect, the continued price  
3 erosion, the loss of market share and of customers  
4 have taken their toll on Sunbeam. The financial  
5 information collected by the Commission shows that now  
6 Sunbeam's very existence is being threatened by the  
7 Chinese imports. There is nothing complicated about  
8 this case. China is the only other source of supply  
9 for the blankets at issue in the marketplace, and  
10 China is the low-priced supplier of those blankets.

11 This is the reason why we're here today: To  
12 request the Commission to look at the facts in all  
13 their starkness and to determine that it warrants a  
14 final affirmative determination of material injury by  
15 reason of the Chinese imports. Thank you.

16 CHAIRMAN OKUN: Thank you.

17 MS. ABBOTT: Madam Chairman, the members of  
18 the first panel are seated.

19 CHAIRMAN OKUN: Very well. You may begin.

20 MR. POWERS: Good morning. My name is Paul  
21 Powers, and I'm the Senior Vice President and General  
22 Manager for the Personal Comfort and Wellness business  
23 at Jarden Consumer Solutions. I've been with the  
24 company since 2005 when Jarden acquired my previous  
25 employer.

1           I've been in the consumer products industry  
2 for over 20 years, both on the manufacturing, selling  
3 and the marketing side, as well as the retail side as  
4 both a buyer and as a merchandise manager, and I'd  
5 like to thank the Commissioners for the time today and  
6 the opportunity to appear before you.

7           As general manager of the Personal Comfort  
8 and Wellness business, I'm responsible for 10  
9 businesses worth over \$500 million in sales. These  
10 businesses range from the beauty and barber products  
11 to pet grooming products to portable fans, heaters,  
12 air purifiers, heating pads, scales, all under  
13 familiar household brand names like Sunbeam, Holmes,  
14 Oster, Health-O-Meter, Bonaire and Lakewood.

15           My responsibilities also include our U.S.  
16 manufacturing facilities, including our woven electric  
17 blanket facility in Waynesboro, Mississippi, which is  
18 what we're here to talk about today.

19           Sunbeam began making heated blankets in  
20 Waynesboro over 50 years ago. During those years  
21 we've been the largest manufacturer and marketer of  
22 woven electric blankets in the world. Today, to my  
23 knowledge, we are the only remaining producer in the  
24 United States. Our Waynesboro facility still produces  
25 all of the woven blankets that we sell.

1           As you might imagine, the market has changed  
2 dramatically over those 50 years, and in that  
3 timeframe most of our competition has made the  
4 business decision to move all of their production  
5 overseas, leaving behind the factories and the  
6 communities that once relied on our commerce.

7           As the leader in this business, Sunbeam has  
8 over its history evaluated the same decision many  
9 times, and every time we made the decision to continue  
10 to invest in U.S. production. The primary reason for  
11 this is whenever we do the analysis we find that we  
12 cannot import a woven blanket at a lower cost than we  
13 can produce it in Waynesboro, Mississippi.

14           But another big part of the reason is the  
15 people in Waynesboro. Every time we ask our  
16 Waynesboro team to adjust, to react, to realign  
17 towards new market conditions they have done so with a  
18 level of professionalism and dedication that is rare  
19 in any business at any level.

20           I can tell you that over my career I have  
21 visited literally dozens of factories throughout the  
22 world in numerous industries, and when I first visited  
23 Waynesboro I can tell you that I've never experienced  
24 anything like it. The enthusiasm for what these  
25 people do, the pride that they take in being the best,

1 generations of families working side-by-side together.

2 In all my conversations with the people  
3 there I've never heard a complaint; only how can we do  
4 better? Those kinds of employees are absolutely  
5 invaluable for us. So it became clear to me why  
6 Sunbeam had decided over the years to keep Waynesboro  
7 as part of the team. It was simply good business.

8 But they are good people too. Beyond the  
9 obvious business advantages, you can't help seeing the  
10 people themselves, people who care about each other,  
11 people who have donated tens of thousands of dollars  
12 to our community fund charity made up of voluntary  
13 contributions, including this year \$25,000 to the  
14 American Cancer Society, \$5,000 to the Red Cross,  
15 \$5,000 to Rock Solid, which is a local organization  
16 focused on kids performing charity work for senior  
17 citizens in the Waynesboro area, and \$5,000 to the  
18 Domestic Abuse Center of Laurel, Mississippi.

19 The bottom line for us is that the  
20 combination of this experience and dedicated  
21 workforce, along with our proprietary technology and  
22 unique manufacturing process, enables us to make the  
23 highest quality, safest and most efficiently produced  
24 blanket on the market.

25 Add to that the ability to react to highly

1 seasonal and weather dependent demand, and our U.S.  
2 manufacturing is a real competitive advantage for us  
3 and we feel that it allows us to compete with anyone  
4 in the world. That is, unless that competition is  
5 unfair.

6 As a former retailer, I understand the  
7 pressure that the big stores and their buyers are  
8 under. They experience acute pressure to bring in  
9 more customers, to drive down prices, to improve their  
10 profitability; so acute that now buyers often make  
11 decisions solely on price.

12 Unfortunately, competitors can use this  
13 price pressure to their advantage. Selling commodity  
14 products at unfair and dumped prices for a period of  
15 time can force other competitors to exit businesses  
16 that through no fault of their own have become  
17 unprofitable and unsustainable. We at Sunbeam  
18 experience this pressure as a way of life in all of  
19 our businesses. We're always looking for ways to  
20 reduce our costs so that we can remain competitive.

21 We have done every reasonable thing that we  
22 can to compete with the dumped imports. We have  
23 re-engineered our products and processes. We have  
24 worked with our suppliers to lower cost components  
25 from our sources. We've found new, lower cost sources

1 of raw materials, and we are now attempting to produce  
2 counter-seasonal products like fans in our factory in  
3 Waynesboro.

4 Reluctantly, we have been forced to reduce  
5 hours and recently to offer an early retirement  
6 program to our Waynesboro employees in an effort to  
7 reduce overhead as our volume of woven electric  
8 blankets has dropped.

9 Another recent example of the lengths to  
10 which we are forced to go to combat the impact of  
11 unfair import pricing is the addition of fleece  
12 blanket production at our facility in Waynesboro.  
13 Because we are unable to match the low prices of woven  
14 products offered by the importers, we turned the  
15 factory upside down and invested in equipment to add  
16 the capabilities to produce nonwoven blanket  
17 subassemblies in Waynesboro.

18 This allowed us first to help a major  
19 customer differentiate from the increasingly low  
20 retail prices in wovens created by the importers and,  
21 secondly, to maintain critical manufacturing volume in  
22 Waynesboro.

23 Our reductions in employment have been tough  
24 on the Waynesboro and surrounding south Mississippi  
25 communities, but are nothing compared to the

1 devastating effects should we have to close the  
2 facility as a result of unfair price competition from  
3 dumped imports. Unfortunately, even these measures  
4 have not been enough to avoid significant negative  
5 impact to our business. We continue to lose major  
6 customers based on price, putting extreme pressure on  
7 the business financials.

8 In addition to the short-term measures that  
9 we are taking to fight against unfair pricing, our  
10 long-term investment plans are being disrupted as  
11 well. Lower profits means less money to invest in  
12 plant and equipment, new product development and  
13 marketing support. This further erodes our ability to  
14 compete and our long-term business prospects.

15 So this is why we are here today: To ask  
16 the Commission for help in restoring fair competition  
17 in the U.S. market by creating a level playing field  
18 in the market for woven electric blankets. I thank  
19 you for your time and attention.

20 MR. SULLIVAN: Good morning. My name is  
21 Mark Sullivan, and I'm the plant manager at the  
22 Waynesboro, Mississippi, plant of Jarden Consumer  
23 Solutions. I have been with Jarden for 23 years and  
24 at the Waynesboro plant for 12 of those years. I'm  
25 very pleased to be back this morning and here to tell

1 you a bit about woven electric blankets and how they  
2 are made.

3 All of our woven electric blankets are  
4 produced in the Waynesboro plant. Our plant occupies  
5 about 15 acres of land and until the Chinese imports  
6 entered the market had close to 450 full-time  
7 employees. During the peak packaging season we have  
8 employed up to 550 workers, of which approximately 150  
9 individuals are seasonal employees.

10 In addition, we also employ approximately 85  
11 employees in Hattiesburg, Mississippi, in a number of  
12 back office functions -- for example, accounts  
13 payable, accounts receivable and customer service --  
14 which rely upon the Waynesboro operations. We are one  
15 of the biggest employers in this area of Mississippi.

16 Woven electric blankets are basically  
17 composed of a fabric shell made of synthetic, a blend  
18 of synthetic or sometimes natural fiber, heat  
19 producing wire, which temperature is controlled by one  
20 or more thermostats, the heating element itself and  
21 controllers. And like regular blankets, woven  
22 electric blankets come in a number of sizes such as  
23 twin, full, queen and king. We also make heated  
24 throws, which are of a smaller size than the blankets.

25 Now, while the product may look simple, the



1 production process is much more complex and capital  
2 intensive than just simply inserting wire into a  
3 fabric shell. The manufacturing process of woven  
4 electric blankets includes five basic phases: 1)  
5 napping, 2) treating, 3) wire insertion, 4) assembly  
6 and finishing, and 5) packaging.

7 First, the napping phase refers to the  
8 processing of the fabric shell to give it a soft  
9 texture. We buy the woven fabric from a mill in South  
10 Carolina, and it looks something like this. The  
11 fabric comes in large rolls in different widths for  
12 the appropriate blanket size.

13 They are preformed into what is referred to  
14 as a blanket shell, which consists of two sheets of  
15 fabric that incorporates specifically engineered  
16 channels designed to accommodate the electric  
17 blanket's wiring. When speaking of channels I'm  
18 referring to places by which you could insert the wire  
19 on certain centers and regulate the wattage of the  
20 product.

21 The rolls of shells are fed to the napping  
22 machine where the fabric passes through a series of  
23 concentric rollers covered with sharp napping wire.  
24 This napping imparts a hand in soft texture to the  
25 shell fabric.

1           Secondly, the fabric is coated with a  
2 finishing chemical to improve the appearance of the  
3 blanket surface. Now, because the napping process  
4 reduces the size of the fabric, the shell is also  
5 stretched back to the appropriate blanket width.

6           Next, the wire is inserted into the blanket.  
7 At Jarden, this wiring is done through a  
8 semi-automated process which is a specially designed  
9 system developed and patented by Jarden. We also  
10 internally produce the wire, which is made of a copper  
11 alloy core assembly and thermoplastic outer layers.

12           The wire is manufactured in a proprietary  
13 process that we developed and patented. Unlike our  
14 competition, we have what is known as PTC wire, which  
15 stands for positive temperature coefficient. The  
16 advantage of PTC wire is that it provides local versus  
17 global control, and I'll try and demonstrate that for  
18 you just real briefly.

19           If this represents an electric blanket and  
20 one were to take this electric blanket and fold it in  
21 this corner and generate an area of intense heat and  
22 then insulate that area with blankets, magazines or  
23 the family pet or whatever else may be there, then the  
24 area inside of here is going to get pretty hot.

25           In the case of our product, this area in

1 here will cease to work. The rest of the blanket will  
2 work normally. In the case of the competition, this  
3 area will cause the rest of the blanket to shut down,  
4 which one can imagine at night you can end up being  
5 uncomfortable or your mate could end up being  
6 uncomfortable, so we have an advantage from the  
7 standpoint of performance.

8 The blanket is then ready for the assembly  
9 and finishing stage. A regulatory approval blanket is  
10 first applied to the shell, and this regulatory  
11 approval basically says that we have UL approval. I  
12 guess it's on one of those that are up there. The  
13 ends of the wire are then terminated to a module  
14 board.

15 A plastic housing, such as what I have in my  
16 hand, is placed around the module board, and the  
17 blanket is subsequently tested for wattage and  
18 performance. And after this the blanket is finished  
19 by sewing the edge and the trim, and obviously we just  
20 go around and make sure that the edges are closed. It  
21 is then again tested for appropriate dielectric  
22 properties.

23 As some of the Commission staff have seen,  
24 the blanket is tested multiple times for safety and  
25 proper performance. People use these products when

1 they are unconscious and when they are asleep. We  
2 have to make sure that they are absolutely safe. We  
3 are proud to say that we have not had any product  
4 recalls for safety issues since we started moving the  
5 PTC wire operations to Waynesboro, which was in 1997.

6 Lastly, the blanket is placed in large  
7 boxes, which are packed for inventory purposes. When  
8 an order is received, the blanket is placed with the  
9 appropriate controller, packed with an instruction  
10 manual and ready for final shipment to the customer.

11 As Mr. Powers mentioned, we've been making  
12 electric blankets at the Waynesboro plant for over 50  
13 years. Without a doubt, the reason that we have been  
14 in business for so long is because of the dedication  
15 of our employees and our focus on improving our  
16 technology and efficiency.

17 Every day we look at what we can do and  
18 constantly invest in making our blankets faster and  
19 better. Much of our process is patented. We honestly  
20 believe that we run the best and the most efficient  
21 electrically heated bedding plant in the world. We  
22 can compete with anyone as long as the competition is  
23 fair.

24 Unfortunately, dumped Chinese imports have  
25 taken away many of our large customers, and as a

1 result our production has been cut back drastically.  
2 Right now we are doing everything we can to keep the  
3 plant running and keep as many of our employees  
4 working as possible.

5 As Mr. Powers has mentioned, we have started  
6 making box fans and also started making subassemblies  
7 of knit electric blankets. These efforts have not  
8 been without difficulty. The majority of our  
9 equipment for woven electric blankets cannot be used  
10 to produce other types of electric blankets. We have  
11 had to spend a substantial amount of money and effort  
12 to buy new equipment and modify some of our existing  
13 equipment.

14 However, even after these efforts we are  
15 able to perform only a portion of the production  
16 process for knit electric blankets in Waynesboro.  
17 Because most of our equipment is specially designed  
18 for and dedicated to producing woven electric  
19 blankets, much of our plant is idle. I estimate that  
20 we are only running at about 30 percent capacity.

21 Earlier this year we had to take the painful  
22 step of laying off about 60 of our full-time  
23 employees. There are very limited job opportunities  
24 in the south central Mississippi area where Waynesboro  
25 is located, and these layoffs have really hurt our

1 community. I'm afraid these layoffs may not be the  
2 last unless we can get some relief from these unfairly  
3 traded imports.

4 On behalf of all the employees and the  
5 larger community of Waynesboro, we respectfully ask  
6 the Commission to help us by restoring fair  
7 competition to the U.S. marketplace. Thank you, and  
8 I'm happy to answer any questions that you might have.

9 MR. FRETWELL: Good morning. My name is  
10 Mike Fretwell, and I'm Vice President of Marketing at  
11 Jarden Consumer Solutions. I've been in this position  
12 since 2009, and I have over 10 years of experience in  
13 sales and marketing within the consumer products  
14 industry.

15 My responsibilities are centered on seasonal  
16 business such as heaters, fans, humidifiers, heated  
17 electric blankets, including woven electric blankets.  
18 Woven electric blankets are seasonal products  
19 typically sold to consumers from September through the  
20 end of January annually.

21 Jarden sells virtually all of its woven  
22 electric blankets directly to large retail chains.  
23 Given the nature of the retail landscape in the U.S.,  
24 this means that the customer base is relatively  
25 limited and each customer buys a large volume. The

1 retail environment is an extremely challenging  
2 environment, and for seasonable products such as woven  
3 electric blankets we have only one opportunity per  
4 year to sell our product.

5 In our industry, the woven electric blanket  
6 sales process starts with what is called a line  
7 review. The line review season runs concurrent to the  
8 woven electric blanket sale season, which is from  
9 October through December.

10 During a line review the retailer will  
11 review the current product assortment and evaluate  
12 products and pricing. This process takes place a full  
13 year in advance of the actual product being shipped to  
14 the retailer and sold by the retailer to the consumer.  
15 During the line review we work with the retailer to  
16 predict fashion, consumer trends, rates of sale,  
17 projected retail growth and even the weather.

18 Normally the retailer will finalize their  
19 selection by the end of January or early February and  
20 award the business for the entire upcoming season and  
21 provide us with a forecast. The forecast details the  
22 expected volume, assortment and delivery dates which  
23 allow us to develop a production plan and begin  
24 purchasing component inventory.

25 Many of the components that make up electric

1 blankets require up to a six month lead time and  
2 necessitate our advance purchase of these components  
3 to ensure the product availability during the peak  
4 production season. The forecast is not a binding  
5 purchase order. Final confirmed purchase orders are  
6 not received until just before shipment.

7           However, the forecast generally does not  
8 change in terms of the overall volume, price and  
9 assortment for the season. Most importantly, once the  
10 retailer awards the business through the forecast the  
11 decision is final for the entire season. This means  
12 if we lose an account in a line review we've lost a  
13 customer for the entire year. We won't be able to get  
14 that customer back until the line review of the  
15 following season for the next year.

16           As I mentioned, the line review takes into  
17 account factors like product assortment that will  
18 hopefully enhance retail sales for our customers.  
19 However, by far the most important point of  
20 negotiation during the line review process is price.

21           In addition to the base price, an important  
22 part of retail pricing is the retail incentive  
23 programs. The incentive programs include volume  
24 rebates, cooperative advertising allowances,  
25 guaranteed returns, markdown dollars and incremental



1 trade spending, such as holiday promotions. Each of  
2 these can be negotiated individually. Depending upon  
3 the customer, the incentive programs can reflect up to  
4 a 20 percent discount to the base price.

5 As I said, price is a key factor in the  
6 purchase decision. Retailers are now making decisions  
7 solely on price, and price will outweigh other factors  
8 that in the past were important to retailers and  
9 consumers alike. For example, the price of an  
10 electric woven blanket will trump the brand and  
11 performance in a retailer's decision to purchase the  
12 product.

13 Traditionally the brand of a product is a  
14 key factor in almost any consumer purchase because it  
15 reinforces the performance and safety of a product,  
16 and, as you have heard, Sunbeam is a brand that has  
17 over 97 percent consumer awareness. We also have over  
18 50 years of experience in producing heated electric  
19 blankets in Waynesboro.

20 And now the price of the WEBS has made the  
21 brand of little importance. It is on price that the  
22 dumped Chinese imports have been able to beat us.  
23 Over the past few years, Chinese imports have undercut  
24 our pricing by a significant margin and taken away our  
25 customers one by one.

1           It's noteworthy that Chinese imports have  
2           been able to sell below our prices that include the  
3           discounts we grant other customers for various  
4           incentive programs. As a result, we have either to  
5           lower our base prices even more or offer more  
6           extensive pricing incentive programs. Either way, the  
7           result is the same. We can't compete with the Chinese  
8           or, if we do, we do so at a loss.

9           An example that you have, the incentive  
10          programs that we have impacted our bottom line. On  
11          the right you see that there are two different quotes  
12          for the same program. Both have essentially the same  
13          base price and the same unit volume. On Customer B  
14          the incentive programs are in the low margin range,  
15          resulting in a profit. For Customer C on the right,  
16          incentive programs have been driven up to match the  
17          aggressive pricing offered by the Chinese imports,  
18          resulting in a loss.

19          In fact, while we've used hypothetical  
20          numbers in this example, this is actually from an  
21          actual quote that we made to a customer this year.  
22          Despite offering the price that was at a loss on the  
23          right, the imports were able to come in with an even  
24          lower price and we lost this customer.

25          The compounded effect of the loss of volume

1 and reduced profit has hurt Sunbeam to a point where  
2 the survival of our woven electric blanket business is  
3 threatened. The loss of even one customer has the  
4 additional negative effect of increased product cost,  
5 the loss of production volume and the inability to  
6 absorb overhead income and further depress sales.

7 In addition, the dumped imports have caused  
8 other uncertainties in the market by extending the  
9 line review process. Today, retailers delay making  
10 decisions on which products to purchase due to the  
11 extremely aggressive pricing of the dumped imports  
12 that are repeatedly offered to the retailers to secure  
13 their business at any cost.

14 Retailers have learned that the importers  
15 will continue to offer richer and richer incentive  
16 programs so they're now incentivized to delay making  
17 their decisions. Delays in forecasts mean that we're  
18 not able to plan our production for the year until  
19 later. This delay further compounds our operational  
20 and manufacturing challenges.

21 In the preliminary hearing it was mentioned  
22 that product performance and product differentiation  
23 were the keys to the competitor's ability to compete.  
24 We offer a great range of product and adapt the  
25 assortment to meet the particular needs of the

1 customer.

2 In the next slide, we offer 15 different  
3 colors. We offer four different fabric choices, which  
4 you see on the left. We have five different edge  
5 treatments, which allow us to provide a number of  
6 different customer options. We have continued to  
7 expand our options of fabric and color each year to  
8 respond to consumer needs and consumer trends.

9 The next slide shows that we offer eight  
10 customized controller assortments. Each one offers  
11 consumer features that allows a consumer to control  
12 the blanket.

13 The following slide represents where  
14 requested by consumers we have done co-branding where  
15 another brand is featured alongside Sunbeam. In  
16 addition, we have offered exclusive branded products.  
17 In this slide, we have offered exclusive private  
18 branded products as shown here.

19 Ultimately we use all these options to  
20 customize the product assortment for each customer,  
21 with each customer having a different option of color,  
22 fabric, binding, controller, packaging and brand,  
23 which allows the retailers to differentiate one from  
24 the next and appeal to different types of consumer  
25 tastes.

1           Again, during the preliminary hearing  
2 product performance was brought up as an example of  
3 how they are offering a superior product. However, we  
4 at Sunbeam utilize patented wiring technology that not  
5 only is safer, but performs well.

6           As Mr. Sullivan mentioned, we've continued  
7 to improve our products. This year you'll see we've  
8 made improvements to our wire technology that have  
9 reduced the heat-up time by approximately 10 percent.  
10 Additionally, we've provided a blanket that's almost  
11 20 percent warmer.

12           Lastly, this slide shows the heating areas  
13 of competitive blankets. This is a thermal image.  
14 Biddeford blankets in the center are hand wired, which  
15 results in uneven heating and causes hot spots where  
16 the wire touches due to manufacturing defects.  
17 Sunbeam products are produced using our patented auto  
18 wire machines. These eliminate manufacturing defects  
19 and produce a product that provides a wider heating  
20 area.

21           So as you can see, we produce a product that  
22 is better, has superior performance and yet retailers  
23 have been willing to sacrifice performance in exchange  
24 for lower prices.

25           The loss of business due to the unfairly

1 dumped Chinese imports is also limiting our ability to  
2 invest in advertising, which would drive category  
3 awareness and retail sales. It's severely limiting  
4 our ability to spend on research and development,  
5 which would allow us to bring meaningful innovations  
6 such as new fabrics and new features.

7 It's for these reasons that we ask the  
8 International Trade Commission to help us protect our  
9 factory and return this marketplace to an environment  
10 where competition is on an equal footing. Thank you.

11 MR. KAPLAN: Good morning, Chairwoman and  
12 Commissioners. I am Seth Kaplan from The Brattle  
13 Group. I've been asked by Petitioners to examine the  
14 effects of subject imports on the domestic industry.  
15 As you can see in the introduction, I'm going to  
16 provide an economic overview, discuss the conditions  
17 of competition, look at the injury factors through  
18 trends in the volume of imports, price underselling  
19 and the effects on the industry over time, look  
20 directly at the effects of the dumping through the  
21 margin on the demand for the domestic product and its  
22 performance and then discuss threat.

23 As mentioned by Mr. Bruno in the  
24 introduction, this is not a complicated case in terms  
25 of the trends and the information in the staff report.

1 Sometimes I'm asked to evaluate cases before they're  
2 brought and see if they think there is the evidence  
3 for injury, and this is somewhat of an archetypal case  
4 in that all the things I look at in making that  
5 evaluation point toward an injury determination.  
6 There's increasing imports, increasing import  
7 penetration. There's declining domestic shipments and  
8 sales, underselling, price depression, declining  
9 profits and profit margins, falling employment.

10 Let me look at the conditions of competition  
11 first. The key conditions that have transmitted the  
12 harm of the imports to the domestic industry include  
13 first the fact that this product is sold primarily on  
14 price.

15 Like other retail products the Commission  
16 has examined before that used to be sold on product  
17 differentiation, the competition between big box  
18 buyers has made this a product that now is looked at  
19 as a price sensitive product where the retailer is  
20 looking almost solely at price in the decision to buy.

21 Like other products at the retail side  
22 you've seen before, this industry is described by a  
23 small number of very large buyers that account for the  
24 vast majority of sales and so the loss of any single  
25 buyer, much less multiple buyers, could be

1 devastating.

2           This industry operates on yearly supply  
3 commitments, so once a year prices are negotiated and  
4 estimated shipments are made and the effect of dumping  
5 is not marginal, is not small for the effect on a  
6 single sale, but in fact affect sales for the whole  
7 year on these limited number of large customers.

8           It's compounded by the fact that demand is  
9 seasonal, while production is year-round. Most of the  
10 product is sold during the third and fourth quarters  
11 when the weather is starting to get cooler and when  
12 products are offered as gifts during the holiday  
13 season.

14           As discussed earlier, production requires  
15 industry specific capital and a trained workforce, and  
16 I know people have visited the facility and I myself  
17 was just utterly impressed by the care and the  
18 specific capital and labor required for each step of  
19 the process.

20           Machine tools were made to make this product  
21 the most efficient it can be, and these machines only  
22 operate or are successful in operating, many of these  
23 machines, on woven blankets and not other products.  
24 Production requires a trained workforce, which as  
25 you've seen they have, and the high quality issues as



1 discussed earlier have been trumped by price in this  
2 market.

3 The next slide shows the production schedule  
4 relative to the schedule of shipments. As you can  
5 see, production is year-round, where the early  
6 production in the early part of the year goes into  
7 inventory and then as you start hitting the summer  
8 months and into the third quarter it's shipped out, so  
9 shipments are lower than production during the first  
10 part of the year and higher during the second part of  
11 the year.

12 You can't see the shading quite so well, but  
13 in November, December and January on the far left  
14 that's when the negotiations are occurring for the big  
15 shipments that are starting to occur in August,  
16 September and October of the next year, and then as  
17 shipments are finally starting to trend down in  
18 November and December negotiations are starting to  
19 occur for the next year again.

20 The next slide shows in fact, and this is  
21 not based on actual data, but it's indicative of the  
22 industry that we're in in that you have a handful of  
23 large customers accounting for the vast majority of  
24 sales. We've seen this in both big box stores and the  
25 megastores that have taken over retailing of many of

1 our consumer products. This industry is no different.

2 As you can see, unlike other industries you  
3 examine where there are many purchasers and a single  
4 sale only might have a marginal effect, here the loss  
5 of a customer has a very significant effect in and of  
6 itself since they are so large and they're so few.

7 The next slide shows that what has occurred  
8 over time is that price has trumped the quality. Now,  
9 Sunbeam and Jarden have invested a significant amount  
10 in making sure that they have a high quality product,  
11 and these factors are listed -- great client support,  
12 dedicated teams. They've had, as discussed earlier,  
13 no recalls while competitors have, a U.S.  
14 manufacturing base that's trained with dedicated  
15 equipment that can react quickly.

16 High, high brand awareness relative to other  
17 competitors, most advanced heating technology -- that  
18 was discussed -- and this technology is being improved  
19 continuously, a quality assurance program that I have  
20 no doubt is best in terms of looking at safety and  
21 getting back to the customers.

22 And given the discussion earlier about the  
23 potential fabrics, colors, edging, controllers, over  
24 5,000 potential SKUs for the customers to look at.  
25 There's a lot of choices. Nonetheless, despite these

1 quality factors, the record has demonstrated  
2 convincingly that retailers now purchase primarily on  
3 price.

4 There have been confidential documents  
5 submitted showing this and correspondence. The data  
6 in the pricing section shows this. This is not a case  
7 of quality differentials. This is a case of sales  
8 driven by price.

9 I now want to turn to volume. The volume of  
10 imports has increased significantly and continuously  
11 throughout the period of investigation, as you see in  
12 your record. The next slide shows that while the  
13 volume of subject imports is increasing, U.S.  
14 shipments have fallen and U.S. market share has  
15 fallen. For Commissioners that look at trends, this  
16 is the worst possible set of facts on the volume side.

17 The next slide shows that in terms of the  
18 statutory criteria we've seen an absolute increase in  
19 imports, we've seen imports increase as a share of  
20 domestic consumption, and we've seen imports increase  
21 as a share of domestic production. The volume is  
22 high. The share is high. There is no doubt that  
23 imports are significant in this case.

24 Turning to trends, on the price side we see  
25 that there is price suppression and depression. There

1 is significant underselling. I would ask the  
2 Commission to look at the underselling particularly in  
3 the third and fourth quarters of the year where the  
4 high volume of shipments occur. I would ask the  
5 Commission to look at the trends in underselling from  
6 2008 to 2009. The underselling margins increased  
7 during these high volume quarters. The record speaks  
8 for itself.

9           The trends in domestic prices show price  
10 depression, and this has led to a cost/price squeeze.  
11 The next slide shows that in terms of total revenues  
12 and total cost of goods sold you have a decline in  
13 total revenues which has fallen faster than the  
14 decline in cost of goods sold. This has led to a  
15 cost/price squeeze.

16           On a per unit basis, we see that per unit  
17 revenues -- not total revenues, but per unit revenues,  
18 the top line -- has been falling, while per unit COGS,  
19 the cost of goods sold, per unit has remained  
20 relatively flat.

21           So the imports have caused price depression  
22 and in the face of constant cost we have seen a  
23 decline in gross margins that have worked their way  
24 through to operating margins and net margins despite  
25 the fact that the company has worked assiduously to

1 lower its cost even in the case where they have spread  
2 fixed costs over a smaller volume of sales.

3 The effect on the industry and the statutory  
4 indicia is unsurprising given this large increase in  
5 the share and volume accompanied by underselling of  
6 the imports. The trade data shows domestic  
7 production, shipments and capacity utilization is  
8 down. The debottlenecking and equipment reworking and  
9 investment has increased capacity slightly, but much  
10 of that was efficiency based.

11 On the financial side, declining gross  
12 profits, operating income, cashflows, operating margin  
13 and investments. On the employment side, a decline in  
14 the number of production and related workers, hours,  
15 hours per worker and wages. And this is particularly,  
16 particularly injurious, as the next slide shows, in  
17 this industry given the location of the production  
18 facility and their importance to the community.

19 Waynesboro is the red triangle. I know many  
20 of the staff has been there. I visited it. Your  
21 choice is to fly into Jackson, Montgomery, Mobile or  
22 Meridian, rent a car and drive over an hour. It's an  
23 isolated community in south central Mississippi.

24 Sunbeam is one of the largest employers  
25 there. There is not a lot of alternative employment.

1 The alternative employment are in industries that the  
2 skill set does not transfer to. In terms of large  
3 employers, this community is highly dependent on this  
4 facility.

5 The next slide shows what is happening in  
6 Wayne County, Mississippi, in terms of the number of  
7 employed and the number of unemployed. It has  
8 increased significantly. It is not a very populous  
9 community, and it depends a lot on this facility.

10 The next slide shows employment in terms of  
11 the unemployment rate. As you can see, the national  
12 unemployment rate increased significantly after the  
13 financial crisis, but what has been going on in Wayne  
14 County is significantly worse, having hit 15 percent  
15 and now above 13 percent. The closure of this  
16 facility and the related unemployment created in the  
17 community from the lack of income to these employees  
18 would create depression-like unemployment rates in  
19 Wayne County.

20 Note that the employees you see listed are  
21 just the production-related employees, but there are  
22 also other employees that aren't production related in  
23 the plant. There's the back room that was discussed  
24 that's located in Hattiesburg, and then there is the  
25 interaction of these employees and their income with

1 the rest of this relatively isolated community in  
2 Mississippi.

3 Finally, I'm going to look at -- or almost  
4 finally -- injury in terms of the effects of the  
5 dumping. The margins came out yesterday. The company  
6 specific margins are in excess of 75 percent. The  
7 country-wide rate is in excess of 150 percent. The  
8 margins are very high, especially given if you look at  
9 the underselling margins. This would put them  
10 incapable to sell at the prices that they're selling  
11 at now.

12 There's a high degree of substitution as  
13 shown by what has happened with end customers based on  
14 small changes in price and price competition, and  
15 demand is relatively inelastic, given the type of  
16 product. These conditions of competition lead to the  
17 next slide shows a decrease in demand for domestic  
18 WEBS caused by the dumping.

19 I couldn't help myself. I had to put up a  
20 graph, being an economist, but what it shows is, as  
21 you can see, the P to PD. The decline in demand has  
22 caused prices to fall. We have observed this in the  
23 data.

24 And if you look at Q to QD, decline in  
25 demand caused by the dumping has caused quantities to

1 fall, so you've seen price depression and you've seen  
2 lots of volume and market share due to the dumping.  
3 There's no question, given the high margins that came  
4 in yesterday, that this has been an effect.

5 Finally, threat factors. There is  
6 significant excess capacity in China. They have  
7 continued to increase their import volume. They have  
8 done this at lower prices. They have taken away key  
9 customers in an industry where there are only a small  
10 number of key customers.

11 As discussed, these financial declines  
12 suffered by the domestic industry have put pressure on  
13 the ability to continually invest in improving the  
14 product as has been done for over 50 years, developing  
15 better, safer heating, higher heating, more consistent  
16 heating, developing different types of materials,  
17 developing different types of wiring techniques. All  
18 of the advancements are put at risk from the decline  
19 in profits.

20 So my conclusions are that the domestic  
21 industry has suffered material injury by reason of the  
22 dumped imports and that they are also threatened with  
23 further injury. Thank you very much.

24 MR. BRUNO: This completes our presentation.  
25 Thank you very much.



1           CHAIRMAN OKUN: Thank you, and let me thank  
2 all the witnesses for joining us this morning. We  
3 very much appreciate you taking the time from your  
4 business to come here and tell us more about your  
5 company and your product and your willingness to  
6 answer our questions this morning.

7           I would also say thank you for the written  
8 material that you provided and the statements. It  
9 makes it very easy to follow along, so I appreciate  
10 that as well.

11           We are going to begin the questioning this  
12 morning with Commissioner Pinkert.

13           COMMISSIONER PINKERT: Thank you, Madam  
14 Chairman, and I join the Chairman in thanking all of  
15 you for being here today.

16           I want to begin with an issue that was  
17 raised in the context of the preliminary  
18 determination, and it had to do with whether knit  
19 electric blankets should be included in the scope of  
20 the investigation.

21           I'm wondering if you could comment on  
22 whether the evidence on that issue has shifted since  
23 we made the preliminary determination, which kept the  
24 scope as in accordance with the scope of the petition?

25           MR. POWERS: I don't think that the evidence

1 has shifted since the preliminary. I think we view  
2 and I think industry views woven electric blankets as  
3 distinct on several different dimensions from nonwoven  
4 product, which includes knits, fleeces, microplush  
5 type product. It's distinct on a number of different  
6 levels.

7 I'll let Mark talk to you about the actual  
8 production involved in making those different products  
9 because they're clearly different, but let me address  
10 from the consumers' standpoint and the retailers'  
11 standpoint.

12 The traditional woven products are just  
13 that. They're traditional. They appeal to a more  
14 traditional consumer. The demographics of that  
15 purchaser tend to be more rural, a little bit lower  
16 income, and that's why traditionally in the  
17 merchandising hierarchy woven products represent the  
18 opening price point in the blanket area.

19 You contrast that to the nonwoven products  
20 like fleeces and microplushes. They tend to be a  
21 different feel, a little bit softer. You have the  
22 ability to print on those materials, which gives you a  
23 lot more ability to create a higher fashion product,  
24 whereas wovens you can't print on them. You can weave  
25 patterns, but that's about it. They're usually sold

1 in very basic colors.

2 The nonwoven product tends to be more  
3 top-of-bed. It is displayed because it is a more  
4 fashion forward product, and that's reflected in the  
5 traditional merchandising hierarchy in that those  
6 products are positioned at much higher price points as  
7 well.

8 COMMISSIONER PINKERT: Thank you. I just  
9 want to correct my question. The issue raised in the  
10 context of the preliminary determination had to do  
11 with whether or not the domestic like product should  
12 reflect the scope, and the argument was made that the  
13 domestic like product should go beyond the scope to  
14 include this other product. Now, did you have  
15 additional comments?

16 MR. SULLIVAN: Yes. Regarding the  
17 production process, if we consider the production  
18 process that is required for woven versus knit or  
19 nonwoven there are very substantial differences.

20 The first is that with regards to a woven  
21 electric blanket we have a napping operation in  
22 Waynesboro that has been there for years, and we're  
23 able to nap those quite effectively. We are not set  
24 up to nap nonwoven, and secondarily we're also not set  
25 up to what's referred to as tenter them, which is

1 stretch them back out to the appropriate width  
2 subsequent to napping.

3 So there's very significant differences in  
4 napping, and in fact we are buying the production that  
5 we are looking at from the standpoint of knits has  
6 already been napped. Beyond that there are  
7 differences in the number of channels that are wired,  
8 meaning equipment modification, for the nonwoven.

9 And then I guess lastly the finishing  
10 techniques are not necessarily the same and so  
11 therefore you have a hemmed product versus a  
12 nonhemmed, so there are very significant production  
13 differences between woven and nonwoven.

14 COMMISSIONER PINKERT: Thank you. Now I  
15 turn to Dr. Kaplan. I'm wondering if you can comment  
16 on what happened to demand in 2009 and whether that  
17 was driven by the recession or other factors.

18 MR. KAPLAN: Yes. Demand or total  
19 consumption in 2009 fell off a bit. There's kind of a  
20 tension in this particular product in terms of the way  
21 it responds economically to different factors. On the  
22 one hand when heating costs go up this is an  
23 alternative product and so that would tend to increase  
24 demand for the product.

25 At the same time, the recession was

1 significant and particularly significant in the  
2 demographics that buy these products as discussed  
3 earlier, so I think in this case the recession had an  
4 effect that was larger than the increase in energy  
5 prices and you saw a modest decline in total  
6 consumption or maybe more than modest decline in total  
7 consumption in 2009.

8 COMMISSIONER PINKERT: Did Jarden's product  
9 mix shift during the period under examination?

10 MR. FRETWELL: No. No, it has not.

11 COMMISSIONER PINKERT: And particularly with  
12 the decline that Dr. Kaplan just talked about, did  
13 that affect the product mix?

14 MR. FRETWELL: No.

15 COMMISSIONER PINKERT: Thank you. Now, are  
16 the sales prices reported by Jarden comparable to the  
17 purchase prices reported by retailers that import  
18 subject merchandise directly?

19 This may be a question more appropriate for  
20 the posthearing, but if you could comment on it here  
21 that would be helpful.

22 MR. KAPLAN: Yes. I think that they should  
23 be looked at for a variety of reasons. The first  
24 reason, and I don't want to get into confidential  
25 information so I'm going to suggest ratios to look at

1 maybe, and I'd look to see how large that volume is of  
2 direct imports relative to imports coming in through  
3 other channels.

4 So, for example, imports that come in and  
5 then are distributed to retailers rather than imported  
6 directly. And to the extent that they're imported  
7 directly as a higher share that's something you might  
8 want to look at. You don't want to ignore large  
9 volumes of product, imported product sold into the  
10 United States.

11 The second thing I'd look at is who those  
12 direct imports are to. Are they to the customers,  
13 that large five customers that were listed, and are  
14 those the major customers of the domestic producers?  
15 If so, you're getting a comparison of the large buyers  
16 or the potential large buyers of the years that they  
17 sold to the same customers or in-between years or with  
18 the offers, and it gives you an idea of where the  
19 market is.

20 The third thing is, and this is something  
21 that's changed over the many years I've been at the  
22 Commission. Back in the day --

23 COMMISSIONER PINKERT: It couldn't have been  
24 that long ago.

25 MR. KAPLAN: Yes. The Commission was

1 concerned that a local buyer had to take on a lot of  
2 extra costs to be able to import directly, so you  
3 could think of a local buyer as kind of a mom and pop  
4 shop and it's like oh, my. What are we going to do?  
5 I've got to import some stuff. I've got to contact an  
6 import broker, a Customs broker, a Customs lawyer.

7           Whereas the big integrated guys or let's say  
8 like a Ford or something, they were the distributors.  
9 They kind of ruled the roost, and they had all these  
10 import logistics set up and so the Commission was one  
11 to not compare these prices because this mom and pop  
12 guy had additional costs that didn't show up in the  
13 record.

14           Today it is a different world. WalMart and  
15 some of these other large big box stores have  
16 essentially been called logistical companies with  
17 retail outlets. These guys are the best in the world  
18 at managing a supply chain. They are what the Ford  
19 used to be as the distributor these guys are now as  
20 the direct retailer.

21           And so the notion that there's these  
22 extraordinary logistical costs on top of their  
23 purchase costs relative to a distributor is not the  
24 case. It's cheaper for them. They have warehouses.  
25 They have whole boats they're taking care of. They

1 have in-house people that are taking care of the  
2 Customs issues.

3 So the marginal cost of importing one  
4 additional product on that side is zero. The Customs  
5 guy is there already. He's dealing with a hundred  
6 other products they're importing.

7 COMMISSIONER PINKERT: My red light is on,  
8 but I would invite you to provide more detail in the  
9 posthearing submission, and I would invite all  
10 parties, whether they're represented here at the  
11 hearing today or not, to comment on that issue. Thank  
12 you.

13 CHAIRMAN OKUN: Thank you. Let me begin. I  
14 think this is a follow up question on the product mix,  
15 and I would ask this for posthearing, given that this  
16 record is confidential.

17 If you could just for posthearing take a  
18 look at Table VI-3 and just in light of the testimony  
19 that there has not been any changes in product mix and  
20 that that has an impact to the financial performance  
21 just to make sure that we understand what the record  
22 shows to us on that particular point?

23 And then, Mr. Fretwell, you had mentioned in  
24 your testimony and talked about branding and private  
25 labels, and I just wanted to go back to you and to



1 others on the panel who might be able to provide  
2 additional information to better understand that.

3 I think as I understood your testimony and  
4 your charts, you're saying that there is a smaller  
5 brand premium than there used to be or there is no? I  
6 mean, is there a premium for branded products at this  
7 point?

8 MR. FRETWELL: No, not any longer. No,  
9 ma'am. With the price differential between what we  
10 can offer and what our competitors are offering, once  
11 you reach a certain threshold the price opportunity is  
12 so great that brand just doesn't matter to the  
13 retailer, especially when, as Mr. Powers mentioned,  
14 the retail buyers are under such pressure to show  
15 increased profitability that they literally can't make  
16 that decision to buy a branded product at a much  
17 higher price.

18 CHAIRMAN OKUN: Okay. And then again, if  
19 anything is confidential you can put it in  
20 posthearing, but in terms of branded versus private  
21 labels is there a difference between private labels  
22 and other products, a pricing difference?

23 MR. FRETWELL: No, not necessarily because  
24 actually in some cases private label can cost us as a  
25 manufacturer slightly more because we may have to pay

1 for a licensing fee or other type of fee to utilize a  
2 brand that's not in our disposition.

3 So in some of those instances they do come  
4 at an incremental cost for us to provide some of those  
5 branded opportunities.

6 CHAIRMAN OKUN: And you may have noted this  
7 either today or in your prehearing brief, but is the  
8 private label a growing portion of the market? Can  
9 you give me a sense of what role private labels play  
10 in this market?

11 MR. FRETWELL: Well, as the retail industry  
12 has kind of transformed itself over the last couple of  
13 years, individual retailers have kind of taken on  
14 specific private brands as, if you will, their house  
15 brands. So some retailers have adopted or have formed  
16 alliances or partnerships with different companies,  
17 private-owned, specific brands.

18 As heated electric blankets go, Sunbeam has  
19 again the consumer awareness and consumer perception  
20 and consumer trust and benefit that they believe that  
21 it's a good product and provides safety and  
22 reliability, so that's why we've been able to maintain  
23 our presence with Sunbeam and provide a product that  
24 retailers and customers recognize and desire.

25 CHAIRMAN OKUN: Okay. And in terms of

1 private labels, has that had an impact on pricing or  
2 in the competition, in the line reviews or --

3 MR. FRETWELL: The impact of private labels  
4 on pricing hasn't been as great as the impact of  
5 pricing on pricing, if you will, so the fact that  
6 competitors can offer private label brands at  
7 substantially lower prices is the greater impact. The  
8 brand has little to do with that decision. The price  
9 is the determining factor.

10 CHAIRMAN OKUN: Okay. And then just going  
11 back on a lack of a premium for the brand name, is  
12 that something that changed over this period of  
13 investigation, or was that something that happened  
14 prior to the period that we're looking at?

15 MR. FRETWELL: No, ma'am. It absolutely  
16 changed during this period of investigation. Again,  
17 when the dumped imports started Sunbeam was able to  
18 command, if you will, somewhat of a premium.

19 But because of the disparity between the  
20 pricing that we were able to offer based on what we  
21 know these products to cost and what the importers  
22 were able to ask the retailers to pay based on how  
23 they were dumping the products, the retailers just  
24 couldn't make a choice. They had to go with price as  
25 the primary decision, and they did.

1                   CHAIRMAN OKUN: Okay. And could you give us  
2 a sense of what that premium used to be? And again,  
3 if it's confidential you can do that posthearing.

4                   MR. FRETWELL: Yes, ma'am. In the  
5 posthearing.

6                   CHAIRMAN OKUN: Okay. Thank you. And then  
7 I think it was also you, Mr. Fretwell, that had  
8 mentioned that the presence of subject imports has  
9 changed, actually the timing, and I wasn't sure if  
10 that's the timing of you still have this annual line  
11 review, as you described it.

12                   Was the timing change just that purchasers  
13 don't make a decision until later about actually  
14 purchasing? I wasn't sure.

15                   MR. FRETWELL: It's really kind of twofold  
16 because of the increased price competition and what we  
17 need as a manufacturer in order to maintain the  
18 production capabilities at the factory. Our desire to  
19 be competitive has increased with the competition as  
20 well.

21                   So it's been somewhat of a twofold kind of  
22 conversation where our competition has increased the  
23 competitive nature of the business based on price.  
24 We've had to respond, so thus the retailers are  
25 incentivized to wait as long as they can because they

1 know that, as we mentioned, we're up against six month  
2 lead times on product components and other things  
3 where we have to make decisions.

4 If we don't, if you will, lean into some of  
5 those purchases we won't be able to supply retailers  
6 with the product. Quite frankly, they don't care  
7 whether we're able to supply them or not. They just  
8 want to be supplied.

9 So we have to make decisions and so  
10 consequently the decision cycle for the retailers,  
11 they know that if we get desperate our competition  
12 gets desperate because they have the same challenges  
13 that we do. In fact, they're 90 days further from the  
14 customers than we are, so the retailers are  
15 incentivized and use, if you will, some of that time  
16 to their advantage to drive additional price.

17 CHAIRMAN OKUN: Okay. And my follow up  
18 question might be for Dr. Kaplan, and that would just  
19 be whether the record on inventory levels or any other  
20 record evidence would help us understand better  
21 whether there's been a change in just the purchasing  
22 pattern with this delay on when things move out.

23 MR. KAPLAN: Yes. I'll address that in a  
24 posthearing. I'll try to get more granular data from

25 --

1                   CHAIRMAN OKUN: Okay. That would be very  
2 helpful.

3                   MR. KAPLAN: -- the client to look at.  
4 Thank you.

5                   CHAIRMAN OKUN: Okay. I appreciate all the  
6 answers. Then another question is is this a product  
7 where there's dual sourcing? You've talked about it.  
8 If you lose a customer, you lose a total customer.

9                   I just wanted to make sure I'm clear on  
10 that. That means that you don't have a big box or  
11 anyone else coming in and saying we used to purchase  
12 90 percent from you. We're going to go to 50/50. Is  
13 it all or nothing, or is it sole sourcing?

14                  MR. FRETWELL: Well, specifically for woven  
15 electric blankets, no, ma'am. It's all or nothing.

16                  CHAIRMAN OKUN: All or nothing. Okay.

17                  MR. FRETWELL: You wouldn't have a retailer  
18 choose to buy half from us and half from a competitor  
19 and split the assortment. It wouldn't really help  
20 them.

21                  CHAIRMAN OKUN: Okay. Okay. I wanted to be  
22 sure I was clear on that. And has there been any  
23 changes with respect to the nature of these contracts?

24                  You've described kind of the line review  
25 process and how things are done. Has there been any

1 changes with respect to terms of contracts to take  
2 into effect the impact of pricing differences?

3 MR. FRETWELL: If you recall the example  
4 that we showed, the Customer C if you will, that  
5 specifically demonstrates how over the period of  
6 investigation the extra pricing incentives have come  
7 into play, and all of those -- yes, ma'am.

8 CHAIRMAN OKUN: Thank you. You're  
9 referencing page 2?

10 MR. FRETWELL: Yes, ma'am. Page 2, Customer  
11 C.

12 CHAIRMAN OKUN: Okay.

13 MR. FRETWELL: All of those extra pricing  
14 incentives have really become a serious point of  
15 negotiation for the retailers because the competition  
16 is offering extra benefits, all these, if you will,  
17 hidden pricing incentives that can provide the  
18 retailer incremental profitability; like we mentioned,  
19 as much as 20 percent in some cases.

20 CHAIRMAN OKUN: Okay. So it's the incentive  
21 programs that have changed.

22 MR. FRETWELL: Absolutely.

23 CHAIRMAN OKUN: Okay.

24 MR. FRETWELL: And in some respects, if you  
25 will, it's not so much that it's the programs. It's

1 the whole conversation. So all these different parts  
2 add up to a discounted price, and it really just comes  
3 down to it's a deduction off of the base price --

4 CHAIRMAN OKUN: Okay.

5 MR. FRETWELL: -- however they slice it.

6 CHAIRMAN OKUN: Okay. I don't know if your  
7 other witnesses wanted to say anything. I've stayed  
8 with you a long time, Mr. Fretwell. Very helpful  
9 answers.

10 Was there anything else that others wanted  
11 to add on those points, or we've covered the ones that  
12 we've talked about? Okay. Thank you.

13 And then just in terms of the purchasers  
14 that you have, has there been any change in how  
15 frequently they make decisions about purchasing? I  
16 mean, has there been any time change in terms of how  
17 often?

18 MR. FRETWELL: No. Just based on the  
19 seasonal nature of these products, there really isn't  
20 an opportunity to extend the season or make the season  
21 longer. I mean, the customers buy them when the  
22 consumers are expecting to purchase them.

23 CHAIRMAN OKUN: Okay. And then in terms of  
24 the forecast, you talked about in terms of how these  
25 line reviews help you understand what the forecast is



1 going to be. You may not get the sale, but you  
2 understand where the purchasing volume is likely to  
3 be. Has any of that changed?

4 I mean, if we were to ask you what things  
5 looked like going forward, how does it look for  
6 demand, as opposed to the actual purchases you would  
7 get?

8 MR. FRETWELL: Some of that we probably  
9 should answer in the postconference --

10 CHAIRMAN OKUN: Okay.

11 MR. FRETWELL: -- but, generally speaking,  
12 our demand is down because, as we pointed out, we've  
13 lost another major customer for the season that's  
14 forthcoming.

15 CHAIRMAN OKUN: Okay. I will look for  
16 additional information in the posthearing brief. And  
17 before I turn to Commissioner Lane, I understand that  
18 Senator Wicker has arrived and is prepared to give a  
19 statement, so we will give him a few moments to get in  
20 here and get settled and then we'll turn to  
21 Commissioner Lane for questions.

22 (Pause.)

23 MS. ABBOTT: Madam Chairman, our next  
24 speaker is the Honorable Roger F. Wicker, United  
25 States Senator from Mississippi.

1 CHAIRMAN OKUN: Thank you, Madam Secretary.

2 Welcome to the Commission, Senator Wicker.

3 MR. WICKER: Well, thank you very much,  
4 Madam Chair, and members of the Commission. I have a  
5 prepared statement which I am prepared to make at this  
6 point.

7 CHAIRMAN OKUN: Please proceed.

8 MR. WICKER: Thank you very much, and I  
9 really appreciate the opportunity to appear before you  
10 today in support of Sunbeam Corporation and their  
11 petition for antidumping duties on unfair imports of  
12 woven electric blankets from China.

13 Sunbeam Corporation is one of the largest  
14 employers in Waynesboro, Mississippi, and has been a  
15 fixture in Wayne County for over 50 years. After an  
16 unfortunate round of recent layoffs caused by the  
17 unfair imports, the Sunbeam facility employs 325 full-  
18 time and 40 part-time or seasonal employees. Sunbeam  
19 also employs 70 people at its facility in Hattiesburg,  
20 Mississippi, providing support for the Waynesboro  
21 facility.

22 Sunbeam provides excellent wages, health  
23 benefits, and profit-sharing to their employees, and  
24 helps sustain the local economy and well being of many  
25 Mississippians. It is also important to note that in

1 these difficult economic times Sunbeam and its  
2 employees have continued to provide generous  
3 charitable donations to local community groups such as  
4 the Wayne County Library, the local chapter of the  
5 American Cancer Society, and local domestic abuse  
6 center.

7           The manufacturing of most consumer home  
8 product, such as electric blankets, has been moved  
9 offshore to take advantage of low-cost labor and  
10 reduced government regulation. But until recently  
11 Sunbeam has been able to continue competitively  
12 manufacturing woven electric blankets in Mississippi.  
13 The Sunbeam plant in Waynesboro has been able to  
14 compete in the global marketplace largely because of  
15 the skill and ingenuity of the workers and the  
16 community's commitment to those workers, and to the  
17 community. I am here today on behalf of those Sunbeam  
18 workers.

19           Low-priced Chinese imports are threatening  
20 Sunbeam's ability to continue competitively  
21 manufacturing electric blankets in Waynesboro, and it  
22 is likely these unfair practices will result in more  
23 layoffs or potentially in the closure of the facility  
24 unless something is done.

25           I appreciate the International Trade

1 Commission's thorough investigation of this matter,  
2 and I particularly appreciate the unanimous  
3 preliminary determination that dumped imports from  
4 China have materially injured the United States woven  
5 electric blanket industry. The Commission's decision  
6 was based on its findings that still stand today.  
7 Increasing quantities of dumped woven electric  
8 blankets from China have caused the industry to lose  
9 sales and profits which, in turn, required Sunbeam to  
10 scale back its production and employment in  
11 Waynesboro.

12           Madam Chair, and members of the Commission,  
13 I hope my presence here today reenforces the urgency  
14 of this matter for Mississippi, Wayne County, and  
15 Sunbeam. I felt it important for me to leave my  
16 hearing today with General Petraeus, and to come over  
17 here and present this case in person on behalf of my  
18 citizens and the American workers employed at Sunbeam  
19 in Wayne County.

20           The Sunbeam workers in Mississippi are not afraid  
21 of competition, but that competition must be fair and  
22 in accordance with the laws of the United States. I  
23 encourage you to level the playing field for the U.S.  
24 woven electric blankets industry and improve  
25 appropriate antidumping duties on the Chinese imports.

1 The economic well being of Sunbeam's Mississippi  
2 employees, their families, and other local small  
3 businesses that rely on Sunbeam deserve fair treatment  
4 and the chance to compete.

5 I thank you again for your attention to this  
6 issue, and for allowing me to speak to you in person  
7 today.

8 CHAIRMAN OKUN: Thank you, Senator Wicker,  
9 and we appreciate you leaving a most important hearing  
10 to be with us today. Let me just see if any of my  
11 colleagues have any questions for you.

12 No. We will send you back to your hearing.  
13 Thank you very much.

14 MR. WICKER: Thank you very, very much, and  
15 thank you, all.

16 CHAIRMAN OKUN: And before turning to  
17 Commissioner Lane I would just note that Congressman  
18 Taylor had submitted a letter for the record today as  
19 well, and with that I will turn to Commissioner Lane.

20 COMMISSIONER LANE: Good morning and thank  
21 you for being here this morning.

22 I'm sort of fascinated by the fact that  
23 people would buy electric blankets when the cost of  
24 heating oil increases. I guess I never thought of it  
25 in terms of that. Do you have projections on what the

1 cost of heating oil is going to be this winter, and I  
2 guess because of the way the blankets are sold and  
3 marketed next fall, or next winter? Dr. Kaplan.

4 MR. KAPLAN: I would be happy to provide  
5 those forecasts. There are futures markets in those  
6 products, and we will get you the prices.

7 COMMISSIONER LANE: And sticking with that  
8 same line of questioning, do you see demand increase  
9 when people who heat with natural gas, when those  
10 prices go up, and what happens when you are living in  
11 an area where the cost of electricity is high? Does  
12 that affect the demand for electric blankets?

13 MR. KAPLAN: All these things interact. I  
14 guess the main thing is that the electric blanket heat  
15 is localized so you could lower the temperature and  
16 save costs on heating a large area, lower the  
17 temperature in the house, and use a throw or blanket  
18 for personal comfort rather than heating up the whole  
19 area.

20 COMMISSIONER LANE: Okay, thank you.

21 MR. POWERS: There are a number of factors,  
22 Commissioner, that affect the demand, and that is  
23 certain one of them. I think that overwhelmingly the  
24 weather impacts the demand for electric blankets.  
25 When you see very cold winters, you see spikes in

1 demand. It is like a lot of the other seasonal  
2 businesses that we deal in. We sell portable heaters  
3 as well, and you see the same type of demand patterns.

4 COMMISSIONER LANE: I was getting ready to  
5 ask you. So if the weather gets cold and the cost of  
6 heating oil goes up, do I go out and buy an electric  
7 blanket or do I go out and buy one of your little  
8 space heaters?

9 (Laughter.)

10 MR. POWERS: Both potentially.

11 COMMISSIONER LANE: Okay. Do you make  
12 electric blankets that are battery operated so you  
13 don't have to have that cord into the wall?

14 MR. POWERS: That is one of our major R&D  
15 efforts now, is to look for a way, and over the years  
16 people have looked for a way to do that. It's  
17 difficult to do because of the power required and the  
18 size of the battery, so that's one of the challenges.

19 COMMISSIONER LANE: Okay, thank you.

20 Now one of you said that you buy your fabric  
21 from North Carolina. I think it was Mr. Sullivan. Do  
22 you buy all of your fabric for your blankets from  
23 North Carolina?

24 MR. SULLIVAN: Well, actually, Commissioner,  
25 it was South Carolina.

1 COMMISSIONER LANE: Oh, I am sorry.

2 MR. SULLIVAN: That's all right. And we buy  
3 all of the woven from South Carolina, that's correct.

4 COMMISSIONER LANE: And does the facility in  
5 South Carolina -- how big a client are you of their  
6 operation? Do you represent 50 percent of their  
7 business, 20 percent?

8 MR. POWERS: I think we are a pretty small  
9 vendor. It's a fairly large operation, so I don't  
10 think that we represent anywhere near those types of  
11 numbers.

12 COMMISSIONER LANE: Okay, thank you.

13 In the postconference brief, Biddeford and  
14 Hunco contended that Biddeford imported electric  
15 blankets and that they had had success because of  
16 quality and other non-price factors. They said that  
17 their products are superior, including the blends  
18 available, the length, the larger binding made of  
19 nylon satin, not polyester, and the fact that they are  
20 surged on three sides instead of one side, and their  
21 wires are thinner and more flexible than Jarden.

22 How do you respond to those comments?

23 MR. FRETWELL: If I could, Commissioner.

24 COMMISSIONER LANE: Yes.

25 MR. FRETWELL: In our testimony we presented



1 that we have four -- at a minimum right now, four  
2 different blends of fabric that are potentials that we  
3 can offer. We are looking, again, as we continue to  
4 develop additional blends of fabric that could be  
5 offered. We have a patented wire technology that is  
6 safer, performs better, faster, hotter. The fabric  
7 that we have, you know, we can prove or we can show in  
8 the posthearing brief is thicker and denser, has a  
9 greater weight, and Mr. Sullivan can answer that more  
10 specifically than I could perhaps, but is a thicker  
11 and better feel, better hand than the competitive  
12 fabric.

13 Everything that you would want to try and  
14 use to sell to the consumer, our products we know  
15 perform better, work better and deliver a better  
16 consumer experience.

17 MR. SULLIVAN: The unfortunate reality  
18 though is that while we maintain our superiority and  
19 obviously our competition is going to try to maintain  
20 their superiority, the overwhelming factor in the  
21 decisionmaking process is price.

22 COMMISSIONER LANE: As I understand your  
23 testimony, there are few customers for a large amount  
24 of the product, and I think I understood you to say  
25 that these large customers would only sell one brand.

1 I mean, they would either sell the domestic product or  
2 they would sell the Chinese product, and so the  
3 customer is somewhat at the mercy of where he or she  
4 shops, is that correct?

5 So if I'm looking for an electric blanket,  
6 and I go to XXXXXX, my choices are going to be  
7 domestic or Chinese. I mean, it's going to be one or  
8 the other, is that correct?

9 MR. POWERS: That's correct.

10 COMMISSIONER LANE: And I forget, XXXXXX is  
11 one of your customers? Am I allowed to ask that?  
12 XXXXXX is one of your customers?

13 MR. POWERS: Would it be okay if we supplied  
14 you with our current customer list --

15 COMMISSIONER LANE: Let's assume that I walk  
16 into store A.

17 MR. POWERS: Yes.

18 COMMISSIONER LANE: And let's assume that  
19 store A is where I am going to buy my electric  
20 blanket.

21 MR. POWERS: Yes.

22 COMMISSIONER LANE: And so I'm at the mercy  
23 of whatever store A sells.

24 MR. POWERS: That's right.

25 COMMISSIONER LANE: Am I going to be able to

1 go in there and find different colors, different  
2 bindings, different little controls and things like  
3 that, or am I going to be limited in my choices?

4 MR. POWERS: No, you will most likely be  
5 able to find a variety of colors, price points, and  
6 feature sets within that, but it's likely -- highly  
7 likely that that retailer has made the decision to  
8 purchase that range of products from a single  
9 supplier.

10 COMMISSIONER LANE: Okay, okay. That  
11 answers my questions, and you don't need to provide me  
12 with your customer list. I think it's probably  
13 already in the record.

14 How do stores like Big Lots operate, and if  
15 I went to Big Lots would I be able to find your  
16 product there?

17 MR. POWERS: You might be able to. Chains  
18 like Big Lots tend to be more opportunistic in the way  
19 they purchase product. They look for overstocked  
20 inventory generally, so if there was a particularly  
21 warm winter, for example, and there was a lot of  
22 excess inventory in the marketplace, then someone like  
23 a Big Lots would look to buy that inventory at a good  
24 deal and then put it on the shelf the following year.

25 COMMISSIONER LANE: And would a place like

1 Big Lots buy direct from either the importer or the  
2 domestic facility?

3 MR. POWERS: Sometimes, yes. Other times  
4 they will buy through an intermediary, some kind of a  
5 liquidator.

6 COMMISSIONER LANE: Okay, thank you.

7 Madam Chair, I will wait until my next round  
8 for the rest of my questions. Thank you.

9 CHAIRMAN OKUN: Thank you. Commissioner  
10 Pearson.

11 COMMISSIONER PEARSON: Thank you, Madam  
12 Chair, and I want to thank all the witnesses.

13 Dr. Kaplan, I was intrigued by the chart  
14 that you have on page 18, the effect of dumping on the  
15 domestic industry's prices and shipments. Talk me  
16 through that because I don't see just looking at the  
17 chart that it -- it doesn't appear to me to be  
18 addressing the effect of dumping on domestic  
19 industry's prices and shipments, and I am not sure  
20 just what is going on there.

21 MR. KAPLAN: Yes. This, first of all, is  
22 the market for domestic WEBS, so this is the market  
23 for domestically-produced WEBS made by Sunbeam. There  
24 is demand for all WEBS, and what is happening is that  
25 the imported product and the domestic product are

1 close substitutes. Based on price, I think the record  
2 will show, that these end-users have determined who  
3 they will buy from largely on price.

4 What dumping does is it allows the Chinese  
5 to offer their product at a lower price, and when a  
6 substitute is offered at a lower price, a substitute  
7 for domestic WEBS, the demand for domestic WEBS will  
8 fall. So if competition between the imported product  
9 and domestic product, dumping lower the price of  
10 imported product, the demand for the domestic product  
11 will fall.

12 If Coke and Pepsi, Coke offers a giant sale,  
13 the demand for Pepsi will fall, and the price of Pepsi  
14 will fall in response.

15 So here you are seeing the demand for  
16 domestic product fall due to the lower price of the  
17 dumped imports. As demand falls to the domestic  
18 product, you will see a decline in price in the  
19 domestic product as demonstrated in the record, and a  
20 decline in shipments of the domestic product as  
21 demonstrated in the record. That's what dumping  
22 generally does. It causes the demand for the domestic  
23 like product to fall if the imported product and the  
24 domestic products are substitutes.

25 Here the margin is 70 percent. Think of it

1 the other way. Put a 70 percent duty on the Chinese  
2 imports, their prices would rise, and the demand for  
3 the domestic product would increase, shifting the  
4 demand curve outward, increasing our prices and our  
5 shipments.

6 COMMISSIONER PEARSON: Okay. I had  
7 interpreted it as looking at the entire market, and so  
8 I see the demand curve shifting to the left and I'm  
9 thinking, ah-ha, the recession, it's leading to a  
10 reduction in demand and concomitant reduction in  
11 prices and quantities.

12 MR. KAPLAN: I think it is interesting to  
13 note in the market overall the demand curve shift in.  
14 But take a look at individually what happened to  
15 domestic shipments and prices, and what happened to  
16 subject shipments and prices. You would expect in a  
17 market with close substitutes that a recession would  
18 cause a decline in demand for both products. Imports  
19 would decline, domestic shipments would decline.

20 What do you see? You do not see that. You  
21 see imports rising despite the fact that overall  
22 demand has fallen a little bit because of the  
23 recession. That's the effect of dumping.

24 COMMISSIONER PEARSON: Yes.

25 MR. KAPLAN: That's the smoking gun showing

1 the deleterious effects of the product moving in a  
2 direction other than what you would expect based on  
3 overall market demand in a recession.

4 COMMISSIONER PEARSON: Okay. But another  
5 thing speaking to this chart, you know, we look at our  
6 pricing products. Three of the four pricing products  
7 show an increase over the period of investigation  
8 rather than a decrease, and so that I understand. A  
9 chart is a simplification of what's going on, but I  
10 mean, it's interesting to me to look at this chart and  
11 there are other ways of interpreting what's going on  
12 that the chart could speak to.

13 MR. KAPLAN: This is isolated just to the  
14 effect of dumping. But on the pricing products, I  
15 would ask you to look at the prices in the third and  
16 fourth quarters where the real volume is, and I think  
17 that with respect to the products that are facing  
18 head-to-head competition you might draw a different  
19 conclusion.

20 COMMISSIONER PEARSON: Okay. I also had  
21 thought, you know, when I think in terms of dumping  
22 product I'm thinking of shifting the supply curve to  
23 the right because there is more stuff around, but  
24 that's taking a view of the entire market rather than  
25 just the U.S.-produced part of the market, so I think

1 I am with you now.

2 MR. KAPLAN: That would be looking at the  
3 market that's getting a subsidy, if there was a  
4 subsidy issue in let's say China. Their supply curve  
5 would shift out right if there was capacity, but then  
6 that would lower the price as the import and you would  
7 get the same effect here of a decline in demand for  
8 the domestic product in the market for the U.S.  
9 product.

10 COMMISSIONER PEARSON: Okay. So for the  
11 rest of the panel now that I've bothered Dr. Kaplan  
12 about enough, how should we disentangle potential  
13 effects of the recession from the effects of dumped  
14 imports here?

15 MR. POWERS: I think the way to think about  
16 it is to look at the -- you know, consumer demand from  
17 year to year is overwhelmingly impacted by the weather  
18 in this business far more than any other factor,  
19 including the recession. You might see subtle shifts  
20 to lower price points based upon the recession, but  
21 this is a need-based purchase for the most parts. As  
22 the weather gets cold, you see an inevitable spike in  
23 demand in the short term.

24 But I think the real way to look at this is  
25 demand at the retail level, which as Commissioner Lane



1 pointed out, the retailers are the intermediaries for  
2 the consumer. If they don't see it on the shelf, the  
3 consumer doesn't have access to it. So the way to  
4 look at the demand is at the retail level, and clearly  
5 what has happened is retailers have moved more toward  
6 the lower priced product in this situation.

7 COMMISSIONER PEARSON: So the recession has  
8 actually sped to process of retail shifting to lower  
9 priced imports?

10 MR. POWERS: Yes, I think that it's more  
11 from the profitability pressures which I think at the  
12 retail level, like in any other business, has been  
13 exacerbated by the recession.

14 COMMISSIONER PEARSON: So what has been the  
15 effect of the recession on the U.S. sales of other  
16 Jarden consumer products that are not involved in  
17 antidumping cases? You might want to answer that in  
18 the posthearing, but if you had something you could  
19 say now to just give me a sense of how this particular  
20 product -- your U.S. sales in the recession are  
21 comparing to some other products, maybe the space  
22 heaters that were mentioned earlier.

23 MR. POWERS: Again I would say that in-  
24 season weather eclipses every other element of demand,  
25 and in terms of our ability to place product with the

1 retailers, we have done just find in those other  
2 businesses.

3 COMMISSIONER PEARSON: Okay. Well, if you  
4 could for purposes of the posthearing provide some  
5 comparisons --

6 MR. POWERS: Sure.

7 COMMISSIONER PEARSON: -- showing kind of  
8 before the recess and after the recession sales of  
9 some representative number of products. I am not  
10 asking you for a huge effort here, but just give me a  
11 sense to help me understand why this product is  
12 exceptional.

13 MR. POWERS: Absolutely.

14 COMMISSIONER PEARSON: Does China provide a  
15 VAT rebate of woven electric blankets?

16 MR. POWERS: I'm sorry. Could you repeat  
17 the question, Commissioner?

18 COMMISSIONER PEARSON: Does China provide a  
19 rebate of its value-added tax on the export of woven  
20 electric blankets?

21 MR. POWERS: I don't know the answer to that  
22 question. I think it varies by province in China.  
23 Some provinces do and some don't, but I don't have any  
24 more detail.

25 MR. BRUNO: Commissioner Pearson, we have

1 access, I will just lead you to the confidential  
2 record, and we will be happy to provide this  
3 information as part of the postconference brief. I  
4 don't recall offhand whether they do or do not, but we  
5 probably have this information in the confidential  
6 record.

7 COMMISSIONER PEARSON: Okay, fine. I would  
8 appreciate seeing it for the posthearing, and also the  
9 question of whether it's been constant throughout the  
10 three years of the POI.

11 MR. BRUNO: Certainly.

12 COMMISSIONER PEARSON: Madam Chairman, my  
13 time is nearly expired so back to you. Thanks.

14 CHAIRMAN OKUN: Commissioner Aranoff.

15 COMMISSIONER ARANOFF: Welcome to everyone  
16 on the panel. I want to join my colleagues in  
17 expressing my appreciation that you are here today.

18 The record shows obviously decreases in net  
19 sales, and the testimony this morning has been that  
20 that decrease in net sales reflects the loss of  
21 specific customers in an all or nothing annual  
22 process. And so what I'd like to do is just clarify  
23 that a little by asking you whether 100 percent of the  
24 decreases in net sales that I am seeing stem from that  
25 phenomenon of actually losing customers, or to what

1 extent some of the decline reflects customers that  
2 you've kept but that are ordering less presumably  
3 because of the recession or because they are not very  
4 successful retailers and have lost their market share  
5 to somebody else.

6 Is there a way that we can divide up the  
7 data and see what share of it reflects those other  
8 considerations?

9 MR. POWERS: Sure, I think we can probably  
10 provide the details in postconference brief, but let  
11 me try to give you a general sense for that.

12 You saw the chart on the concentration of  
13 the customer base. That is not rare in any business  
14 these days. We have large customers reflect the  
15 majority of our sales. So as you lose a single one of  
16 those customers, whether it's number one, two, three,  
17 four or five, that represents a significant loss of  
18 sales. So I would say overwhelmingly the decline in  
19 net sales is a function of losing customers rather  
20 than other factors.

21 Can you repeat the second part of the  
22 question?

23 COMMISSIONER ARANOFF: It was trying to  
24 figure out what share of those lost sales represented  
25 things that would have another cause like the

1 recession or, you know, unsuccessful retailing by  
2 other purchasers.

3 MR. POWERS: I can't give you the exact  
4 percentage. We could look to try to make that  
5 determination otherwise, but I think it's clear that  
6 the overwhelming impact on that decline in net sales  
7 is from losing customers.

8 COMMISSIONER ARANOFF: Dr. Kaplan, you  
9 wanted to add something.

10 MR. KAPLAN: Yes. I think that  
11 disentangling these effects is always difficult, but I  
12 think what simplifies it in this matter is is they are  
13 not both going down and how much is one going down  
14 more than the other. The imports are going up while  
15 the domestic shipments are falling, and so the switch  
16 between customers is pretty plain and the effects of  
17 the imports is pretty plain in a case like this rather  
18 than where you have both of them falling but share  
19 shifting around where you're trying to look at the  
20 interaction say between general economic conditions  
21 and our particular customer.

22 Here it is pretty black and white. It's all  
23 or nothing, and we'll present further evidence or  
24 highlight the evidence we have presented on particular  
25 customers.

1                   COMMISSIONER ARANOFF: Right. No, I  
2 appreciate that. I mean this is to help the  
3 Commission in its nonattribution analysis. You know,  
4 if customer A has been a customer, and you lose them,  
5 and that's a million units, you know, that went to  
6 imports. that's easy to measure. If customer B has  
7 been a customer all along and you didn't lose them but  
8 they cut their order by 10,000 units over last year,  
9 we can probably assume that's something else since  
10 you've told us they haven't given part of their  
11 business to the imports, so that's another cause. So  
12 I figured with not too many customers, that would be a  
13 pretty easy thing to add up.

14                   MR. KAPLAN: Yes, and there is also though  
15 you could get an indirect effect in the sense that if  
16 the dumped prices are extremely low you could have one  
17 customer taking sales from another customer due to the  
18 dumping, so that the decline in the customer you kept  
19 is not because of reasons other than the dumping, like  
20 a recession, it's because their competitor is  
21 offering, and I think a lot of what Mr. Fretwell  
22 talked about was this very concern among the big box  
23 stores, that they don't lose share to another big box  
24 store not to, you know, some exogenous factor such as  
25 the recession.

1                   So I think, you know, from just looking at  
2                   that the one customer you kept you can't even conclude  
3                   there that the negative effect is not due to the  
4                   dumping.

5                   COMMISSIONER ARANOFF: Okay, that's a fair  
6                   point. I will have to take that into consideration.

7                   MS. MADIGAN: If I could also add,  
8                   Commissioner. My name is Regina Madigan. I am the  
9                   Finance Director at Jarden Consumer Solutions.

10                   What you will see even on the customers that  
11                   we have kept as you're referring to net sales, that is  
12                   where the incentive programs it as Mr. Fretwell  
13                   mentioned. All of the incentive programs like the 24  
14                   percent in customer C, that is in that sale, so you  
15                   will see a drop in volume from customers that were  
16                   lost but also lost in profitability in the customers  
17                   that we kept, and we can show that in the  
18                   postconference brief.

19                   COMMISSIONER ARANOFF: Okay. So it would  
20                   probably be helpful to me in teasing that out to see  
21                   both the numbers both in volume terms and in value  
22                   terms.

23                   MS. MADIGAN: Yes.

24                   COMMISSIONER ARANOFF: Because I think what  
25                   I'm describing is going to show up more in the volume

1 and what you are describing is going to show up in the  
2 value.

3 MS. MADIGAN: Yes.

4 COMMISSIONER ARANOFF: Okay, that's very  
5 helpful.

6 Has Jarden ever won back a customer that it  
7 previously lost, and that would be before the filing  
8 of the petition?

9 MR. POWERS: The team here is at a little  
10 bit of a disadvantage since we don't have the tenure  
11 maybe in the history, but I don't believe within the  
12 context of the period that is under investigation that  
13 that has happened.

14 COMMISSIONER ARANOFF: Okay. Well, maybe  
15 take a look and answer in the posthearing. I think  
16 I'm aware of one customer that was lost during the  
17 period, regained at least partially, and then lost  
18 again. I can't mention who that is, and perhaps there  
19 is other information I'm not aware of.

20 MR. FRETWELL: Specifically, Commissioner,  
21 in the example that we gave customer C, again, was a  
22 customer that we lost, and that shows the lengths of  
23 measure that we went to in terms of profitability to  
24 try and hold onto that customer. So we have taken  
25 every effort to try and regain some of these customers



1 in order to preserve the jobs that Mr. Sullivan is  
2 responsible for, and you know, selling negative margin  
3 product is something that we have actually even had to  
4 consider just to maintain the volume.

5 COMMISSIONER ARANOFF: Okay.

6 MR. SULLIVAN: Commissioner, I am aware of  
7 sometime ago, you know, clearly before this POI, that  
8 there was a customer that we had that we lost, and it  
9 came back to us during season and asked us to  
10 supplement their demand. I am aware of one.

11 COMMISSIONER ARANOFF: Okay. I appreciate  
12 that.

13 Let me turn to a completely different  
14 subject. Our staff report refers to Global Trade  
15 Atlas statistics that lists the largest exporters of  
16 electric blankets in the world in 2009, and they  
17 identified China, the Czech Republic, the United  
18 States and Indonesia. Do you have any knowledge of  
19 woven electric blankets from the Czech Republic or  
20 Indonesia, and whether they have ever been seen in the  
21 U.S. market or whether you have seen them anywhere  
22 else?

23 MR. FRETWELL: No, ma'am, not to our  
24 knowledge. Mr. Sullivan has done extensive work on  
25 the products in the marketplace, and we have not

1 identified any products from the Czech Republic or  
2 Indonesia to my knowledge.

3 COMMISSIONER ARANOFF: Okay, and that's in  
4 the U.S. market where you have looked?

5 MR. FRETWELL: Right. Yes, ma'am.

6 COMMISSIONER ARANOFF: Okay. Has there ever  
7 been a point in your collective knowledge when  
8 nonsubject woven electric blankets have had an  
9 appreciable presence in the U.S. market?

10 MR. POWERS: When you say "nonsubject"?

11 COMMISSIONER ARANOFF: From countries other  
12 than China.

13 MR. POWERS: Okay.

14 MR. SULLIVAN: I don't know of any that have  
15 entered the U.S. market other than China. I am aware  
16 that there are a number of companies other than those  
17 that you've mentioned that are producing electric  
18 blankets but not in the U.S.

19 COMMISSIONER ARANOFF: Okay. Do you expect  
20 any further consolidation of purchasers in the woven  
21 electric blanket market or in the alternative any new  
22 entries into the market in the near future such that  
23 the number of purchasers might increase?

24 MR. SULLIVAN: When you say purchasers,  
25 retail customers in other words?

1 COMMISSIONER ARANOFF: Yes.

2 MR. SULLIVAN: Likely will not increase any  
3 time in the near future, although we have seen other  
4 channels, nontraditional and general merchandise  
5 channels like drug and grocery get into more general  
6 merchandise categories, so we may see more outlets for  
7 a product like this in the future. I think that's a  
8 trend you could expect to see.

9 COMMISSIONER ARANOFF: How about online  
10 retailers that don't have brick-and-mortar facilities?  
11 Is that a growing trend for this product?

12 MR. SULLIVAN: Sure. It's still a very  
13 small proportion of it, but it is probably the fastest  
14 growing area, and also online or dot com outlets that  
15 are associated with the traditional brick-and-mortar  
16 retailers as well.

17 COMMISSIONER ARANOFF: Thank you very much  
18 for those answers.

19 CHAIRMAN OKUN: Commissioner Williamson.

20 COMMISSIONER WILLIAMSON: Thank you, Madam  
21 Chairman. I want to express my appreciation to the  
22 witnesses for coming today. I wanted to pick up on  
23 questions my colleagues have addressed or come close  
24 to, and one of the things I'm trying to figure out is,  
25 you know, we did have some, you know, in

1 preliminaries, challenges, you know, the importer  
2 thing, that their product was better quality and all  
3 that. We went online to look up, I think one of the  
4 industry studies says there really hasn't been a kind  
5 of quality comparison like a consumer report article  
6 on your product in at least 15 years.

7           So I'm wondering, you've given us sort of  
8 information as to why your product is better, you  
9 know, the technical, but I'm wondering is there any  
10 independent evaluation, you know, is there marketing  
11 information? What's the, I mean you know, Sunbeam is  
12 a household name, but I guess you know, a lot of  
13 consumers a pretty young, I mean and they probably  
14 don't see that. So I was wondering if there's any  
15 independent statements of, how do we get at this  
16 quality question?

17           MR. SULLIVAN: You know, regarding an  
18 independent test, I guess I don't know of any. But I  
19 can tell you that we have evaluated in the past six  
20 months we have evaluated 36 units. And in all of  
21 those cases what we have found is that our product  
22 heats up faster, stays hotter longer, and provides a  
23 more even heat. One of the things that is associated  
24 with that is the fact that we are in fact using PTC  
25 wire.

1                   Now, just to elaborate very briefly on that,  
2           PTC as I've said is positive temperature coefficient,  
3           and in theory every inch of it is an infinite number  
4           of thermostats, as opposed to some of the competition  
5           which have either a discrete number of thermostats  
6           and/or a heating element that is a coaxial style wire.  
7           So what happens is in the case of you have a folded  
8           condition like what I described --

9                   COMMISSIONER WILLIAMSON: I'm sorry, I'm  
10          going to cut you off. I mean I understand the  
11          technical explanation that you've given me. What I'm  
12          trying to figure out, if you look at competition, when  
13          the consumer goes into a store, and I guess maybe I  
14          should ask this question first and I'll come back to  
15          that. You mentioned that, you said that I guess a lot  
16          of times there will be different products available.

17                   What kind of percentage of the retailers are  
18          only going to say, okay I'm going to give you one  
19          model, what percentage going to give you two or three,  
20          what type of retailers where you're going to go and  
21          you're going to find maybe a Sunbeam model and a  
22          Biddeford, stuff like that? Because my impression of  
23          looking at some of the big box stores is usually you  
24          go in and you see only their brand, and particularly  
25          in a product like this which is only, it's seasonal.

1 MR. SULLIVAN: Sure.

2 COMMISSIONER WILLIAMSON: And I haven't seen  
3 the ads recently that, you know, call to my attention  
4 that, hey this is the latest technology in electric  
5 blankets and let's take another look at them.

6 MR. POWERS: Well, Commissioner, we'd like  
7 to think that our brand, which is a trusted brand and  
8 stands for all the things that Mr. Sullivan just  
9 talked about in terms of our safety record and the  
10 quality of the product we build, we'd like to think  
11 that the Sunbeam brand all other things being equal  
12 would be preferred by consumers at retail. The  
13 problem is that those retailers are making the  
14 decision for the consumer before the product ever gets  
15 on shelf.

16 And at that level, the elements like brand  
17 and the quality of our product, those become  
18 subtleties in the face of pure price. So we think we  
19 could win on the shelf at the consumer level, but our  
20 challenge is first to get on the shelf. It's again in  
21 a weather driven product where it's maybe a less  
22 involved purchase from the consumer's standpoint, they  
23 just need it, it's a need based product more than a  
24 want based product, they're going to buy what's on the  
25 shelf.

1           You know, our challenge as marketers is to  
2           try to convince them that if the product's not on the  
3           shelf and they don't see a Sunbeam product then they  
4           should go somewhere else, and we constantly try to do  
5           that. But with a need based product that's very  
6           challenging for us. So our goal is to make sure that  
7           we get the product on the shelf and then we can serve  
8           those consumers. But the biggest, that's the biggest  
9           challenge for us is actually work with that small set  
10          of retailers to the product on the shelf, and that's  
11          where price plays such a major role.

12                    COMMISSIONER WILLIAMSON: It seems to me  
13           what is particularly difficult is to say, I don't know  
14           how often -- how often do people replace their  
15           electric blankets once you buy one?

16                    MR. POWERS: Not nearly as often as we'd  
17           like, but you know, part of that is because blankets  
18           do last a long time. So I don't know, Mike, if you  
19           have any specifics on replacement rates?

20                    MR. FRETWELL: Somewhere between seven and,  
21           five to seven years is generally what we think the  
22           replacement pattern is.

23                    COMMISSIONER WILLIAMSON: I thank you. Mr.  
24           Kaplan?

25                    MR. KAPLAN: I think that the fact that

1 there aren't a lot of these third party consumer  
2 reports things speaks to two things, is that the  
3 product is moved toward price more. The research that  
4 they do in some way is the brand. Sunbeam is very  
5 well known and very highly regarded, but the notion  
6 that there is these big quality differences and yet  
7 you don't see a consumer reports or some other string  
8 on the Web where they're doing these comparisons, you  
9 know, to me says that someone hasn't bothered to  
10 because there is other than the brand recognition and  
11 the advertising relative to it, it's turned into a  
12 more price sensitive product.

13 So these quality claims by Biddeford, you  
14 know, where do they show up other than in their brief?  
15 The evidence points to the Sunbeam product being  
16 stronger as we showed today in terms of safety. The  
17 evidence points to the brand being widely recognized  
18 and well regarded, and the evidence points to  
19 Biddeford being at a very low price and taking share  
20 because of it. So I think a lot of the quality issue  
21 they put up is a bit of a red herring, and it's in  
22 some way not a surprise that you're having a hard time  
23 finding anything on it because I don't think you will.

24 COMMISSIONER WILLIAMSON: Okay.

25 MR. KAPLAN: I think it's their argument



1 that really is supported by them.

2 COMMISSIONER WILLIAMSON: And I guess to the  
3 extent that, the knit blankets I guess, that market  
4 hasn't really done that much, I mean the data doesn't  
5 support the idea that that's the new growth area or  
6 anything like that, even though I guess you could do  
7 probably more brighter colors and, as I went into  
8 Bloomingdales I would expect to see an electric  
9 blanket with lots of pretty bright pictures on it but  
10 there doesn't seem to be much of a demand for that, is  
11 that correct?

12 MR. FRETWELL: Yes, sir, the knit, the  
13 nonwoven segment has stayed fairly stable. The woven  
14 product again because of the consumer appeal, the  
15 demographics of the people that are buying it, you  
16 know, rural in nature, a little bit older in nature,  
17 traditional consumers, traditional shopping patterns,  
18 that's what their expectation is when they go to the  
19 store. It's, again we said it's a need based  
20 purchase, and so they, you know, they decide first of  
21 all they have a need, they get in the car, they decide  
22 where they're going to go to buy it, and that's when,  
23 you know, that's how their purchase pattern starts to  
24 develop.

25 COMMISSIONER WILLIAMSON: Okay, okay. I

1 live in New York City its -- okay, let's turn to some  
2 other questions. Have there been instances where  
3 Jarden was not able to deliver orders of woven  
4 electric blankets, and if so can you please explain  
5 either now or posthearing?

6 MR. FRETWELL: Sir, that question has come  
7 up, came up I think in the preliminary hearing, and to  
8 our recollection, we've searched our collective  
9 knowledge base, we've gone back through the records  
10 both at the Waynesboro facility and our Hattiesburg  
11 facility, and during the period of inquiry we found a  
12 95 percent shipping record on our side. So we don't  
13 have any knowledge or any idea of any major customer  
14 orders where we haven't ever, where we've failed to  
15 ship.

16 Now that's not to say that there haven't  
17 ever been issues, you know, where a delay of, you  
18 know, an order where a truck got late or missing a  
19 little bit of a product. Our primary mission as  
20 manufacturers is to make sure our products sell at  
21 retail. So we have to make sure that we're servicing  
22 the customers and that's such an important part of  
23 what we do because again we have one time a year to  
24 sell the products.

25 And when we're selling those products is the

1 same time of year that the consumers are selling them.  
2 So any issue that we have can materially impact the  
3 decision to carry our product next year. So in a lot  
4 of cases if we're running late, if we have any kind of  
5 an issue we will substitute the product of a higher  
6 quality good for the customer to ensure that we're  
7 making, you know, doing everything in our power to  
8 make sure that the customers are right. So no, sir,  
9 in terms of any missed opportunity or missed  
10 customers, not to our knowledge, no, sir.

11 COMMISSIONER WILLIAMSON: Okay, thank you.  
12 And thank you for those answers.

13 CHAIRMAN OKUN: Commissioner Pinkert.

14 COMMISSIONER PINKERT: Thank you, Madam  
15 Chairman. I just have a few follow up questions.  
16 First of all, Ms. Madigan, I think you referred to the  
17 purchaser incentive programs for the company. Can you  
18 discuss them in greater detail? And if you can't do  
19 it here can you supply information for the  
20 posthearing?

21 MS. MADIGAN: We'll provide more detail in  
22 the posthearing brief, but basically the main vehicles  
23 are markdowns, markdown dollars, returns and coop  
24 dollars. And the coop dollars are for advertising,  
25 you know, in your Sunday paper, if you receive a flyer

1 from a Walmart, Target, Kohl's, and they feature  
2 products in there. But we can provide more  
3 information in the postconference brief about more  
4 details.

5 COMMISSIONER PINKERT: Thank you. Now  
6 staying with you for a minute, and if you can't answer  
7 this one maybe somebody else on the panel can address  
8 it, would there be an advantage to purchasers in  
9 maintaining a single source policy with respect to  
10 this product?

11 MS. MADIGAN: I'm afraid I can't speak to  
12 it.

13 MR. POWERS: Let me try to address that. As  
14 retailers get bigger and bigger and the industry  
15 becomes more and more concentrated it becomes more  
16 important for them to address the costs of  
17 complexities, and a big part of the cost of complexity  
18 is the number of vendors that you deal with. So we've  
19 seen trends over the last few years where there's been  
20 a consolidation in the number of providers to try to  
21 address those costs of complexity.

22 COMMISSIONER PINKERT: Can you articulate in  
23 greater detail the kinds of costs you're talking  
24 about? Are they legal costs, are they just --

25 MR. POWERS: Logistics costs, multiple point

1 of contacts to down to a very few point of contacts.  
2 Every vendor requires a separate negotiation process  
3 to deal with so that the fewer negotiation processes  
4 the more cost effective they can ultimately be,  
5 especially with regard to doing customized assortments  
6 and programs it's easier to deal with a single  
7 supplier to help merchandise the entire category. So  
8 those are the types of costs.

9 COMMISSIONER PINKERT: And what about on the  
10 other side, what are the disadvantages to the  
11 purchaser of maintaining a single source?

12 MR. POWERS: Well there aren't really as  
13 long as they're continuing to keep that supplier  
14 honest by keeping their eyes on the rest of the  
15 marketplace, which they inevitably do.

16 COMMISSIONER PINKERT: Thank you. Now  
17 perhaps you, Mr. Powers, or somebody else on the panel  
18 could describe the line reviews for us?

19 MR. POWERS: Mike, why don't, well you're  
20 probably better suited to talk to the details of it so  
21 I'll let you handle that one.

22 MR. FRETWELL: Is there a specific part of  
23 it, sir, that you'd be interested in?

24 COMMISSIONER PINKERT: Well you've referred  
25 to them already today but I'd like to understand

1 whether they're done for example with current  
2 customers only or are they done with prospective  
3 customers, are they concluded with each customer  
4 separately, and so forth.

5 MR. FRETWELL: Okay. Specifically we have  
6 conducted at some level line reviews and pricing  
7 conversations in the past year with over 120 different  
8 customers. So specifically a line review, what at any  
9 one of your customers, take the one customer C that  
10 we've referenced a couple times, that occurred over,  
11 that occurred in the November time frame. The meeting  
12 was at that retailer's specific headquarters, you  
13 know, it involved the marketing team, the sales team,  
14 the operations team.

15 The point of the meeting was for us to  
16 review the current assortments that are, that that  
17 specific retailer was selling, what's working, what's  
18 not working, what are the rates of sales for the  
19 different colors, the different fabric types, the  
20 different controllers, was there anything about their  
21 current assortment that they felt was working or was  
22 not working.

23 We also then looked at the rest of the  
24 marketplace, how was this specific retailer positioned  
25 in the marketplace. Was their position better or

1 worse than their direct competitions who they see  
2 themselves competing with for, you know, again that  
3 consumer decision to go to that store to buy the  
4 product. So we established first of all that, you  
5 know, their products were working or not working, we  
6 established how they were arrayed against the rest of  
7 the marketplace.

8           Then we started talking about consumer  
9 trends. Trends in terms of what consumers are looking  
10 for in terms of fashion, colors, what colors do we  
11 predict will be popular colors for next year so would  
12 go from an olive green to a darker green potentially.  
13 We expose them to the new fabric opportunity that we  
14 had, again as I said the new color trends, if we have  
15 any new features or any new controller types that  
16 we're bringing out that would be opportunities for  
17 them.

18           We talked about merchandising opportunities,  
19 how can we take the product and further incentivize  
20 the consumer to choose the product when they're in the  
21 store as well. So there's a number of different  
22 components. And then lastly we, if you will, kind of  
23 develop a recommended assortment, say, okay here's  
24 what you have today, here are the changes that we  
25 would make to that assortment, here's what we propose

1 your assortment to look like next year and why we  
2 think that assortment will win given what we predict  
3 the rest of the marketplace will be and how that  
4 assortment can best provide that retailer with the  
5 products that they need to be successful.

6 COMMISSIONER PINKERT: Does care have to be  
7 taken in this process not to share information you  
8 learn from one customer with another customer?

9 MR. FRETWELL: Absolutely. I mean it's part  
10 of the confidentiality that we have with, you know,  
11 with our vendor partners that we don't disclose  
12 decisions that are being made. We obviously have to  
13 make sure that as we are, that the retail marketplace  
14 is established around certain key price points and key  
15 features and sizes, if you will. So if customer A for  
16 instance is going to develop, is going to have a  
17 product and they're going to take everything down, so  
18 to speak, you know, five or ten dollars, we need to  
19 make sure that our customers are aware that there is  
20 going to be a new competitive threat in the  
21 marketplace and that they need to be prepared to  
22 address that.

23 And so that's where we spend a lot of time  
24 in terms of trying to understand or predict where the  
25 marketplace is going to be, and in some respects the



1 pricing activities that have gone on, this is what's  
2 driven as we've discussed the depressed sales and the  
3 lost customers, because the market is in such disarray  
4 that no one's really sure where the prices are going  
5 to be. Some retailers have taken the lower prices and  
6 offered some of their products at lower retails, but  
7 in most cases they've chosen to pocket those  
8 incremental dollars as just pure profit. So the  
9 market's in just general disarray right now, and  
10 trying to establish an equal footing for everybody is  
11 becoming a really, really challenge.

12 COMMISSIONER PINKERT: But I assume that in  
13 this process you acquire information about the pricing  
14 that the purchasers are, or the pricing practices that  
15 the purchasers are engaged in. So how do you make  
16 that information, if at all, available to your other  
17 customers.

18 MR. POWERS: Well I mean we don't do that.  
19 We can't. But we get for our own purposes a sense for  
20 what those trends are and understand for, for example  
21 if we lose business with another customer we need to  
22 be prepared because we know that these other, our  
23 competitors are out there in the marketplace, so we  
24 have to prepare ourselves for how we're going to  
25 address that issue of price for our next customer and

1 try to prepare ourselves to either deal with it by  
2 lowering our prices or trying to differentiate and  
3 introduce more new products to that customer. So  
4 that's really the way we handle it.

5 COMMISSIONER PINKERT: Thank you for that  
6 clarification. Now one other question on this line  
7 review process. Do you begin by analyzing the prior  
8 year's data before you proceed to look at projections  
9 for the coming year, or is it mostly focused on what's  
10 happening at present and what is likely to happen in  
11 the near future?

12 MR. POWERS: No, I mean I think it's a  
13 combination of both. As Mike said, we review the  
14 prior year, what worked, what didn't, and it's a  
15 dialogue with our customers. But then at the same  
16 time we're introducing our line of new products and  
17 new fabrics and new colors and trying to anticipate  
18 some of the consumer trends. So it's really a  
19 combination of both.

20 COMMISSIONER PINKERT: I think I'm going to  
21 wait until my next round for my additional questions.  
22 Thank you.

23 CHAIRMAN OKUN: Just continuing on, a couple  
24 other questions on the line review and the  
25 projections. I'm a little bit I guess curious as to

1 what happens when the projections that you're making  
2 in November, December, January turn out to be  
3 inaccurate. I mean, I think you in response to other  
4 questions about the relationship to heating oil versus  
5 the recession, heating oil being more important, what  
6 happens when it's a weird winter? I mean, what  
7 happens?

8 MR. POWERS: Well the good news is if you  
9 get to that stage where you're having that kind of a  
10 dialogue it means you've probably already gotten the  
11 business for that year. So then it's a question of  
12 how much, how to plan the buy and how to flow the  
13 merchandise. And that's, it's an imperfect science.  
14 We look to history but we also, we subscribe to  
15 different weather prediction services that try to look  
16 to predict the weather, which is a very imperfect  
17 science, and together with the retailers we try to  
18 create a demand forecast and then we match supply  
19 forecast to that will meet up with that demand  
20 forecast.

21 And sometimes you get it right and sometimes  
22 you don't, and really it's just a matter of managing  
23 the inventory both with us and our customers. That's  
24 one of the advantages of having a domestic facility is  
25 that you've got, your supply is a lot closer to the

1 demand in terms of our ability to react, put the  
2 accelerator on and put the brakes on, with a domestic  
3 facility, whereas for importer product you're looking  
4 at a close to a 90-day lead time.

5 CHAIRMAN OKUN: Okay, that answers my next  
6 question with that, the last thing you answered, so I  
7 appreciate that. And then, Mr. Fretwell, I was going  
8 to go back to you when I was asking you about the  
9 branding question, I had been reminded that at the  
10 Commission conference JC Penney had testified about  
11 the importance of brand differentiation and they had  
12 referenced in particular the Sealy brand and its  
13 purchasing decisions, and this is in part of the  
14 Respondent's argument about something there are only a  
15 limited number of brands. Was there anything else  
16 specifically with respect to that argument that you  
17 wanted to discuss in today's hearing?

18 MR. FRETWELL: I think it's interesting that  
19 that was brought up. As we demonstrated, we've done  
20 toe branding, we've done private label branding.  
21 Specifically, and you know, I will say that this was  
22 before my time, Mr. Sullivan may be able to answer a  
23 little more specifically, but I don't believe we were  
24 ever asked to do a private label brand for JC Penney.  
25 So I don't think we've demonstrated that we wouldn't

1 have done that, it's something that we would have, you  
2 know, would have most likely tried to accomplish given  
3 the nature of, the competitive nature of the business  
4 and quite frankly how vital volume is to sustain our  
5 pricing and our manufacturing.

6 MR. BRUNO: If I may?

7 CHAIRMAN OKUN: Yes, Mr. Bruno, make sure  
8 your mic's on.

9 MR. BRUNO: We have provided the email to  
10 Respondents between JC Penney and Jarden as part of an  
11 exhibit to our postconference brief at the preliminary  
12 stage, and so that supports what Mr. Fretwell just  
13 said regarding JC Penney and the fact that it was  
14 never a big issue or never an issue that was raised  
15 with Jarden.

16 CHAIRMAN OKUN: Okay. With them I guess I  
17 was just also asking in the kind of broader context  
18 of, you know, what role the branding, but I think you  
19 have testified about that. Then, just again just to  
20 better understand your arguments with respect to the  
21 pricing data that we have, and so, Dr. Kaplan, I'll  
22 reference this but certainly appreciate members of the  
23 panel getting your experience as well. Because when  
24 we were looking at the record before and sorting out  
25 as some of my colleagues have asked and we were trying

1 to figure out what was going on in 2009, I mean I  
2 think you've given some helpful comments about that  
3 and provide further information.

4           You had directed us I think to look in  
5 particular at 34th quarter pricing as being the most  
6 indicative of pricing pressure in the market, and I  
7 was also just trying to understand how we evaluate  
8 those prices in light of other demand conditions going  
9 on at the time, whether it's the heating oil  
10 fluctuations during the period, again just trying to  
11 sort out the different factors at play and whether  
12 that focus on the 34th quarter demonstrates that as  
13 well?

14           MR. KAPLAN: Yeah, I think that's where the  
15 volume is, first of all. And I'd try to also kind of  
16 connect this with what's going on with costs, when I  
17 looked at the kind of cost price squeeze argument. So  
18 I think if you look at them both together you'll see  
19 both price depression, whether it's head to head, I  
20 think you'll see that if you look at pricing from the  
21 United States and China in table 5-1 in the third and  
22 fourth quarters of 2007 compared to the third and  
23 fourth quarters of 2009.

24           I think on product 2 you see the same thing  
25 going on if you look at United States and China

1 prices. You see that also in the purchase prices, if  
2 you look at 2007 and 2009, and then you get the cost  
3 price squeeze going on as well along with the share  
4 shift. You know, I've read many opinions and I'm  
5 trying to think of, you know, of justifying or either  
6 opinion, and I'm looking at kind of all the factors  
7 here, and, you know, both in terms of the direction of  
8 change, the magnitude of change, the change in the  
9 change the Commission sometimes refers to, they're  
10 pretty much all pointing in one direction here.

11 Which is why as I said earlier here and I  
12 think Philippe did as well that this is pretty  
13 straightforward. There's not big lags, issues you  
14 come across in some steel cases, it's all happening at  
15 the same time. So I think based on past Commission  
16 practice that the record kind of speaks for itself,  
17 and many of the methods the Commission has used in  
18 establishing injury and threat of injury.

19 CHAIRMAN OKUN: That reminds me, and you may  
20 have commented to this earlier which is, in terms of  
21 prices and volume of the contracts you receive, that's  
22 set when? So you have the line review, that's not  
23 when they make the purchases?

24 MR. FRETWELL: No, ma'am, the contract  
25 prices are established at the line review.

1 CHAIRMAN OKUN: At the line review.

2 MR. FRETWELL: When the forecast is given.  
3 And generally speaking the forecast does not change.  
4 I mean there'll be minor fluctuations, maybe the mix  
5 will change between colors, maybe the dates might  
6 shift. But generally speaking the contracts, the  
7 purchase orders will be written in the same way that  
8 the forecast is given.

9 CHAIRMAN OKUN: Okay, and then the volume  
10 commitments?

11 MR. FRETWELL: Yes, ma'am, there might be a  
12 slight variation but it's not like it's going to go  
13 from, you know, 100 percent to 50 percent. Once we've  
14 secured the business we've secured the business and  
15 the question of how you fine tune the actual purchase.

16 CHAIRMAN OKUN: Okay, and are there any  
17 clauses, either release clauses or is there anything  
18 else built in, other factors that may come into play?

19 MR. FRETWELL: No, not necessarily. Again  
20 it's the forecast is somewhat, again it's not binding,  
21 but generally speaking the retailers look at this once  
22 a year and they decide to purchase once a year and  
23 they're committed to that.

24 CHAIRMAN OKUN: Okay. Mr. Bruno?

25 MR. BRUNO: Yes, I wanted to add that in the



1 staff report, and I think the staff was fully aware of  
2 the seasonality issues regarding to prices and they  
3 came up with these so called linear trend prices and  
4 so forth, which I think are very telling in this case,  
5 and you'll see a discussion of that in one of the  
6 sections of the brief that we submitted prior to this  
7 hearing.

8 And I think that was the attempt by the  
9 staff to sort of smooth out the seasonality issues,  
10 the differences in prices and so forth. Because if  
11 you look at prices, price fluctuations from quarter to  
12 quarter, you see that the prices are really set and it  
13 really becomes in our view meaningful during the high  
14 volume quarters which are the third and the fourth.

15 CHAIRMAN OKUN: Okay. Yes, Dr. Kaplan?

16 MR. KAPLAN: Yeah, I mean this goes to one  
17 of the points the Commission looks at is that, which  
18 prices are falling faster? And I think that's yet a -  
19 - you sometimes look at the change in the change, and  
20 that's yet also demonstrates what you traditionally  
21 cite and find in affirmative determinations.

22 CHAIRMAN OKUN: Okay, I appreciate all those  
23 responses. Commissioner Lane.

24 COMMISSIONER LANE: Thank you. Ms. Madigan,  
25 these questions I think are for you. Table 6-1 at

1 page 63 presents standalone electric blanket financial  
2 results, but it is generally understood that Jarden  
3 does not routinely track electric blanket financial  
4 results at this level of detail. In your normal  
5 course of its operations what are the important  
6 performance indicators related to WEB activity that  
7 the company routinely tracks, and how did these  
8 specific performance indicators change during the  
9 period examined?

10 MS. MADIGAN: I'll provide more details in  
11 the postconference brief, but generally speaking we  
12 look at our product categories within the bedding  
13 business. The bedding business is a part of Jarden  
14 Consumer Solutions. It has a standalone PNL for  
15 management reporting purposes, and within that to help  
16 our marketing team and our operations team and  
17 management make decisions, we routinely do reporting  
18 at a category basis.

19 So we would split that down into the  
20 fabrics, how many units of such fabric had with this  
21 kind of a controller, and that also helps us with our  
22 demand planning and our supply planning. Typically at  
23 that level we look at it at the direct margin, which  
24 is the gross sales less the standard cost of sales,  
25 and that's the level of detail that we typically look

1 at at that point in time.

2 COMMISSIONER LANE: Okay, thank you. Okay,  
3 if you don't routinely track the electric blanket  
4 financial results at the level of detail presented in  
5 table 6-1, how do you evaluate, how do you normally  
6 evaluate the financial results for your electric  
7 blankets?

8 MS. MADIGAN: We have a PNL for what we call  
9 the bedding business, but that --

10 COMMISSIONER LANE: Okay, but you don't  
11 break it down just with electric blankets apart from  
12 the other bedding products?

13 MS. MADIGAN: We do at a purely just direct  
14 margin basis is the level. We wouldn't have a full  
15 allocated PNL which we did for the purposes of this  
16 investigation, we would look at it as a gross sales  
17 less the standard product cost of sales, which is the  
18 cost coming from the plant basically.

19 COMMISSIONER LANE: Okay, thank you. And  
20 you may be the right person to answer this or it may  
21 be Dr. Kaplan. Table 6-1 of the prehearing staff  
22 report indicates a decline in WEB net sales, sales  
23 volumes, and operating results during the period  
24 examined. In order for the electric blankets to  
25 remain viable from the company's perspective, do the

1 sales volumes, net sales, and relative profitability  
2 have to return to the levels reported in 2007 and  
3 prior or does the company envision a continued role  
4 for U.S. produced electric blankets at the lower price  
5 level reported at the end of the period?

6 MR. KAPLAN: This is kind of above my pay  
7 grade. It's not for me to answer, so I'm going to --

8 COMMISSIONER LANE: Well what I guess I'm  
9 asking is, do you envision that in order for the  
10 company to be profitable do you have to return to the  
11 level prior to, or at 2007, or are you going to figure  
12 out that what's happening right now is sustainable?

13 MR. KAPLAN: At a very high level,  
14 Commissioner, I don't think that we feel that we need  
15 to get back to 2000 levels in order to remain viable.  
16 That would be our goal, but on the other hand we are  
17 getting to the point where we are looking at this  
18 business, and certainly the way we do this business  
19 today is being close to not viable. So the reason  
20 we're here today is to ask for the Commission to help  
21 us address this dumping issue that would help us move  
22 in the right direction.

23 COMMISSIONER LANE: Has Jarden had to lay  
24 off additional employees in 2010? Mr. Sullivan?

25 MR. SULLIVAN: We had a voluntary and

1 involuntary sewerage program, and the answer to that  
2 question is yes, quantity of the employees is 62 --  
3 and let me restate that, in the Waynesboro facility, I  
4 don't know about anywhere else, but as far as bedding  
5 it's 62.

6 COMMISSIONER LANE: Okay. If the Commission  
7 went affirmative in this case, would you then think  
8 that you would be rehiring some of those employees?

9 MR. SULLIVAN: That is a possibility, but  
10 I'm not sure.

11 COMMISSIONER LANE: Okay. If the  
12 antidumping duties were placed on the Chinese electric  
13 blankets, do you anticipate competition from other low  
14 cost subject imports from other countries, such as the  
15 Philippines?

16 MR. POWERS: That's certainly possible, yes.

17 COMMISSIONER LANE: Okay. Okay, now we're  
18 going to go back to just sort of a basic question. If  
19 Jarden's blankets are superior in quality, then why  
20 are people buying cheaper priced blankets?

21 MR. POWERS: Well that's been one of our  
22 frustrations, Commissioner, and we feel like the very  
23 strong story that we have in terms of our brand and  
24 our product quality is being totally overwhelmed by  
25 the pricing issue. And I think that that goes back to

1 the, you know, the constant pressure that our  
2 customers have to improve their profitability as well.  
3 So while it's our job to differentiate our product  
4 from the competition, the unfortunate reality is today  
5 in this environment the product is treated much more  
6 like a commodity than we'd like it to be.

7           COMMISSIONER LANE: Going back to my earlier  
8 question, which was that you're basically at the whim  
9 of the customer and where the customer shops. So if I  
10 go into store A and it only has Chinese imports and I  
11 want a blanket I'm probably going to buy that. So do  
12 you work with your customers and do you share with  
13 them marketing packages and marketing ideas to market  
14 your product and to help the stores run big sales so  
15 that Commissioner Williamson can go buy a nice blanket  
16 when it gets cold this winter?

17           MR. POWERS: Yes, absolutely. In the past  
18 those marketing programs were a much bigger part of  
19 the value equation that we offer our customers. We  
20 used to run TV on this product, we used to underwrite  
21 promotions. But our profitability has suffered  
22 significantly in recent times where we've been unable  
23 to do that, in fact we cut the promotional budget  
24 significantly this last season because of the kind of  
25 numbers that you saw from that slide.

1                   COMMISSIONER LANE: Okay, thank you. Does  
2 anybody have anything they want to add to that? If  
3 not, I appreciate your being here today, and I don't  
4 have any more questions, Madam Chair.

5                   CHAIRMAN OKUN: Commissioner Pearson.

6                   COMMISSIONER PEARSON: Thank you, Madam  
7 Chairman. I have just one. Commissioner Lane made  
8 reference to imports from the Philippines. Do you  
9 have any information regarding the possible growth of  
10 the industry in the Philippines and a connection that  
11 there might be between Chinese producers and  
12 Philippine producers, either now or in the  
13 posthearing?

14                  MR. POWERS: We have heard, and we won't  
15 know for sure until this coming season, but we have  
16 heard that there will be product coming out of the  
17 Philippines in the market this year.

18                  COMMISSIONER PEARSON: But you don't know  
19 whether there's any linkage with producers in China?

20                  MR. POWERS: We have heard that actually.  
21 And we can certainly provide you with more details in  
22 postconference, but we have heard that former  
23 producers in China have moved the shipping of the  
24 product out of the Philippines.

25                  COMMISSIONER PEARSON: Okay. It would be

1 your understanding that there is actual production in  
2 the Philippines and not just a transshipment issue?

3 MR. POWERS: It's just not clear to us yet.  
4 We speculated that that, you know, that's a concern of  
5 ours, we speculated that that may be the case. But  
6 again until we see the product on the market this  
7 season it's all speculation.

8 COMMISSIONER PEARSON: Okay, well fair  
9 enough. If you're able to provide additional  
10 information in the posthearing that would be  
11 appreciated. Madam Chairman, I think that ends my  
12 questions, so I'd like to thank all members of this  
13 panel for being with us today.

14 MR. POWERS: Thank you.

15 CHAIRMAN OKUN: Commissioner Aranoff.

16 COMMISSIONER ARANOFF: Frequently when I  
17 walk into a retailer to look at bedding products, you  
18 see that the retailer's using that sort of good better  
19 best marketing strategy where you're going to see  
20 several different price points of the same product and  
21 some may be branded, some may be private label, or,  
22 you know, there's some differences. It doesn't sound  
23 like that's the case for this product. Am I correct?

24 MR. POWERS: It actually, it actually is a  
25 fairly similar merchandising strategy where you do



1 have a good, better, and best product lineup.  
2 Sometimes it's just good and better, sometimes it's  
3 better and best depending on the retailer and the  
4 price points that they're looking to do business in.  
5 And the branding strategies again vary by retailer.  
6 You have seen a move towards more private label brands  
7 in the domestics categories, which include all of  
8 bedding and blankets as well as our electric blankets.

9 COMMISSIONER ARANOFF: Okay, so if I'm in  
10 the market for say a queen sized electric blanket and  
11 I walk into a bedding retailer and I'm looking on the  
12 shelf, I'm likely to see just, you know, one queen  
13 sized in two colors or am I going to see, you know, a  
14 good and better or a good and better best all queen  
15 sized each one in a couple colors?

16 MR. POWERS: I think there's a good  
17 likelihood that you'll see a woven product at the  
18 opening price point, basic colors, a basic traditional  
19 blanket that is low priced. And then I think you're  
20 likely to see step up products, either a better or  
21 maybe a better and a best, and a nonwoven product with  
22 more colors, more fashion, more prints, and you know,  
23 a softer feel of the fabric.

24 COMMISSIONER ARANOFF: So I would only see  
25 the woven product at the opening price point, that

1 would never be the better product?

2 MR. FRETWELL: Ms. Aranoff, in some cases  
3 the blend types will be positioned as a better product  
4 and sometimes a different weave pattern can also be  
5 used as a step up to the good product.

6 COMMISSIONER ARANOFF: Okay, well good,  
7 that's a segue into another question that I had which  
8 was the difference between the synthetic and the blend  
9 among the woven products. What makes the blend  
10 products, either is or is perceived as, a better  
11 product?

12 MR. FRETWELL: It's typically the feel of  
13 it, the hand of it. So as Mr. Sullivan described if  
14 the product is nap the increase of the nonsynthetic,  
15 whether it's a cotton or it's an acrylic, that'll help  
16 the product have a different feel to it, and that just  
17 helps establish the different quality level.

18 COMMISSIONER ARANOFF: Okay, okay. And does  
19 that get you to a feel that's comparable to fleece?

20 MR. FRETWELL: Well it's interesting, I  
21 would think it would actually really depend on who you  
22 ask. In some cases there are specific consumers who  
23 do not like the feel of fleece, who like the feel of a  
24 woven or even a microplush potentially. It really  
25 comes down to personal preference more than anything

1 else.

2 COMMISSIONER ARANOFF: Okay. Now  
3 Commissioner Lane keeps raising this, but the premise  
4 seems to be here that the typical consumer who is  
5 going out to buy an electric blanket has in mind that  
6 he wants an electric blanket and he has in mind his  
7 favorite retailer that he's going to go to to get that  
8 blanket, and then maybe he's going to have a couple of  
9 choices in the size that he needs. So have you done  
10 any market research or seen any market research that  
11 retailers have done that really helps you to  
12 understand the behavior of the ultimate purchaser  
13 relative to price?

14 It seems like if the purchaser just goes to  
15 their favorite retailer and buys whatever's there,  
16 they're not really that price sensitive. Whereas, I  
17 mean do you have any research that says that  
18 purchasers actually, you know, compare the Sunday ads  
19 in the paper before they go out and decide which store  
20 they're going to go buy their electric blanket at? It  
21 seems like it's a smaller purchase. You might do that  
22 for a washing machine or maybe even for a comforter,  
23 but not necessarily for an electric blanket?

24 MR. POWERS: Well I think people certainly,  
25 especially in the lower income demographics, they shop

1 those circulars, they will lay them out on the living  
2 room floor, especially around the high promotional  
3 times like Black Friday's in November where electric  
4 blankets have been promoted heavily in the last few  
5 years based upon some of the pricing of the imported  
6 wovens. They've hit prices that we've never seen  
7 before. So clearly it is something that is shopped,  
8 you could buy an electric blanket in some cases for  
9 under \$20, \$15, \$16, \$17 for a woven electric blanket.  
10 So it is something that is shopped based upon price.  
11 And unfortunately it's typically the woven products  
12 that are ones that are heavily promoted.

13 COMMISSIONER ARANOFF: Okay. So have you  
14 seen any market research that could give you a sense  
15 of what percentage of the customers for these things  
16 are really going to be those kind of comparison  
17 shoppers versus the ones who, you know, are just going  
18 to pick their favorite store and select from what's  
19 there?

20 MR. POWERS: I'm not aware of any specific  
21 research that speaks to that.

22 COMMISSIONER ARANOFF: Okay. Dr. Kaplan?

23 MR. KAPLAN: Part of it as well though, and  
24 this is the pressure I think a lot of suppliers to  
25 these retailers are under, they are looking incredibly

1 carefully at what their competition is charging, and  
2 product by product there is less of a, you know, a  
3 price discrimination issue on, maybe we could, you  
4 know, mark up this one more than that one, they want  
5 to be known as the store with low prices for the  
6 products they're carrying.

7 And so in each of the product categories the  
8 stores themselves are putting tremendous pressure on  
9 looking at the prices and the price points of their  
10 competitors. And then on top of that you do have the  
11 comparisons that were just discussed of people that,  
12 you know, do shop at K-Mart and they go to Target and  
13 they go to Sears and they go to Wal-Mart on different  
14 occasions, as they compare the circulars and say, you  
15 know, where should we be going to get this stuff?

16 COMMISSIONER ARANOFF: Okay. Okay, I guess  
17 they have the time on their hands to do that, that  
18 hasn't been my personal experience. And speaking of  
19 personal experience, if you ever invent the battery  
20 operated blanket, let me know because, you know, we  
21 lose our power every winter, we freeze. I hope you  
22 create a solution for us. Let me turn to another  
23 issue. One of the non, you know, the incentives  
24 that's related to price that we all talked about was  
25 taking back or buying back unsold inventories from

1 retailers. I gather that's a fairly common practice  
2 now. Has it always been a common practice even before  
3 the Chinese product entered the market in significant  
4 quantities?

5 MR. SULLIVAN: The answer is it has been a  
6 common practice, and quite frankly the level of what  
7 we call returns, which are not defective they're just  
8 returns from the store that didn't sell, are typically  
9 associated with the weather. In other words if you  
10 have a cold winter you tend not to get as many back.

11 COMMISSIONER ARANOFF: Okay. And what  
12 happens to those returns? Do you try to sell them  
13 off? I know there was mention to big lots or, you  
14 know, other sort of after-market type of retailers  
15 that consolidate leftovers. Is that what you try to  
16 do with them or would you hold them and reuse them the  
17 next season?

18 MR. SULLIVAN: Well, first of all, if they  
19 come in and they are in a state by which there has  
20 been no damage to the product, meaning there's no  
21 damage to even the packaging, then we would typically  
22 turn them around and put them into, you know, either  
23 what we call a bank stock, which is a level that is,  
24 you know, of the product that doesn't include the  
25 control or the packaging, or we put them in the

1 finished goods.

2 That typically doesn't happen, they  
3 typically come in damaged. So what happens is that we  
4 -- and I don't mean the product's damaged, I mean the  
5 literature's damaged, so the package is, the box is  
6 bent, it's not in a sellable condition. So what we  
7 end up doing is we end up taking the material through  
8 the packaging department and putting it into a  
9 condition by which it can then be reprocessed and sold  
10 again to whoever the next customer might be.

11 COMMISSIONER ARANOFF: Right, and is it your  
12 experience that you tend to sell them off same season  
13 or do you tend to end up saving them and reusing them  
14 the next season?

15 MR. FRETWELL: Yes, ma'am, generally  
16 speaking the majority of them are resold the following  
17 season due to the lateness of the returns. And we'll  
18 use a lot of those products to try and craft a program  
19 for another consumer or another customer for the  
20 following year.

21 COMMISSIONER ARANOFF: So you've got to hope  
22 that the color preferences haven't changed?

23 MR. FRETWELL: Yes, ma'am.

24 COMMISSIONER ARANOFF: Okay. Now  
25 Commissioner Williamson asked this question and I just

1 want to ask again to get a more specific answer for  
2 the posthearing. He had asked about private label and  
3 the prevalence of private label products. Can you  
4 just supply us for posthearing for each year of the  
5 period of investigation what percentage of your sales  
6 were private label products, and also whether there  
7 was a point in recent history where that percentage  
8 might have been significantly greater than it is now?

9 MR. BRUNO: We will provide that in the  
10 postconference briefs.

11 COMMISSIONER ARANOFF: Thank you very much.  
12 Thank you, Madam Chairman.

13 CHAIRMAN OKUN: Commissioner Williamson.

14 COMMISSIONER WILLIAMSON: Thank you, Madam  
15 Chairman, just a couple of questions. This could be  
16 posthearing. Table 4-2 of the prehearing report shows  
17 a trend in average unit value for subject imports, and  
18 I just want to know how you would account for this  
19 trend, because it seems to be different from the  
20 things that Mr. Kaplan's been suggesting. So if you  
21 can take a look at that table.

22 And on pages 26 and 27 of your prehearing  
23 brief you provide information regarding several  
24 Chinese producers of electric blankets, and provide  
25 estimate production and export data, and I was just



1 wondering if you have any information on whether or  
2 not these companies are shipping woven electric  
3 blankets as opposed to knitted electric blankets? So  
4 if you take a look at the what you've given on those  
5 two pages and clarify that posthearing I would  
6 appreciate it. And with that, I have no further  
7 questions. Thank you.

8 CHAIRMAN OKUN: Let me see if there's  
9 another round. Commissioner Pinkert.

10 COMMISSIONER PINKERT: I just have one  
11 additional question. On page 15 of your public  
12 prehearing brief you talked about the success of the  
13 company in lowering SC&A expenses. I'm wondering, is  
14 the company at the end of that process, do you expect  
15 that process to continue? And perhaps in answering  
16 that question you can talk about the nature of the  
17 efforts themselves.

18 MR. POWERS: Well I think we touched upon  
19 them in a couple of ways before. One, we  
20 unfortunately had to reduce overhead in our plant in  
21 Waynesboro. We've also reduced our promotional budget  
22 and our advertising budget. We've had to reduce our  
23 R&D efforts, and I'm looking to, you know, the great  
24 newer products like the battery powered products. So  
25 those are kind of the nature of them. Our hope is

1 that if we can level the playing field here then we  
2 are going to reverse the trend, get back customers,  
3 and then be able to reinvest in this business.

4 COMMISSIONER PINKERT: Thank you. If there  
5 is no further comment on that issue, I just want to  
6 thank the panel and I look forward to the posthearing  
7 submission. Thank you.

8 CHAIRMAN OKUN: Commissioner Aranoff.

9 COMMISSIONER ARANOFF: Guess I'm the only  
10 one left with questions. In the preliminary stage of  
11 the investigation, the Respondents at that time argued  
12 that retailers don't want to compete with Wal-Mart on  
13 price to sell Sunbeam branded woven electric blankets,  
14 and therefore would sometimes prefer to sell under  
15 another recognized brand name other than a private  
16 label. Would you agree that this is a legitimate  
17 marketing concern, and what is Jarden able to do to  
18 address that concern?

19 MR. POWERS: We, I mean I don't really agree  
20 with that statement. We do business with all of these  
21 retailers in all of the categories that fall under my  
22 business on a regular basis, and so we've become very  
23 good at differentiating product mixes and assortments  
24 with all these retailers in the search for peaceful  
25 coexistence. So this is something that we do as a

1 matter of course. So I think that we certainly, as  
2 Mike showed you, have the variables to differentiate  
3 our product mix and other elements besides brand that  
4 would allow all of our customers to be competitive.

5 MR. FRETWELL: And if I might, the consumer  
6 when they go to purchase the product, the brand  
7 specifically on a heated electric blanket, as Mr.  
8 Sullivan mentioned, you know, they're using it when  
9 they're asleep at night, when they're not fully  
10 cognizant of what's going on, the brand and the  
11 performance and the safety. And that brand  
12 connotation and that brand connection to safety is  
13 something that consumers look for, and so they want a  
14 brand to make them feel like they're not buying a  
15 cheap Chinese product.

16 So for that instance the consumers need a  
17 brand to latch onto, and Sunbeam, you know, as we  
18 mentioned, 97 percent unaided brand awareness, it's  
19 known as a quality durable reliable product. So it  
20 kind of goes to, how do you differentiate so that,  
21 that's a brand that consumers want, we have to  
22 differentiate so that different retailers can have  
23 different things but the brand is an important part of  
24 the consumer purchase.

25 COMMISSIONER ARANOFF: Okay, but you know,

1 you've testified that there are these consumers who  
2 are taking all the ad circulars out and they are  
3 comparing, and you know, they know they need an  
4 electric blanket and they know what size their bed is  
5 so they know what they need there, and they may have a  
6 color preference. But, you know, beyond that I mean  
7 if they really are comparing prices and they see  
8 Sunbeam at Wal-Mart and Sunbeam at two or three other  
9 retailers and Wal-Mart has the lowest price, I mean  
10 are those other retailers, you know, legitimately  
11 concerned that the name recognition value is not  
12 enough to get the consumers in the store because  
13 they're going to get it for a cheaper price somewhere  
14 else and maybe they'd rather just have a different  
15 name?

16 MR. FRETWELL: As we mentioned, the price  
17 pressure that the retailers are under and the ability  
18 to show discounted prices relative to the rest of the  
19 marketplace somewhat neutralizes the retailer's belief  
20 that brand will carry the weight. And so in some  
21 respects the department that this product is sold in,  
22 in a domestics department where it's sold with, you  
23 know, nonheated blankets, nonheated sheets and pillows  
24 and things of that sort, where it is all about feel  
25 and it is all about price because that's what that

1 consumer's interested in, those retailers tend to look  
2 at this product kind of along those same lines as  
3 well, and it in some respects can get discounted.

4 MR. POWERS: Let me just try to clarify.  
5 Again I go back to some of the other businesses that  
6 are part of the personal comfort and wellness  
7 business, whether it be heaters, fans, humidifiers, a  
8 lot of which are considered almost a commodity type  
9 product as well where we have the very same issues,  
10 and we've been able to very successfully differentiate  
11 our product lines amongst these different retailers  
12 and enjoy a high market share with all of them in  
13 these categories. So we know how to do that.

14 I can't tell you that it's not challenging  
15 when there is an ad in the paper, and I don't get  
16 phone calls once in a while because it's all these  
17 retailers are looking to compete with each other. But  
18 in order to be successful in this business you have to  
19 be able to differentiate customers with a given brand,  
20 using other things like price point and feature sets  
21 and things like that.

22 COMMISSIONER ARANOFF: In the preliminary  
23 stage of this investigation the Respondents were  
24 arguing that the market is shifting to nonwoven  
25 blankets. And of course as you know from looking at

1 our staff report, our data just don't show that any  
2 such shift has occurred in the period that we looked  
3 at, and yet we have all these purchasers or importers  
4 arguing that that's the case and Jarden itself has  
5 invested in the production of nonwovens. And so to  
6 the extent that you can discuss it here, what explains  
7 that apparent contradiction?

8 MR. POWERS: Well I can speak to our  
9 experience. I mentioned before sort of a well  
10 established merchandising hierarchy the good better  
11 best with wovens being the good and some of the  
12 nonwoven products, fleece and microplush,  
13 traditionally occupying the better and the best. What  
14 has happened with, in the short term for us, is  
15 because the price of wovens has been knocked down and  
16 we've seen those kind of price points advertised for  
17 woven product, it's created a lot of consternation  
18 amongst the retailers, and they're trying to  
19 anticipate how low it's going to go and how they  
20 should respond.

21 And there's a couple ways to respond. One  
22 is to try to go even lower, which is a race to the  
23 bottom for everybody involved, and the other is to try  
24 to differentiate their product offering. So one of  
25 the reasons that we added new capabilities to make a

1 nonwoven product in Waynesboro is to try to help one  
2 of our major customers differentiate and be able to  
3 compete on a different dimension than simply price.

4 COMMISSIONER ARANOFF: So this gives you a  
5 chance with the customers that are maybe less price  
6 sensitive and are looking more for qualities in the  
7 product.

8 MR. POWERS: Yes.

9 COMMISSIONER ARANOFF: Okay. And who's the  
10 competition for nonwoven, is it domestic or imports?

11 MR. POWERS: The competition for nonwoven is  
12 primarily imports. I don't know of any --

13 COMMISSIONER ARANOFF: Still from China or  
14 from other countries?

15 MR. POWERS: Nonwoven manufacturers,  
16 primarily from China.

17 COMMISSIONER ARANOFF: Okay. Okay, and one  
18 last question is, you've told us that there's a  
19 difference in price point at which you can sell the  
20 woven and nonwoven, but is that reflected in  
21 production costs as well, that the nonwovens sell at a  
22 higher price point and they actually cost more to  
23 produce, or is some of it, you know, that consumer  
24 perception of better quality allows you to get a  
25 higher margin on the product?

1           MR. POWERS: We clearly believe that the  
2 lowest cost product to produce is a woven product,  
3 whether it be in the United States or China or  
4 anywhere else. But there is also that element that  
5 there's a perceived value, and part of the  
6 merchandising is try to create a different price point  
7 with a nonwoven product as well. So it's a little of  
8 both.

9           COMMISSIONER ARANOFF: Okay, I appreciate  
10 those answers very much. And with that I have no  
11 further questions for the panel. Thanks, Madam  
12 Chairman.

13           CHAIRMAN OKUN: If there are no other  
14 questions from my colleagues, let me turn to the staff  
15 to see if they have questions for this panel.

16           MR. DEYMAN: George Deyman, Office of  
17 Investigations. The staff has no questions.

18           CHAIRMAN OKUN: Thank you. Since there's no  
19 need for rebuttal, Mr. Bruno, you can go directly to  
20 your closing statement.

21           MR. BRUNO: My colleague Irwin Altschuler is  
22 going to do the closing statement, thank you.

23           CHAIRMAN OKUN: Thank you.

24           MR. ALTSCHULER: Thank you, Madam Chair,  
25 Commissioners. I'll be brief. Our case is about a



1 quality U.S. company with an excellent brand, an  
2 excellent product, efficient production, marked by  
3 investments in technology and its workforce and  
4 customer orientation in its sales efforts. Then came  
5 the dumped imports from China. The dumping margins as  
6 we confirmed yesterday are very large. Low prices  
7 have become determinative in purchasers' decisions,  
8 and the low priced imports have taken Sunbeam's  
9 customers one by one.

10 And along with the dumping have come the  
11 expected underselling, price depression, price  
12 suppression, and the resulting lost sales, lost  
13 revenues, lost profits have accelerated along with the  
14 volume of the dumped imports. Sunbeam's capacity  
15 utilization is down to about 30 percent. There have  
16 been layoffs, and there's a good chance of more and  
17 worse if the dumped imports aren't stopped. We ask  
18 you, Members of the Commission, on behalf of Sunbeam  
19 and its workers, to stop the dumped imports. Thank  
20 you.

21 CHAIRMAN OKUN: Thank you. And again thank  
22 you to all the witnesses for being here today.  
23 Posthearing briefs, statements responsive to  
24 questions, and requests to the Commission and  
25 corrections to the transcript must be filed by July 6,

1 2010.

2 MR. BRUNO: We're wondering if we could get  
3 a little extension for the posthearing briefs. They  
4 are due the 6th of July at this point, which is right  
5 after the 4th of July weekend. We were wondering if  
6 we could get until the 9th of July which is that  
7 Friday.

8 CHAIRMAN OKUN: Mr. Bruno, will you prepare  
9 your request in writing and I'll take it under  
10 advisement and consult this staff and we will get back  
11 to you?

12 MR. BRUNO: Thank you.

13 CHAIRMAN OKUN: Closing the record, final  
14 release of data to parties July 21st, 2010, final  
15 comments due July 23rd, 2010. And with that, this  
16 hearing is adjourned.

17 (Whereupon, at 12:23 p.m., the hearing in  
18 the above-entitled matter was adjourned.)

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**CERTIFICATION OF TRANSCRIPTION****TITLE:** Woven Electrical Blankets from China**INVESTIGATION NO.:** 731-TA-1163**HEARING DATE:** June 29, 2010**LOCATION:** Washington, D.C.**NATURE OF HEARING:** Hearing

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:** June 29, 2010

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) 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 proceeding(s).

**SIGNED:** Rebecca McCrary  
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I hereby certify that I reported the above-referenced proceeding(s) 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 proceeding(s).

**SIGNED:** Gabriel Gheorghiu  
Signature of Court Reporter