

## **Brazeway, Inc. Summary of Position**

Brazeway is a manufacturer of extruded aluminum tubing and fabricator of various heat transfer components. Our aluminum extruded and fabricated products are used in the air conditioning, automobile, home appliance and commercial refrigeration industries.

After years of steady growth in our core markets, and working with our customers to develop new energy efficient designs, we had achieved a position as the largest supplier of Finned Evaporator Coils (FEC's) in North America. In 2005 things began to change. Due to low priced Chinese imports, we were starting to lose business, not in small increments, but entire platforms, hundreds of thousands of units at a time, and millions of dollars in sales.

By 2008, we had lost over 85 percent of our FEC sales to one of our five largest customer's. In addition, another one of our five largest customers threatened to take similar steps and move substantial portions of their business to Chinese suppliers. If that had happened, that loss of market share would have crippled Brazeway's FEC business. In order to stay in business, we were forced to cut prices, on our remaining business by millions of dollars, to two of our largest customers to meet "The China" price.

At this time FEC's represented 50% of Brazeway's overall sales. We saw this loss of FEC business as the first domino to fall, it would almost certainly have extended into our other fabricated components and product lines, and ultimately back to our base aluminum extrusion business that supports all of our fabrication as well as direct tube sales.

We were forced to close our factory in Adrian, Michigan, the location where we were founded. This included permanent layoffs as well as cancelling and reducing benefits to remaining workers. We reduced our US workforce by 22%. We had to cancel or postpone capital investment and product Research and Development in order to cut costs to offset the lower prices caused by Chinese imports. We did this in order to retain 'some business', so that we could remain 'in business'. This price suppression resulted in reduced profitability and significant losses, threatening our existence.

As an additional part of our strategy to stay in business, and compete with the low priced Chinese imports, we moved a portion of our FEC production to Mexico. But we maintained all our aluminum extrusion operations at our two US plants. Following our large appliance and HVAC OEM's to Mexico has allowed us to locate in close

proximity to our customers and reduce supply-chain costs as another way to remain competitive.

In 2011, the Department of Commerce found that Chinese extruded aluminum products, including FEC's, were being imported and sold at prices below the cost of production (they were being dumped), and that our Chinese competitors were receiving illegal Chinese government export subsidies. The International Trade Commission (ITC) found that the US extruded aluminum industry was suffering material injury. As a result, Commerce imposed significant antidumping and countervailing duties on Chinese imports of extruded aluminum products, including FEC's.

Following the ITC investigation, and as a result of the antidumping and countervailing duties imposed by Commerce, prices stabilized at this new reduced level. Major lost customers returned. Customers who had threatened to leave for Chinese imports stayed.

Although the FEC prices had been impacted already, the antidumping and countervailing duties ceased the immediate pending impact of further price reductions to our products. The stabilization of the market resulted in increased sales, stability of price and profits, and have since allowed Brazeway to expand our plants, invest in new equipment, increase production, and increase Research and Development in the United States. The majority of our investments have been in aluminum extrusion technology to expand into new markets, such as the shift from copper to aluminum in the commercial and residential HVAC market.

Since the Order was imposed by Commerce, our investment in new aluminum extrusion technology and capacity has been in excess of \$20 million. This has resulted in a doubling of our capacity to 90 million lbs of tube per year. Moreover, to support growth in our business, we have been able to grow our US workforce by 36% and provide wage increases for our people.

We are the largest extruder of refrigeration grade round tube for appliance and HVAC in North America. Brazeway continues to manufacture FEC's at one of our plants in the United States. FEC production in both the United States and Mexico relies on extruded aluminum tube, manufactured by Brazeway, at our two US factories located in Hopkinsville, Kentucky and Shelbyville, Indiana.

In response to ongoing competitive threats within the healthy US marketplace, we have found it necessary to continue to pass on concessions (in pricing, terms and conditions, etc.) to our customers. As we are currently negotiating long term supply contracts with our major customers, we are finding that they are resistant to enter into

new agreements, signaling that they have lower prices offered from Chinese sources, and that they would be willing to again leave for the dumped Chinese imports if possible.

Additionally, they are threatening further price pressure, by advising that Chinese competition may locate to Mexico, where there are no antidumping or countervailing duties, and where subsidized material would be allowed to enter and we will once again be unable to reasonably compete due to unfair trade. Chinese prices for extruded aluminum products and FEC's, in Mexico are in some cases below cost of production. Taking advantage of this, Mexico exports significant amounts of appliances to the United States, including refrigerators manufactured by Brazeway's main customers.

If the antidumping and countervailing duties were removed, the situation that existed prior to their being put in place would almost certainly return, with the same adverse results to wages, prices, employment, profitability and lost customers.

Furthermore, as a user of aluminum prime billet and fin from US producers like Century, Norandal and others represented here today, we have been extremely concerned about unfair stockpiling of aluminum in China (and Mexico as well) and how this has negatively impacted the LME to the point that other global producers, specifically in the US, cannot be profitable at the suppressed price levels.

We have built our US plants around our supply chain. Without it, we are concerned we would have to move all supply purchases offshore to compete. The health of the US primes, extruders, and fabricators of Aluminum products directly impacts major markets like Appliances, HVAC and Automotive. The ripple effects are profound.

In summary, the state of the aluminum extrusion business in the United States as concerns FEC's is stable and is growing. Profits are at a sustainable level and investments into new products and technologies are increasing, which is delivering benefits in the form of reduced environmental impact and greater energy efficiency. The single-largest threat to the US FEC industry is renewed predatory market behavior by Chinese producers and importers.